

NOTICE OF 2018



ANNUAL GENERAL MEETING

Notice is given that the 2018 Annual General Meeting (AGM) of Yancoal Australia Ltd (Company) will be held at 10.30 am (AEST) on Wednesday, 30 May 2018 at Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney NSW 2000. Registration will commence at 10.00 am (AEST).

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YANCOAL
NOTICE OF
MEETING
2018

BUSINESS

Item 1: Financial Statements and Reports

To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and the Auditor for the financial year ended 31 December 2017.

Item 2: Election and re-election of Directors

To consider and, if thought fit, pass the following resolutions as ordinary resolutions (each as a separate resolution):

Item 2(a):

That Gregory Fletcher, who retires from the office of Director, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

Item 2(b):

That Geoffrey Raby, who retires from the office of Director, and being eligible, offers himself for re-election, be re-elected as a Director of the Company.

Item 2(c):

That Helen Gillies, who was appointed as a Director on 30 January 2018, and being eligible, offers herself for election, be elected as a Director of the Company.

Item 2(d):

That David Moulton, who was appointed as a Director on 30 January 2018, and being eligible, offers himself for election, be elected as a Director of the Company.

Information about the above candidates appears in the Explanatory Notes.

Item 3: Remuneration Report

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

That the Remuneration Report for the year ended 31 December 2017 and as set out in the 2017 Annual Report on pages 52 to 63 (inclusive) be adopted.

Note: In accordance with section 250R(3) of the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion statement in respect of Item 3:

The Company will disregard any votes cast on Item 3:

- by or on behalf of a member of the Key Management Personnel (KMP) named in the Remuneration Report for 2017 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the KMP at the date of the AGM or their closely related parties,

unless the vote is cast as proxy:

- for a person entitled to vote on Item 3 in accordance with the direction on the proxy form specifying how the proxy is to vote; or
- by the Chairman of the AGM for a person entitled to vote on Item 3 pursuant to an express authorisation in the proxy form to vote as the Chairman sees fit (even though the resolution is connected directly or indirectly with the remuneration of the KMP).

'Closely related party' is defined in the *Corporations Act 2001* (Cth) (**Corporations Act**) and includes a spouse, dependent and certain other close family members, of the KMP, as well as any companies controlled by the KMP.

Item 4: Approval of Equity Incentive Plan

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

That, for the purposes of ASX Listing Rule 7.2, Exception 9(b) and for all other purposes, approval be given for the issue of securities under the Company's Equity Incentive Plan, a summary of the rules of which are set out in the Explanatory Notes to this Notice of Meeting, as an exception to ASX Listing Rule 7.1.

Voting exclusion statement in respect of Item 4:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Item 4 by or on behalf of a Director of the Company (except one who is ineligible to participate in any employee incentive scheme of the Company) and any associate of that person. (Currently, only executive Directors of the Company are Directors eligible to participate in any employee incentive scheme of the Company.) However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chairman of the AGM as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, in accordance with the Corporations Act, a vote must not be cast on Item 4 by any member of the KMP of the Company, or a Closely Related Party of any member of the KMP, that is appointed as proxy, if their appointment does not specify the way in which the proxy is to vote unless:

- the proxy is the Chairman of the Meeting at which Item 4 is voted on; and
- the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected, directly or indirectly, with the remuneration of a member of the KMP.

Item 5: Issue of Rights under Equity Incentive Plan

To consider and, if thought fit, pass the following resolutions as ordinary resolutions (each as a separate resolution):

Item 5(a): Issue of Rights to Co-Vice Chairman

That, for the purposes of ASX Listing Rule 10.14 and all other purposes, approval be given for the issue of up to 6,421,142 Rights to Mr Baocai Zhang, the Co-Vice Chairman of the Company, under the Company's Equity Incentive Plan on the terms set out in the Explanatory Notes to this Notice of Meeting.

Item 5(b): Issue of Rights to Chief Executive Officer

That approval be given for the issue of up to 14,953,113 Rights to Mr Reinhold Schmidt, the Chief Executive Officer of the Company, under the Company's Equity Incentive Plan on the terms set out in the Explanatory Notes to this Notice of Meeting.

