

# NOTICE OF GENERAL MEETING



**Notice is given that a General Meeting (Meeting) of shareholders of Yancoal Australia Ltd (Company) will be held at 10.30 am (AEDT) on Friday, 15 December 2017 at the offices of Computershare Investor Services, Level 4, 60 Carrington Street, Sydney NSW 2000, Australia. Registration will commence at 10.00 am (AEDT).**

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## **BUSINESS**

### **Item 1: Election of Director**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Xing Feng, having been nominated under rule 8.1(i)(2) of the Company's Constitution, be elected as a Director of the Company with effect from the conclusion of the meeting.

### **Item 2: Approval of financial assistance in connection with acquisition of Coal & Allied**

To consider and, if thought fit, pass the following resolution as a special resolution:

For the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided by the following subsidiaries of the Company in connection with the Acquisition as described in the explanatory memorandum accompanying the notice of meeting dated 14 November 2017:

- 1 Coal & Allied Industries Limited, ACN 008 416 760;
- 2 Kalamah Pty Ltd, ACN 095 326 668;
- 3 CNA Warkworth Australasia Pty Limited, ACN 001 825 056;
- 4 CNA Resources Limited, ACN 004 447 938;
- 5 Australian Coal Resources Limited, ACN 008 576 789;
- 6 R.W. Miller (Holdings) Limited, ACN 008 430 000;
- 7 Mount Thorley Operations Pty Limited, ACN 000 013 249;
- 8 Coal & Allied (NSW) Pty Limited, ACN 075 612 216;
- 9 Coal & Allied Mining Services Pty Limited, ACN 104 081 290;

- 10 Coal & Allied Operations Pty Ltd, ACN 000 023 656;
- 11 Oaklands Coal Pty Ltd, ACN 001 030 520;
- 12 Novacoal Australia Pty Limited, ACN 000 013 990;
- 13 Northern (Rhondda) Collieries Pty Ltd, ACN 000 013 614;
- 14 CNA Bengalla Investments Pty Ltd, ACN 056 937 172;
- 15 CNA Warkworth Pty Ltd, ACN 606 478 095;
- 16 Namoi Valley Coal Pty Limited, ACN 001 234 000;
- 17 Lower Hunter Land Holdings Pty Ltd, ACN 129 265 612;
- 18 Gwandalan Land Pty Ltd, ACN 129 266 431;
- 19 Nords Wharf Land Pty Ltd, ACN 129 266 440;
- 20 Catherine Hill Bay Land Pty Ltd, ACN 129 266 459;
- 21 Black Hill Land Pty Ltd, ACN 129 266 468; and
- 22 Minmi Land Pty Ltd, ACN 129 266 477.

By order of the Board

**Baocai Zhang**  
Co-Vice Chairman

# INFORMATION FOR SECURITYHOLDERS

## ELIGIBILITY TO VOTE

For the purposes of determining entitlement to vote at the Meeting, the Company's shareholders will be taken to be those persons who are the registered holders of the Company's shares as at 7:00pm (AEDT) on Wednesday 13 December 2017. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to vote at the Meeting.

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

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## VOTING

A shareholder that is an individual may attend and vote in person at the Meeting. Please arrive 20 minutes prior to the start of the Meeting to facilitate the registration process. Otherwise, a shareholder may appoint a proxy to attend and vote on their 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 Meeting 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 Meeting. A form of the certificate may be obtained from [www.computershare.com](http://www.computershare.com).

## PROXIES AND ATTORNEYS

1. If you are entitled to vote but do not wish to attend the Meeting, 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 Meeting 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 or 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 10.30am (AEDT) on Wednesday, 13 December 2017**. Any proxy form received after that time will not be valid for the Meeting.
5. The proxy form accompanying this Notice of Meeting can be used to appoint a proxy.
6. Proxy forms (and any power of attorney or certified copy of that power under which they are signed) may be lodged with Computershare:

- (a) by mail, to:  
Computershare Investor Services Pty Limited  
GPO Box 242, Melbourne Victoria 3001
- (b) in person, at:  
Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street, Sydney NSW 2000

- (c) by facsimile:  
1800 783 447 (within Australia)  
+ 61 3 9473 2555 (outside Australia)
- (d) online via [www.investorvote.com.au](http://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](http://www.intermediaryonline.com).

