

1 August 2017

ASX Market Announcements  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir / Madam

**Yancoal Australia Limited (ASX Code: YAL)**

**Notice under section 708AA(2)(f) of the Corporations Act 2001 (Cth)**

This notice is given by Yancoal Australia Limited ABN 82 111 859 119 (**Yancoal**), under section 708AA(2)(f) of the Corporations Act 2001 (Cth) (**Corporations Act**).

Yancoal has today announced a pro-rata renounceable entitlement offer of new fully paid ordinary shares (**Shares**) to raise up to approximately US\$2.35 billion (**Entitlement Offer**). In addition, Yancoal has today also announced a placement to institutional and professional investors to raise approximately US\$150 million (**Placement**) (the Entitlement Offer and Placement, together, the **Offer**).

The Entitlement Offer comprises the issue of 23.6 new Yancoal Shares (**New Shares**) for every Yancoal Share held by eligible existing Yancoal shareholders as at 7.00pm on Monday, 7 August 2017 (**Eligible Shareholders**).

With respect to the Entitlement Offer, Yancoal advises that:

- (a) the New Shares will be offered without disclosure to investors under Part 6D.2 of the Corporations Act;
- (b) this notice is being given under sections 708AA(2)(f) of the Corporations Act;
- (c) as at the date of this notice, Yancoal has complied with:
  - (1) the provisions of Chapter 2M of the Corporations Act as they apply to Yancoal; and
  - (2) section 674 of the Corporations Act as it applies to Yancoal;
- (d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) or 708AA(9) of the Corporations Act; and
- (e) the potential effect of the issue of New Shares pursuant to the Entitlement Offer on control of Yancoal and the consequences of that effect will depend on a number of factors, including the extent to which Eligible Shareholders take up New Shares under the Entitlement Offer.

Yancoal's current 78% shareholder, Yanzhou Coal Mining Co., Ltd (**Yanzhou**), has committed to take up US\$1 billion of its entitlements in the Entitlement Offer. Yanzhou has also committed to convert as many of its subordinated capital notes (**SCNs**) as it is able to convert having regard to certain restrictions

imposed on its ability to convert SCNs by an order of the Australian Takeovers Panel made on 15 December 2014 (**ATP Order**)<sup>1</sup> This is expected to result in conversion of all of Yanzhou's SCNs.

The balance of the Entitlement Offer (apart from the US\$1 billion which Yanzhou has committed to take-up) has been underwritten by the following underwriters (**Underwriters**) up to the following respective amounts:

Underwriter	Maximum underwriting commitment
International High Grade Fund B, L.P, or such other entity determined by China Cinda Asset Management Co., Ltd, being in all cases an entity associated with China Cinda Asset Management Co., Ltd	US\$750 million
Glencore Coal Pty Ltd	US\$300 million
Shandong Lucion Investment Holdings Group., Ltd	US\$250 million

Additionally, the following investors have committed to subscribe for New Shares under the Placement for the amount set out beside their name in the table below:

Placement Investor	Amount committed
Shandong Taizhong Energy Co., Ltd	US\$100 million
Evercharm International Investments Ltd, an entity associated with General Nice Development Ltd.	US\$50 million

The effect of the Offer and SCN conversion is likely to be to decrease Yanzhou's percentage shareholding in Yancoal to 65% / (28,775,519,994 Shares)<sup>2</sup>.

The level of take-up by the Underwriters will depend on the level of take-up by other eligible Yancoal shareholders or their assignees under the Entitlement Offer. The aggregate percentage holding of the Underwriters and Placement Investors, assuming various levels of take-up of New Shares and additional New Shares<sup>3</sup> by other eligible Yancoal shareholders and their assignees under the Entitlement Offer is set out in the below table.<sup>4</sup>

<sup>1</sup> Yanzhou is prevented by the ATP Order from converting SCNs where such conversion would result in it having voting power of more than 78% in Yancoal.

<sup>2</sup> Shandong Lucion Investment Holdings Group Co., Ltd (**Lucion Group**) may be regarded as an associate of Yanzhou, and in this event Yanzhou's percentage holding in Yancoal (when aggregated with any interest in Yancoal acquired by Lucion Group as a result of its underwriting commitment) is likely to be up to 71% / 31,275,488,994 Shares).

<sup>3</sup> Up to an eligible shareholders guaranteed allocation, being that number of additional New Shares which, together with New Shares which an eligible shareholder is entitled to acquire in the Entitlement Offer, will enable an eligible shareholder to maintain the same proportionate shareholding after allotment of all Offer Shares as it held at the Record Date.

<sup>4</sup> Assumes US\$2.5 billion Offer size, Yanzhou takes up US\$1 billion of its entitlements, full conversion of all SCNs held by Yanzhou and performance by the Underwriters and Placement Investors of their obligations under the underwriting commitment letters and placement commitment letters (as applicable).

**TABLE 1 – AGGREGATE PERCENTAGE HOLDING OF THE UNDERWRITERS AND PLACEMENT INVESTORS SHARES (% HOLDING / # OF SHARES)**

		<b>Eligible Yancoal shareholder take-up of Entitlements (by eligible Yancoal shareholders other than Yanzhou)<sup>5</sup></b>				
		<b>0%</b>	<b>25%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>
<b>Eligible Yancoal shareholder Guaranteed Allocation take-up (by eligible Yancoal shareholders other than Yanzhou)<sup>6</sup></b>	<b>0%</b>	<b>33%</b> <b>(14,500)</b>	<b>31%</b> <b>(13,674)</b>	<b>28%</b> <b>(12,384)</b>	<b>25%</b> <b>(11,093)</b>	<b>22%</b> <b>(9,803)</b>
	<b>25%</b>	<b>32%</b> <b>(13,893)</b>	<b>29%</b> <b>(12,602)</b>	<b>26%</b> <b>(11,311)</b>	<b>23%</b> <b>(10,021)</b>	<b>20%</b> <b>(8,730)</b>
	<b>50%</b>	<b>29%</b> <b>(12,820)</b>	<b>26%</b> <b>(11,530)</b>	<b>23%</b> <b>(10,239)</b>	<b>20%</b> <b>(8,948)</b>	<b>17%</b> <b>(7,658)</b>
	<b>75%</b>	<b>27%</b> <b>(11,748)</b>	<b>24%</b> <b>(10,457)</b>	<b>21%</b> <b>(9,167)</b>	<b>18%</b> <b>(7,876)</b>	<b>15%</b> <b>(6,585)</b>
	<b>100%</b>	<b>24%</b> <b>(10,675)</b>	<b>21%</b> <b>(9,385)</b>	<b>18%</b> <b>(8,094)</b>	<b>15%</b> <b>(6,804)</b>	<b>13%</b> <b>(5,513)</b>

Yours faithfully,



**Laura Zhang**  
Company Secretary

<sup>5</sup> Number of shares is expressed in millions.

<sup>6</sup> Number of shares is expressed in millions.