Voting exclusion statement in respect of Item 5:

In accordance with the ASX Listing Rules, the Company will disregard any votes cast in favour of Item 5(a) by or on behalf of any Director of the Company who is eligible to participate in the Company's Equity Incentive Plan and any associate of those persons. (Currently, only executive Directors of the Company are Directors eligible to participate in the Company's Equity Incentive Plan.) However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chairman of the AGM as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, in accordance with the Corporations Act, a vote must not be cast on Item 5(a) or 5(b) by any member of the KMP of the Company, or a Closely Related Party of any member of the KMP, that is appointed as proxy, if their appointment does not specify the way in which the proxy is to vote unless:


- the proxy is the Chairman of the Meeting at which Item 5(a) or 5(b) is voted on; and
- the proxy appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected, directly or indirectly, with the remuneration of a member of the KMP.

Item 6: Re-insertion of proportional takeover provision

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

That proportional takeover provisions in the form of Rule 6 of the Constitution of the Company (as last approved by shareholders) be re-inserted for a further period of three years commencing from the date of this Annual General Meeting.

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 AGM, 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 (AEST) on Monday 28 May 2018. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to vote at the AGM.

In this Notice, references to securityholders or 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 AGM. Please arrive 20 minutes prior to the start of the AGM 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 AGM 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 AGM. A form of the certificate may be obtained from www.computershare.com.

PROXIES AND ATTORNEYS

1. If you are entitled to vote but do not wish to attend the AGM, 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 AGM 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 (AEST) on Monday, 28 May 2018**. Any proxy form received after that time will not be valid for the AGM.
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
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.

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
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 AGM or does not vote on a poll in accordance with your directions, the Chairman of the AGM 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 AGM, 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. If the Chairman of the AGM is or becomes 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 in relation to Items 3, 4, 5(a) and 5(b) even though each of these items is connected directly or indirectly with the remuneration of the key management personnel of the Company. If you wish to appoint the Chairman as proxy with a direction how to vote on an item of business, including Items 3, 4, 5(a) or 5(b), you should specify this by completing the "For", "Against" or "Abstain" boxes on the proxy form.
 12. The Chairman of the AGM intends to vote all undirected proxies in favour of each item of business.

QUESTIONS AND COMMENTS BY SECURITYHOLDERS

The Chairman of the AGM will allow a reasonable opportunity for securityholders to ask questions about or make comments on the management of the Company at the AGM. Securityholders may also submit a written question to the Board. Your questions should relate to matters that are relevant to the business of the AGM, as outlined in this Notice of Meeting and Explanatory Notes.

Similarly, a reasonable opportunity will be given to shareholders to ask the Company's external auditor, ShineWing Australia, questions relevant to:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Securityholders may also submit a written question to ShineWing Australia (via the Company) if the question is relevant to:

- the content of ShineWing Australia's audit report; or
- the conduct of its audit of the Company's annual financial reports for the year ended 31 December 2017.

ShineWing Australia will either answer the relevant questions at the AGM or table written answers to them at the AGM. If written answers are tabled at the AGM, they will be made available to securityholders as soon as practicable after the AGM, on the Company's website, www.yancoal.com.au. A list of those relevant written questions will be made available to securityholders attending the AGM.

Please send any relevant questions for the Board or ShineWing Australia **by 5.00pm (AEST) on Wednesday, 23 May 2018** to:

- Computershare (Computershare's contact details are set out on pages 3 of this Notice); 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 AGM, the Chairman will endeavour to address as many of the more frequently raised shareholder questions as reasonably practicable and, where appropriate, will give a representative of ShineWing Australia the opportunity to answer relevant written questions submitted to the Auditor. However, there may not be sufficient time available at the AGM to address all questions. Please note that individual responses may not be sent to shareholders.

REQUIRED MAJORITY

The resolutions described in Items 2, 3, 4 and 5 of the Business section of this Notice 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.

The resolution described in Item 6 of the Business section of this Notice is a special resolution. It will be passed if at least 75% of votes cast by ordinary 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 AGM.

Item 1: Financial Statements and Reports

The financial statements and reports relate to the period from 1 January 2017 to 31 December 2017.

The Corporations Act requires the Financial Report (which includes the financial statements and notes, and the Directors' Declaration), the Directors' Report and Auditor's Report to be laid before the AGM.

There is no requirement in the Corporations Act for shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Pursuant to Rule 7.10 of the Company's Constitution, the Company's majority shareholder, Yanzhou Coal Mining Company Limited, has approved the financial statements of the Company in writing.