Alternatively, proxy forms may be lodged with the Company:

- (a) by mail, to the attention of the Company Secretary, at:  
Yancoal Australia Ltd  
Level 26, 363 George Street  
Sydney NSW 2000  
Australia
  - (b) by facsimile, to the attention of the Company Secretary, on:  
+ 61 2 8583 5399
7. 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.
  8. 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.
  9. If your appointed proxy does not attend the Meeting or does not vote on a poll in accordance with your directions, the Chairman of the Meeting will become your proxy and will vote in accordance with any directions. 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).
  10. The appointment of a proxy or attorney is not revoked by the appointer attending and taking part at the Meeting, 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.
  11. The Chairman of the Meeting intends to vote all undirected proxies in favour of each item of business.

## REQUIRED MAJORITY

The resolution described in Item 1 of the Business section of this Notice is an ordinary resolution. It will be passed if at least 50% of votes cast by shareholders entitled to vote on the resolution are cast in favour of the resolution.

The resolution described in Item 2 of the Business section of this Notice 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.

# EXPLANATORY NOTES

The Explanatory Notes form part of the Notice of Meeting and have been prepared to assist securityholders to understand the business to be put to the securityholders of the Meeting.

## Item 1: Election of Director

### Xing Feng, BEng

If he is elected, Mr Feng will be an Independent Non-Executive Director.

#### *Experience and expertise*

Mr Feng started his career with China Cinda Asset Management (Cinda) in 1999, and has served in various capacities in the Department of General Management, Department of General Business and Department of Investment and Financing. He has abundant experience in corporate governance, investment and financing.

He was appointed Assistant General Manager of Cinda's Strategic Client Department in 2017, where he is responsible for implementing the Department's development strategy plan, involvement in business review and leading the implementation of the investment plan. He has successfully completed a number of overseas M&A investments and mixed-ownership reform of SOE projects.

Mr Feng holds a Bachelor of Engineering (Electrical Engineering and Automation) from Tsinghua University and is currently studying an EMBA at Peking University.

#### *Other current key directorships*

- China Broadcasting and Telecommunications Corporation

#### *Former directorships in last three years*

- N/A

#### *Interest in shares and options*

- N/A

### Recommendation

The Board unanimously recommends that shareholders vote in favour of the election of Xing Feng.

## Item 2: Approval of financial assistance in connection with acquisition of Coal & Allied

Please refer to the enclosed explanatory memorandum which has been prepared for the purposes of section 260B(4) of the Corporations Act 2001 (Cth).

### Recommendation

The board unanimously recommends that shareholders vote in favour of the resolution to approve the giving of financial assistance.

# EXPLANATORY MEMORANDUM – FINANCIAL ASSISTANCE

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 of the Company's subsidiaries 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 Executive summary

### 1.1 The Acquisition

Yancoal Australia Limited ACN 111 859 119 (**YAL**) has purchased the entire issued share capital of Coal & Allied Industries Limited ACN 008 416 760 (**Target**) (the **Acquisition**). Completion of the Acquisition occurred on 1 September 2017.

As part of the Acquisition, YAL has agreed to make non-contingent royalty payments to the vendor of the Target in an aggregate amount of US\$240,000,000 (**RT Payments**).

Following the Acquisition, YAL became the listed Australian holding company of the Target and certain of its subsidiaries as specified in the relevant definition in section 10 (**Coal & Allied Group**).

### 1.2 The financing

Certain subsidiaries of YAL, being Yancoal Resources Limited ACN 000 754 175 (**YRL**) and some of its wholly owned subsidiaries (the **YRL Group**) entered into a A\$1,000,000,000 facility.

This facility is secured by security over all assets of the YRL Group, and that security may also secure hedging and other indebtedness from time to time.

Amongst other things, bank guarantees issued under the facility support YAL's obligation to make the RT Payments and also support obligations of the Coal & Allied Group (including environmental bonding).

### 1.3 The financial assistance

It is a condition of the Finance Documents that each member of the Coal & Allied Group accede to the Finance Documents as a guarantor and security provider.

