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# ASX Release:

## Yancoal to establish joint venture with Glencore for Coal & Allied Hunter Valley Operations

### Highlights:

- Yancoal Australia Ltd and Glencore Coal Pty Ltd to establish a 51:49 unincorporated Joint Venture in relation to Hunter Valley Operations (“HVO”)
- Glencore to acquire a 49% interest in HVO for:
  - cash consideration of US\$1,139 million, of which US\$710 million will be paid to Mitsubishi Development Pty Ltd (“MDP”) and US\$429 million paid to Yancoal;<sup>1</sup>
  - assumption of a 27.9% share of US\$240 million of non-contingent royalties and 49% of the HVO contingent royalties payable by Yancoal in respect of the Coal & Allied acquisition
- Yancoal and Glencore to jointly unlock substantial operational synergies in addition to those synergies identified with Yancoal’s existing operations
- Transaction to have an economic effective date on completion of the Coal & Allied acquisition
- Glencore to subscribe for US\$300 million of any shortfall shares in Yancoal’s proposed Entitlement Offer.

### Transaction overview

Yancoal Australia Ltd (ASX: YAL) (“Yancoal” or the “Company”) has entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore Coal Pty Ltd (“Glencore”) in relation to Hunter Valley Operations (“HVO JV”), following completion of Yancoal’s acquisition of Coal & Allied (the “Transaction”), as announced January 24, 2017.

Glencore will pay cash consideration of US\$1,139 million for 49% of HVO, of which US\$710 million will be paid to Mitsubishi Development Pty Ltd (“MDP”) and US\$429 million paid to Yancoal, plus a 27.9% share of US\$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by Yancoal in respect of the Coal & Allied acquisition.

Glencore will acquire Mitsubishi Development Pty Ltd’s (“MDP”) 32.4% HVO interest directly from MDP in place of Yancoal’s tag-along offer, subject to MDP consent.<sup>2</sup>

<sup>1</sup> US\$710 million represents the consideration that would have been payable by Yancoal under its tag-along offer with MDP.

<sup>2</sup> Otherwise Yancoal and Glencore will seek to implement other arrangement(s) for an equivalent 49% outcome.

In addition, Glencore has agreed to support Yancoal's proposed Entitlement Offer for the Coal & Allied transaction and will subscribe for any shortfall shares up to US\$300 million.

The HVO JV will be jointly controlled by Yancoal and Glencore through a Joint-Venture Management Committee ("JVMC"), and managed by an independent management team to be appointed by the JVMC.

In order to deliver maximum operational synergies, Glencore will nominate the candidates for HVO General Manager, while Yancoal will nominate the candidates for HVO Financial Controller. Glencore will provide operational and support services to the HVO JV.

Yancoal will be appointed as the exclusive marketing representative for sales of HVO JV coal products in China, Taiwan (other than for certain specified customers), Thailand and Malaysia. Glencore will be appointed as the exclusive marketing representative for sales of HVO JV coal products in all other countries and jurisdictions.

The Transaction has the full support of Yancoal's majority shareholder, Yanzhou Coal Mining Co Ltd ("Yanzhou") and Yanzhou's 56% shareholder, Yankuang Group Co Ltd ("Yankuang").

Commenting on the Transaction, Yancoal Chairman Xiyong Li said:

"The joint venture arrangement provides significant combined synergies and commercial opportunities for both Yancoal and Glencore, with shareholders set to benefit from two of Australia's leading coal producers working together."

Yancoal Chief Executive Officer, Reinhold Schmidt, said:

"Together, we are maximising the synergies and operational experience of both companies to drive new market growth, while demonstrating a shared commitment to continued investment within the local resources sector."

The Joint Venture between Yancoal and Glencore provides HVO with the opportunity to benefit from substantial synergies from Glencore's adjoining operations.

### **Key Conditions Precedent**

The Transaction is subject to a number of conditions precedent, including:

- Completion of Yancoal's acquisition of 100% of the shares in Coal & Allied;
- Glencore obtaining all necessary regulatory approvals (comprising FIRB approval and competition clearances in Australia, European Union, Japan, Korea, Taiwan, and the People's Republic of China);
- NSW Government approvals to transfer applicable mining tenements;
- MDP agreement to sell its 32.4% participating interest directly to Glencore in place of Yancoal's tag-along offer.

**END**

### **For media enquiries, contact:**

James Rickards

General Manager Investor Relations and Corporate Affairs

Ph: +61 2 8583 5300

Mobile: +61 419 731 371

Email: [James.Rickards@yancoal.com.au](mailto:James.Rickards@yancoal.com.au)