Securityholders will, however, be given a reasonable opportunity at the AGM to ask questions and make comments on these reports and on the business and operations of the Company. Securityholders will also be able to ask questions of the Auditor, ShineWing Australia.

The documents are available on the Company's website at www.yancoal.com.au

Item 2: Election and re-election of Directors

The Company must hold an election of directors each year in accordance with ASX Listing Rule 14.5. Further, in accordance with ASX Listing Rule 14.4 and Rule 8.1(d) of the Company's Constitution, a Director must not hold office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is longer.

Additionally, the Board has a practice that approximately one third of the Board will retire and seek re-election, so as to prevent a disproportionate number of Directors standing for re-election at future annual general meetings.

As each of Gregory Fletcher and Geoffrey Raby were re-elected on 29 May 2015 and have not been subsequently re-elected, they are required to seek re-election in accordance with ASX Listing Rule 14.4 and Rule 8.1(d) of the Company's Constitution. Helen Gillies and David Moulton were appointed to the Board on 30 January 2018 and are accordingly due for election at the AGM pursuant to ASX Listing Rule 14.4.

Below are biographical details for those Directors who are seeking election or re-election as Directors of the Company at the AGM.

Item 2(a) – Re-election of Gregory Fletcher as a Director

Gregory Fletcher, BCom, CA

Independent Non Executive Director (26 June 2012 – Current), Co Vice Chairman (1 March 2018 – Current), Chairman of the Audit and Risk Management Committee and Chairman of the Independent Board Committee.

Experience and expertise

Gregory Fletcher was a Director of Gloucester Coal Ltd from June 2009. He was appointed a Director of Yancoal after the merger of Yancoal and Gloucester Coal Ltd in June 2012. Previously, Mr Fletcher was a senior partner with a Big 4 Accounting Firm where he specialised in external and internal audits and risk management. He provided professional services to some of Australia's largest listed corporations.

Explanatory Notes *Continued*

Mr Fletcher holds a Bachelor of Commerce and he is a Chartered Accountant.

The Board considers Mr Fletcher to be an Independent Non-Executive Director.

Other current key directorships

- Chair of SMEG Australia Pty Ltd
- Director of Yancoal SCN Limited
- Director of Saunders International Limited
- Director of TAFE NSW and Member of the Audit and Risk Committee
- Member of Audit and Risk Committee, Railcorp
- Member of Audit and Risk Committee, NSW Electoral Commission
- Member of Audit, Risk and Compliance Committee, Sydney Olympic Park Authority
- Member of Audit and Risk Committee, NSW State Transit Authority

Former directorships in last three years

- Director of WDS Limited
- Chair of Audit and Risk Committee, Roads & Maritime Services
- Member of Audit and Risk Committee, NSW Auditor General

Recommendation

The Board (with Gregory Fletcher abstaining) unanimously recommends that shareholders vote in favour of the re-election of Gregory Fletcher.

Item 2(b) – Re-election of Geoffrey Raby as a Director
Geoffrey Raby, BEc (Hons), MEd and PhD (Economics) Independent Non-Executive Director (26 June 2012 – Current) and member of Audit and Risk Management Committee and member of Health, Safety and Environment Committee.

Experience and expertise

Geoffrey Raby was appointed a Director of Yancoal in 2012. He was Australia's Ambassador to the People's Republic of China from 2007 to 2011. Prior to that, he was a Deputy Secretary in the Department of Foreign Affairs and Trade (DFAT). Dr Raby has extensive experience in international affairs and trade, having been Australia's Ambassador to the World Trade Organisation (1998–2001), Australia's APEC Ambassador (2003–2005), Head of DFAT's Office of Trade Negotiations and Head of the Trade Policy Issues Division at the OECD, Paris. Between 1986 and 1991 he was Head of the Economic Section at the Australian Embassy, Beijing. He has been the Chair of DFAT's Audit Committee and served as an ex officio member of the Boards of Austrade and Export Finance and Insurance Corporation.

Dr Raby holds a Bachelor of Economics, a Masters of Economics and a Doctor of Philosophy in Economics.

The Board considers Mr Raby to be an Independent Non-Executive Director.