By providing the guarantee and security, each member of the Coal & Allied Group will be financially assisting YAL to acquire shares in the Target. The Coal & Allied Group have provided or may in the future provide, other financial assistance in connection with the Acquisition.

### 1.4 The required shareholder approval

Under the Corporations Act, financial assistance by a company for an acquisition of shares in that company or its holding company is only permitted in certain circumstances, including where it is approved by shareholders of the company and the ultimate listed holding company of the company under section 260B of the Corporations Act.

The purpose of this Explanatory Memorandum is to explain the proposed Financial Assistance Resolution which must be passed to enable each Coal & Allied Group Member to financially assist YAL in connection with the Acquisition.

## Explanatory Notes *Continued*

### 2 Background to the requirement for financial assistance resolution

#### 2.1 Restrictions on companies giving financial assistance

Under section 260A(1) of the Corporations Act a company may financially assist a person to acquire 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.

Financial assistance is defined very broadly and may include giving security over a company's assets and giving a guarantee and indemnity in respect of another person's liability.

Certain transactions being entered into by the Coal & Allied Group in connection with the Acquisition (as described in section 4) are financial assistance for the purposes of section 260A(1) of the Corporations Act and it is proposed that they be approved under section 260B of the Corporations Act.

The requirements for shareholder approval under section 260B of the Corporations Act are described in sections 2.2 and 2.3.

#### 2.2 Shareholder approval of financial assistance

For a company to financially assist a person to acquire shares in itself or a company of which it is a subsidiary, section 260B(1) of the Corporations Act states that 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.

It is proposed that each Coal & Allied Group Member pass a resolution at a general meeting by all ordinary shareholders for the purposes of approving the financial assistance under section 260B(1) of the Corporations Act. This will occur at about the same time as the general meeting of the Company.

#### 2.3 Listed holding company approval of financial assistance

Where the company providing the financial assistance will be a subsidiary of a listed domestic corporation immediately after the acquisition, then section 260B(2) of the Corporations Act requires that the financial assistance must also be approved by a special resolution passed at a general meeting of that listed domestic corporation.

As, following the Acquisition, YAL became the listed Australian holding company of each Coal & Allied Group Member, the financial assistance must also be approved by special resolution passed at a general meeting of YAL shareholders.

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 each member of the Coal & Allied Group to financially assist YAL in connection with the Acquisition.

### 3 YRL Group funding arrangements

#### 3.1 Facility

##### Overview

The YRL Group has entered into a facility for the provision of bank guarantees, performance bonds, letters of credit and other contingent instruments (each a **Credit Support Document**) up to an aggregate principal amount of A\$1,000,000,000 (the **Facility**). The facility currently has a term of 3 years from completion of the Acquisition.

##### Purpose

The Facility has been or may be drawn for the following purposes:

- (a) refinancing existing Credit Support Documents issued for the benefit of YRL Group, Coal & Allied Group and certain other parties;
- (b) supporting the future obligations or requirements of YRL Group, Coal & Allied Group and certain other parties to provide Credit Support Documents;
- (c) providing Credit Support Documents issued as security for the RT Payments; and
- (d) supporting obligations of non-obligors for up to a maximum amount of A\$230,000,000.

##### Borrower

The Facility is provided to YRL. It is intended that the Target will become a borrower at the same time as it becomes a guarantor and security provider.

Once it has joined the facility documentation as a guarantor and security provider, any other member of the Coal & Allied Group or the YRL Group may be entitled to become a borrower with the consent of the financiers.

#### 3.2 Other indebtedness

YRL has entered into or may enter into hedging arrangements which are governed by the same terms and secured by the same security as the Facility. It is proposed that the Target will also enter into certain secured hedging arrangements and the option may also be available to other Coal & Allied Group and YRL Group Members.

It is also possible that other facility agreements or documents may be designated as 'Finance Documents' in the future and hence governed by the same terms and secured by the same security as the Facility.

#### 3.3 Key Finance Documents

The Finance Documents include, but are not limited to:

- (a) the amended 'Yancoal Resources Syndicated Facility Agreement' originally dated 11 October 2005 between, among others the YRL Group, Commonwealth Bank of Australia (ACN 123 123 124) (as **Agent**) and CBA Corporate Services (NSW) Pty Ltd (ACN 072 765 434) (as **Security Trustee**);
- (b) the amended 'Yancoal Common Terms Deed' originally dated 27 October 2009 between, among others, the YRL Group, the Agent and the Security Trustee (the **Common Terms Deed**);
- (c) the amended 'Felix Security Trust Deed' originally dated 7 October 2005 executed by the Security Trustee; and
- (d) the document titled 'Subordination Deed' dated 31 August 2017 between, among others, YAL, the Security Trustee and the YRL Group (the **Subordination Deed**).

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### 3.4 Key obligations under the Finance Documents

#### Undertakings, representations and events of default

The Finance Documents include events of default, undertakings, representations and warranties from the borrower and guarantors consistent with financings of this nature or as required by the lenders due to the particular circumstances of this transaction.

The undertakings include, but are not limited to:

- (a) a negative pledge;
- (b) undertakings not to acquire or dispose of assets;
- (c) undertakings not to incur financial obligations;
- (d) undertakings not to reduce its capital or make its capital capable of being called up; and
- (e) undertakings not to provide financial accommodation to, or to permit financial accommodation to remain owing to it from, a related entity or any other person,

in each case subject to agreed exceptions.

#### Guarantees

The Finance Documents include guarantees and indemnities by the YRL Group in respect of amounts owing under or in connection with the Facility, as well as any other indebtedness incurred under the 'Finance Documents' designated under and in accordance with the Common Terms Deed from time to time.

#### Security

The YRL Group had previously provided all asset security to the Security Trustee and that security (with amendments) secures the amounts owing under the Facility, as well as any other indebtedness incurred under the 'Finance Documents' designated under and in accordance with the Common Terms Deed from time to time.

## 4 Financial assistance

### 4.1 Accession to the Finance Documents

It is a condition of the Finance Documents that each member of the Coal & Allied Group accede to the Finance Documents as a guarantor and security provider.

It is proposed that, pursuant to the terms of the Finance Documents, the Target will accede as a borrower to the Facility and, in order to comply with the above requirement, the Coal & Allied Group will accede as guarantors to the Facility pursuant to an obligor accession deed (**Accession Deed**).

Upon execution of each Accession Deed by each member of the Coal & Allied Group, the Coal & Allied Group would (among other things) become bound by the guarantees, indemnities and undertakings and give the representations and warranties referred to in section 3 above. Each Coal & Allied Group Member will also agree that claims of YAL against them are subordinated in accordance with the Subordination Deed.

In addition, it is proposed that the Coal & Allied Group will grant security over all their assets and undertakings to the Security Trustee as security for the obligations of all borrowers and guarantors under the Finance Documents (the **Security**).

The Security may take the form of a general security agreement over all assets of the relevant Coal & Allied Group Member and/or such other form as may be agreed with the relevant financiers.

### 4.2 Other Support

In addition, the Coal & Allied Group may, or may be required to:

- (a) as guarantors, subordinate intercompany claims against other guarantors;
- (b) make available directly or indirectly their cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable:
  - (1) YRL and the Target and the other guarantors to comply with their payment and other obligations in respect of the Finance Documents; and
  - (2) YAL to make the RT Payments;
- (c) consent or agree to amendments to the Finance Documents, including amendments that make their obligations more onerous;
- (d) 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
- (e) provide other financial assistance in connection with the Acquisition including, without limitation, in connection with any refinancing.

### 4.3 Prior financial assistance

On completion of the Acquisition, certain subsidiaries of the Target, being CNA Resources Limited, CNA Warkworth Australasia Pty Ltd, Mount Thorley Operations Pty Limited and Coal & Allied Operations Pty Ltd, entered into royalty deeds. Pursuant to those deeds the vendor will receive a coal price linked contingent royalty on coal produced by the Warkworth, Mt Thorley and Hunter Valley Operations coal mines. The royalty is US\$2 per tonne of attributable saleable production for a period of 10 years commencing on the third anniversary of completion of the Acquisition, to be payable if the Newcastle benchmark thermal coal price exceeds US\$75 per tonne. The royalty rate and benchmark thermal coal price are indexed annually. The total amount payable under all coal price linked royalties is capped at US\$410 million.