Other current key directorships

- Director of Oceana Gold Corporation Limited
- Director of iSentia Group Ltd

Former directorships in last three years

- Director of Fortescue Metals Group Ltd
- Chairman of SmartTrans Holding Limited
- Director of YPB Group Ltd

Recommendation

The Board (with Geoffrey Raby abstaining) unanimously recommends that shareholders vote in favour of the re-election of Geoffrey Raby.

Item 2(c) – Election of Helen Gillies as a Director
Helen Gillies, MBA, MConstrLaw, LLB(Hons), BCom, FAICD Independent Non-Executive Director (30 January 2018 – Current) and member of the Nomination and Remuneration Committee.

Experience and expertise

Helen Gillies is an experienced legal, risk and compliance professional, with expertise in the engineering, construction, maintenance, aviation and services sectors. Ms Gillies was appointed as a Non-Executive Director of Bankstown and Camden Airports in September 2017 and a Non-Executive Director of ASX listed company, Monadelphous Group Limited, and Red Flag Group (Holdings) Limited in 2016. Ms Gillies was a Director of Sinclair Knight Merz Management Pty Ltd and General Manager (Risk) and General Counsel of Sinclair Knight Merz since 1995.

Ms Gillies holds a Master of Business Administration and a Master of Construction Law, as well as undergraduate degrees in Commerce and Law. Ms Gillies is a Fellow of the Australian Institute of Company Directors.

The Board considers Ms Gillies to be an Independent Non-Executive Director.

Other current key directorships

- Director of Red Flag Group (Holdings) Limited
- Director of Monadelphous Group Limited
- Director of BAC Holdings Pty Ltd

Former directorships in last three years

None

Recommendation

The Board (with Helen Gillies abstaining) unanimously recommends that shareholders vote in favour of the election of Helen Gillies.

Item 2(d) – Election of David Moulton as a Director
David Moulton, C. Eng (Mining), MBA, FAusIMM, FIMMM, MAICD Independent Non-Executive Director (30 January 2018 – Current) and Chairman of Health, Safety and Environment Committee.

Experience and expertise

David Moulton was appointed as a Director of Yancoal in January 2018. He has over 40 years' global coal mining experience. He was Managing Director and CEO of Centennial Coal Company Limited from 2011 to 2017 and prior to that the Chief Operating Officer from 1998. Mr Moulton has worked with Joy Mining Machinery in the USA and Australia, RJB Mining PLC and British Coal in the UK.

Mr Moulton is a former Chairman and Director of the Australian Coal Association Low Emissions Technology Ltd, former Director of the Minerals Council of Australia, former Chairman and Director of the New South Wales Minerals Council and former Director of the Newcastle Coal Infrastructure Group and Port Kembla Coal Terminal.

Mr Moulton is a Member of the University of NSW Education Trust Advisory Committee.

The Board considers Mr Moulton to be an Independent Non-Executive Director.

Other current key directorships

Director of Coal Services Pty Ltd

Former directorships in last three years

- Director of Centennial Coal Company Limited
- Director of the Minerals Council of Australia
- Chairman and Director of the Australian Coal Association Low Emissions Technology Ltd
- Director of the New South Wales Minerals Council

Recommendation

The Board (with David Moulton abstaining) unanimously recommends that shareholders vote in favour of the election of David Moulton.

Item 3: Remuneration Report

The Board submits its Remuneration Report for the year ended 31 December 2017 to securityholders for consideration and adoption by way of non-binding resolution.

The Remuneration Report is set out on pages 52 to 63 (inclusive) of the 2017 Annual Report. This report can also be found on the Company's website at www.yancoal.com.au. The report:

- explains the Company's remuneration principles relating to the nature and amount of the remuneration of directors and senior executives of the Company; and
- sets out the remuneration details for each director and for each relevant executive of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the AGM.

The vote on the Remuneration Report is advisory only and will not bind the Company.

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

Recommendation

The Board recommends that shareholders vote in favour of the adoption of the Remuneration Report.

Item 4: Approval of Equity Incentive Plan

Following a review of the Company's variable remuneration and incentive framework, the Board has implemented the Yancoal Australia Limited Equity Incentive Plan (**Plan**), under which present and prospective eligible employees, contractors and Directors of the Company and its subsidiaries (**Eligible Employees**) may be granted equity Awards from time to time.

The purpose of the Plan is to attract, retain and motivate Eligible Employees essential for the continued growth and development of the Company, provide a strategic, value based reward for Eligible Employees who make a key contribution to the success of the Company and align the interests of Eligible Employees more closely with the interests of shareholders by providing an opportunity for Eligible Employees to receive an equity interest in the Company and to share in any future growth in value of the Company.

It is intended that the break-even bonus (**SIS Breakeven Bonus**) and special incentive to reward those actively involved in the acquisition of the Coal and Allied business (**Transaction Bonus**) (the details of which are disclosed in the Remuneration Report and which have been recognised in the FY2017 accounts) will be delivered in whole or in part in the form of Awards under the Plan during 2018. It is intended that the Plan will also be used in the future to deliver equity Awards under the Company's short-term and long-term incentive programs.

Under ASX Listing Rule 7.1, a listed company must not, without the approval of its shareholders, issue more than

15% of its equity securities in any 12 month period.

Exception 9(b) of ASX Listing Rule 7.2 provides that an issue of securities under an employee incentive scheme (which would include the issue of equity Awards under the Plan) will be treated as an exception to ASX Listing 7.1 if, within 3 years before the date of issue of the securities, the shareholders of the listed company have approved the issue of securities pursuant to the relevant employee incentive scheme as an exception to ASX Listing Rule 7.1. Accordingly, the resolution in Item 4 seeks the approval of shareholders for any issue of securities under the Plan (including the grant of any equity Awards under the Plan, and any issue of shares under the Plan upon the exercise of Awards) for the purposes of ASX Listing Rule 7.2, Exception 9(b) so that, to the extent that securities are issued under the Plan during the 3 year period following the shareholder approval, those securities will not count towards the 15% limit under ASX Listing Rule 7.1.

Subject to there being no material amendments to the Plan, shareholder approval of the resolution in Item 4 will be effective for 3 years from the date of the approval. In the absence of such an approval, future issues of securities under the Plan may still be made, but must be counted towards the Company's capacity to issue equity securities under ASX Listing Rule 7.1 at the time of issue.

The Plan has not previously been approved by shareholders for the purposes of ASX Listing Rule 7.2, Exception 9(b).

Details of the key terms of the Plan are provided in the table below.

Eligibility	Eligibility to participate in the Plan will be determined by the Board.
Offers	The Board may offer Awards to any Eligible Employee from time to time as determined by the Board by making an offer or invitation to the Eligible Employee.
Awards	Under the Plan, the Board will have the discretion to offer Awards in the form of: <ul style="list-style-type: none"> • rights to acquire shares in the Company for an exercise price (Options); • rights to acquire shares in the Company for nil consideration (Rights); • shares, including to be acquired under a limited recourse loan funded arrangement; and/or • restricted shares, to be held under the Plan subject to disposal restrictions. Each Option or Right will entitle to receive such number of shares determined by the Board and specified in the relevant offer, or to receive a cash amount equivalent to the value of such number of shares, on and subject to the rules of the Plan and the terms of the offer.



<p>Terms and conditions</p>	<p>The Board has the discretion to determine the terms and conditions applicable to an offer of Awards under the Plan, including:</p> <ul style="list-style-type: none"> the number and type of Awards being offered; any performance, service, or other conditions which must be satisfied or waived before the Awards vest (Vesting Conditions); in the case of Awards in the form of Options or Rights, any further conditions which must be satisfied or waived before vested Options or Rights may be exercised (Exercise Conditions); any acquisition price payable for the grant of Awards; in the case of Awards in the form of Options, any exercise price payable on the exercise of the Options; in the case of Awards in the form of Options or Rights, any rights to receive a payment equivalent to the value of dividends paid on shares during the vesting period attaching to the Options or Rights; the terms of any loan pursuant to which the Company or a subsidiary (Group Company) will lend the Eligible Employee an amount to fund the acquisition price (if any) or exercise price (if any) payable for the Awards; and any disposal and/or forfeiture restrictions applicable to shares acquired under the Plan, including following the vesting of shares granted under the Plan or shares acquired on the exercise of Options or Rights (Disposal Conditions).
<p>Shares as an Award or on exercise of an Award</p>	<p>Shares acquired under the Plan (including shares acquired on the exercise of Options or Rights) may, at the discretion of the Board, be delivered:</p> <ul style="list-style-type: none"> through the issue of new shares; and/or the transfer of existing shares, including shares held in an employee share plan trust, acquired on-market or acquired through an off-market transaction. <p>Shares acquired under the Plan will rank equally in all respects, and carry the same rights and entitlements, as existing shares from the date of acquisition, including in respect of dividends and distributions, rights issues, bonus rights and voting.</p>