This financial assistance in connection with the Acquisition has already been granted on the basis that it is not materially prejudicial to the relevant Coal & Allied Group Members, their creditors or shareholders, as required by section 260A(1)(a) of the Corporations Act, as it is only payable if the Newcastle benchmark thermal coal price exceeds US\$75 per tonne (as indexed). It is included in this Explanatory Memorandum for context only.

## 5 Financial Assistance Resolution

### 5.1 Financial assistance approvals

The entry by each Coal & Allied Group Member into, and the performance by each Coal & Allied Group Member of its rights and obligations under each Accession Deed and the Security and the participation by each Coal & Allied Group Member 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.



## Explanatory Notes *Continued*

Pursuant to section 260B of the Act:

- (a) approval under section 260B(1) of the Corporations Act is being sought from the shareholders of each Coal & Allied Group Member; and
- (b) because, immediately following the Acquisition, YAL was the listed Australian holding company of each of Coal & Allied Group Member, approval under section 260B(2) of the Corporations Act is also being sought from the shareholders of YAL as the ultimate listed Australian holding company, as contemplated in the Financial Assistance Resolution.

### 5.2 Reasons for giving financial assistance

The reason for the giving of the financial assistance described above is to enable the YRL Group to comply with its obligations under the Finance Documents to procure that the Coal & Allied Group provides the Accession Deed and Security and the other financial assistance. YRL Group was required to agree to this obligation in order to obtain the financial accommodation provided under the Finance Documents on the terms (including as to facility limit and pricing) in those documents.

If such obligations are not complied with an 'Event of Default' will occur under the Finance Documents and the financial accommodation under the Finance Documents may be required to be immediately repaid, terminated and/or returned. If this repayment or return does not occur, the Security Trustee would be able to enforce the security it holds over the assets of the YRL Group.

This may negatively impact YAL and its subsidiaries (including the Coal & Allied Group):

- (a) indirectly through the financial impact on the broader group of the YRL Group being required to refinance the repayment, termination or return; and
- (b) directly where Credit Support Documents have been issued to support their obligations. It is noted that YRL has already drawn the Facility to provide Credit Support Documents to support the obligations of the Coal & Allied Group on and from the Acquisition. Withdrawal of those Credit Support Documents will directly and adversely impact the Coal & Allied Group which will need to secure replacements in its own right.

### 5.3 Effect of financial assistance

The substantial effect of the financial assistance on the Company is that Coal & Allied Group Members will have guaranteed all amounts payable under the Finance Documents and granted security for such obligations over its assets and undertaking. The operations of each Coal & Allied Group Member will also be restricted by the representations, undertakings and subordination given by it under the Finance Documents.

### 5.4 Advantages of the proposed resolution

As discussed in section 5.2, the advantage to the Company of the proposed resolution is that the Coal & Allied Group Members will be able to accede to the Finance Documents and so avoid an event of default occurring under the Finance Documents.

In addition, the advantages of the proposed resolution include the provision of financial accommodation for:

- (a) supporting the obligations or requirements of the YRL Group, the Coal & Allied Group and others to provide Credit Support Documents;

- (b) contributing to the success of YAL and its subsidiaries as a whole, noting that it is YAL who has currently raised the majority of the group's debt and equity funding enabling the Coal & Allied Group (and YRL Group) to be largely debt free apart from the Facility; and
- (c) the directors of the Company believe that Credit Support Documents issued under Facility is the most efficient form of financing available to guarantee the RT Payments.

The Directors of the Company believe that transactions contemplated by this Explanatory Memorandum are in the interests of the Company and its subsidiaries (if any).

### 5.5 Disadvantages of the proposed resolution

The disadvantages of the proposed resolution for the Coal & Allied Group Members include the following:

- (a) they will become liable for the amounts due under the Finance Documents, including where those amounts relate to obligations of YAL (in respect of the RT Payments or otherwise), the YRL Group or other persons for which they are not currently liable;
- (b) their assets will be subject to security and their operations will be restricted by the representations and undertakings given by them under the Finance Documents;
- (c) they or the YRL Group may default under the Finance Documents and upon such default:
  - (1) the financiers may make a demand for immediate repayment, termination or return of the funding under the Finance Documents; and
  - (2) the Security Trustee may enforce the guarantee and/or security granted by it to recover the amounts due; and
- (d) without limiting the above, if YAL does not pay any part of the RT Payments when due, the vendor may draw on the Credit Support Documents issued to support that payment and the relevant issuing financier(s) will immediately require the Coal & Allied Group and the YRL Group to make good the amount claimed.