<p>Shares as an Award or on exercise of an Award (continued)</p>	<p>The Company will apply for official quotation of any shares issued under the Plan, in accordance with the ASX Listing Rules.</p> <p>Subject to the terms of the relevant offer, shares acquired under the Plan may be subject to Disposal Conditions which may restrict the shares from being disposed of or dealt with for a period of time and/or may result in the shares being forfeited if certain further conditions are not satisfied.</p>
<p>Waiver</p>	<p>The Board may, at its discretion, reduce or waive any Vesting Conditions, Exercise Conditions and/or Disposal Conditions attaching to Awards at any time, subject to applicable law.</p>
<p>Vesting of Shares</p>	<p>Shares granted under the Plan which have not been forfeited under the Plan will vest if and when any applicable Vesting Conditions have been satisfied or waived by the Board.</p> <p>Upon vesting, subject to any Disposal Conditions specified in the relevant offer, shares will cease to be subject to disposal restrictions and the forfeiture provisions of the Plan (except where shares have been acquired using a loan provided by a Group Company and the Eligible Employee breaches the loan agreement).</p>
<p>Vesting and exercise of Options and Rights</p>	<p>Options and Rights which have not lapsed under the Plan will vest if and when any applicable Vesting Conditions have been satisfied or waived by the Board. However, vested Options or Rights will not become exercisable until any applicable Exercise Conditions have been satisfied or waived by the Board.</p> <p>Subject to applicable law, following the valid exercise of an Option or Right, the Company will issue or arrange the transfer of such number of shares to the Eligible Employee that relate to the Option or Right being exercised or make a cash payment equivalent to the value of such shares in lieu the issue or transfer such shares (at the discretion of the Board).</p>

<p>Rights attaching to Options and Rights</p>	<p>Options and Rights awarded under the Plan will not carry any voting or dividend rights.</p> <p>Options and Rights do not confer the right to participate in new issues of shares or other securities in the Company. However, the Plan provides for adjustments to be made to the number of shares to which a participant would be entitled on the exercise of Options or Rights or the exercise price (if any) of the Options or Rights in the event of a bonus issue or pro-rata issue to existing holders of shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) or a reorganisation of capital.</p> <p>Options and Rights will not be quoted on ASX.</p>
<p>Expiry</p>	<p>Options or Rights which have not been exercised by the date determined by the Board and specified in the offer (Expiry Date), will lapse unless the Board determines otherwise.</p>
<p>Forfeiture / lapse of Awards</p>	<p>Unless otherwise determined by the Board, a share granted under the Plan will be forfeited, and an Option or Right will lapse, in certain circumstances including:</p> <ul style="list-style-type: none"> • where the Board determines that any Vesting Condition or Exercise Condition applicable to the Award cannot be satisfied; • where the participant purports to dispose of the Award, or enter into any arrangement in respect of the Award, in breach of any disposal or hedging restrictions; • in the case of an Option or Right, on the Expiry Date applicable to the Option or Right; • where the Award has been acquired using a loan provided by a Group Company and the participant breaches the loan agreement; • in certain circumstances if the participant's employment is terminated (see 'Cessation of employment' below); • if the Board determines that the Award will be forfeited or lapse in the event of a change of control in respect of the Company (see 'Change of control' below); and • if the Board determines that the Award is liable to clawback (see 'Clawback' below).