This may result in the external administration and/or winding up of the relevant Coal & Allied Group Member.

Further, a sale of the Coal & Allied Group Member's assets by the Security Trustee upon an enforcement of the Security may result in a return to such Coal & Allied Group Member (and ultimately its unsecured creditors and shareholders) significantly lower than could have been achieved by the Coal & Allied Group Member's had those assets been sold in the ordinary course of business or had the Coal & Allied Group Member continued trading.

The Directors of the Company do not currently believe that either the YRL Group or any Coal & Allied Group Members are likely to default in their obligations under the Finance Documents.

### 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 it is passed as a special resolution of the Company (if at least 75% of votes cast by shareholders entitled to vote on the resolution vote in favour of the Financial Assistance Resolution). Shareholders may vote either for or against the Financial Assistance Resolution.

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## **Explanatory Notes** *Continued*

### **7 Recommendation**

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

### **8 Notice to Australian Securities and 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 before they were sent to the shareholders.

### **9 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.

# GLOSSARY

In this Explanatory Memorandum, unless defined otherwise:

Term	Meaning
Accession Deed	is defined in section 4.1.
Acquisition	is defined in section 1.1.
Agent	is defined in section 3.3(a).
Coal & Allied Group	the Target and certain of its subsidiaries, being: 1 Coal & Allied Industries Limited, ACN 008 416 760; 2 Kalamah Pty Ltd, ACN 095 326 668; 3 CNA Warkworth Australasia Pty Limited, ACN 001 825 056; 4 CNA Resources Limited, ACN 004 447 938; 5 Australian Coal Resources Limited, ACN 008 576 789; 6 R.W. Miller (Holdings) Limited, ACN 008 430 000; 7 Mount Thorley Operations Pty Limited, ACN 000 013 249; 8 Coal & Allied (NSW) Pty Limited, ACN 075 612 216; 9 Coal & Allied Mining Services Pty Limited, ACN 104 081 290; 10 Coal & Allied Operations Pty Ltd, ACN 000 023 656; 11 Oaklands Coal Pty Ltd, ACN 001 030 520; 12 Novacoal Australia Pty Limited, ACN 000 013 990; 13 Northern (Rhondda) Collieries Pty Ltd, ACN 000 013 614; 14 CNA Bengalla Investments Pty Ltd, ACN 056 937 172; 15 CNA Warkworth Pty Ltd, ACN 606 478 095; 16 Namoi Valley Coal Pty Limited, ACN 001 234 000; 17 Lower Hunter Land Holdings Pty Ltd, ACN 129 265 612; 18 Gwandalan Land Pty Ltd, ACN 129 266 431; 19 Nords Wharf Land Pty Ltd, ACN 129 266 440; 20 Catherine Hill Bay Land Pty Ltd, ACN 129 266 459; 21 Black Hill Land Pty Ltd, ACN 129 266 468; and 22 Minmi Land Pty Ltd, ACN 129 266 477, and each of these is a <b>Coal &amp; Allied Group Member</b> .
Common Terms Deed	is defined in section 3.3(b).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Credit Support Document	is defined in section 3.1.
Directors	means the directors of the Company.
Explanatory Memorandum	means the explanatory memorandum set out in the body of this document.
Facility	is defined in section 3.1.
Finance Documents	the documents referred to in sections 3.3 and 3.4 and any other document designated as a 'Finance Document' under and in accordance with the Common Terms Deed from time to time.
Financial Assistance Resolution	is defined at the commencement of this Explanatory Memorandum.
Notice	is defined at the commencement of this Explanatory Memorandum.
RT Payments	is defined in section 1.1.
Security	is defined in section 4.1.
Security Trustee	is defined in section 3.3.
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.
Subordination Deed	is defined in section 3.3.
Target	Coal & Allied Industries Limited ACN 008 416 760.
YAL	Yancoal Australia Limited ACN 111 859 119.
YRL	Yancoal Resources Limited ACN 000 754 175.
YRL Group	is defined in section 1.1.