<p>Cessation of employment</p>	<p>The rules of the Plan contain provisions regarding the treatment of vested and unvested Awards in the event that a participant ceases employment with the Group, as summarised below. However, an offer may prescribe that a specific grant of Awards will be treated in a different manner to the manner set out in the Plan rules. It is proposed that special provisions regarding the treatment of Awards on the cessation of employment will apply to any portion of the SIS Breakeven Bonus and Transaction Bonus delivered in the form of Awards – as outlined in the Explanatory Notes to Item 5.</p> <p>Generally, under the Plan rules, if a participant ceases employment in 'bad leaver' circumstances (including resignation (other than due to death, terminal illness, total and permanent disablement, mental illness, redundancy or retirement) or dismissal for cause or poor performance), unless the Board determines otherwise, all of their unvested Awards will be forfeited or lapse, and the participant will be required to exercise any vested Options or Rights within 60 days or they will also lapse.</p> <p>If a participant ceases employment in 'good leaver' circumstances, unless the Board determines otherwise, the participant will be entitled to retain a pro-rata amount of their unvested Awards based on the proportion of any applicable vesting period which has elapsed at the date that employment ceases, and all other unvested Awards will be forfeited or lapse. Unless the Board determines otherwise, any retained Awards will remain on foot subject to any applicable Vesting Conditions, Exercise Conditions and Disposal Conditions.</p> <p>Notwithstanding the above, the Board has discretion to treat Awards in a different manner to that set out above, subject to any requirement for shareholder approval.</p>
<p>Clawback</p>	<p>If the Board becomes aware of a material misstatement in the Company's financial statements, that a participant has committed an act of fraud, negligence or gross misconduct or failed to comply in a material respect with any restrictive covenant or that some other event has occurred which, as a result, means that a participant's Award should be reduced or extinguished, or should not vest, then the Board may clawback or adjust any such Award at its discretion to ensure no unfair benefit is derived by the participant.</p>



Change of control	In the event of a change in control or other circumstances where the Board determines it is not practical or appropriate for unvested Awards to continue on foot, the Board has the discretion to determine the extent to which all or part of any unvested Awards should vest, lapse or otherwise be treated.
Restrictions	Awards may not be sold, transferred, mortgaged, pledged, charged, granted as security or otherwise disposed of, without the prior approval of the Board, or unless required by law. Participants must not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to any unvested shares, or Options or Rights.
Employee share plan trust	A trust may be established in connection with the operation and administration of the Plan. The trust, if established, may be used to acquire shares that are then used to satisfy the Company's obligations to deliver shares to participants upon the exercise of Option and Rights under the Plan.
Amendments	The Board may, in its discretion, amend the Plan rules, or waive or modify the application of the Plan rules in relation to a participant, provided that (except in specified circumstances) if such amendment would reduce the rights of a participant in respect of their Awards acquired under the Plan, the Board must obtain the consent of the participant.

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

Recommendation

The Board recommends that shareholders vote in favour of this resolution.

Item 5: Issue of Rights under Equity Incentive Plan

As disclosed in the Remuneration Report, the Board has determined to award an SIS Breakeven Bonus and Transaction Bonus to certain members of KMP including Mr Baocai Zhang, a Co-Vice Chairman and a Director of the Company, and Mr Reinhold Schmidt, the Chief Executive Officer of the Company.

The SIS Breakeven Bonus is a special once off incentive intended to incentivise senior employees within the business to continue to drive productivity and efficiency gains in an endeavour for a 2017 business turnaround which the Board considers will position to the Company for future success and be fundamental to growing shareholder value. The final turnaround number excluded the Coal and Allied transaction. The total amount of SIS Breakeven Bonus to be awarded to all eligible employees presents 2.5% of the total loss reduced.

The Transaction Bonus rewards exceptional performance over more than two years required to deliver the Coal and Allied transaction, and is also intended to incentivise staff to maximise post acquisition performance and synergy delivery. The Board considers the success of this key transformational project was fundamental to growing shareholder value.

The SIS Breakeven Bonus and Transaction Bonus have been recognised in the FY 2017 accounts but will be paid during 2018. To provide alignment with shareholders, the Board has determined that both the SIS Breakeven Bonus and the Transaction Bonus will be awarded to Mr Zhang and Mr Schmidt in whole or in part in Deferred Share Rights granted under the Company's Equity Incentive Plan (**Plan**), with any balance to be paid in cash. A detailed overview of the Plan is set out in the Explanatory Notes to Item 4. Deferred Share Rights are rights to receive ordinary shares in the Company (or, at the discretion of the Board, a cash payment in lieu of a share) on vesting. The key terms of the proposed grant of Deferred Share Rights to Mr Zhang and Mr Schmidt are set out in Items 5(a) and 5(b) below.

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities in the Company under an employee incentive scheme to a Director or any other person whose relationship with the Company is, in ASX's opinion, such that shareholder approval should be obtained. The award of the SIS Breakeven Bonus and Transaction Bonus in Deferred Share Rights under the Plan may constitute the issue of securities in the Company for these purposes. However, shareholder approval under ASX Listing Rule 10.14 is not required if the securities are rights acquired under an employee incentive scheme, where the shares to be acquired on the exercise of the rights are required by the terms of the scheme to be purchased on-market.

Mr Zhang is a Director of the Company and, accordingly, the resolution in Item 5(a) seeks to obtain shareholder approval for the issue of Deferred Share Rights to him under the Plan. While the shares to be acquired on the exercise of the Deferred Share Rights may be acquired on-market, the Company would prefer to retain flexibility to issue new shares or acquire shares off-market on the exercise of the Deferred Share Rights. Accordingly, the resolution in Item 5(b) seeks to obtain shareholder approval for the issue of Deferred Share Rights to Mr Zhang under the Plan.

Whilst Mr Schmidt is not a Director and while the relevant securities may be acquired on-market, the Company believes that it is appropriate to obtain shareholder approval for the issue of Deferred Share Rights to Mr Schmidt under the Plan as it considers this reflects best practice corporate governance. Accordingly, the resolution in Item 5(b) seeks to obtain shareholder approval for the issue of Deferred Share Rights to Mr Schmidt under the Plan.

The SIS Breakeven Bonus and Transaction Bonus form part of each of Mr Zhang's and Mr Schmidt's remuneration package in respect of FY 2017 and have been recognised in the FY 2017 accounts. As such, if shareholder approval is not obtained in relation to the proposed grant of Deferred Share Rights to Mr Zhang or Mr Schmidt, the Company proposes to provide the SIS Breakeven Bonus and Transaction Bonus wholly in cash. The Company has determined that the award of the SIS Breakeven Bonus and Transaction Bonus to Mr Zhang and Mr Schmidt will constitute the giving of reasonable remuneration for the purposes of Chapter 2E of the Corporations Act.

Explanatory Notes *Continued*

Item 5(a) – Issue of Rights to Co-Vice Chairman

An overview of the key terms of the proposed grant of Deferred Share Rights to Mr Zhang, a Co-Vice Chairman of the Company, including information required under ASX Listing Rule 10.15, is set out in the table below.

If shareholder approval is obtained under ASX Listing Rule 10.14 for the issue of Deferred Share Rights to Mr Zhang under Item 5(a), shareholder approval is not required under ASX Listing Rule 7.1, and the issue of such Deferred Share Rights to Mr Zhang will not count towards the Company's capacity to issue equity securities under the 15% limit described in the Explanatory Notes to Item 4.

<p>Details of the proposed grant</p>	<p>The proposed grant to Mr Zhang is up to 6,421,142 Deferred Share Rights, comprising:</p> <ul style="list-style-type: none"> • 2,127,660 Deferred Share Rights representing Mr Zhang's entire SIS Breakeven Bonus of \$300,000; and • 4,293,482 Deferred Share Rights representing Mr Zhang's entire Transaction Bonus of \$605,381. <p>The maximum number of Deferred Share Rights that may be granted to Mr Zhang if approval is obtained has been calculated by dividing the aggregate value of the entire SIS Breakeven Bonus and Transaction Bonus by the volume weighted average price of the Company's shares for 10 trading days either side of 31 December 2017, which was \$0.141 per share. However, the Company may award part of the SIS Break Even Bonus and/or Transaction Bonus in cash.</p> <p>Deferred Share Rights are Rights issued under the Company's Equity Incentive Plan and are subject to the terms of the Plan (as outlined in the Explanatory Notes to Item 4).</p> <p>Further details regarding the SIS Breakeven Bonus and Transaction Bonus are contained in the Remuneration Report.</p>
<p>Price payable on grant or exercise</p>	<p>The Deferred Share Rights to be granted to Mr Zhang will be for nil consideration. Mr Zhang will not be required to pay any amount to exercise the Deferred Share Rights on vesting.</p>
<p>Date of grant</p>	<p>If shareholder approval is obtained, the Deferred Share Rights will be granted to Mr Zhang as soon as practicable after the AGM, but in any event within 12 months after the date of the AGM.</p>

<p>Vesting Conditions</p>	<p>Unless the Deferred Share Rights lapse under the terms of the Plan, the Deferred Share Rights will vest on 1 September 2018 (Vesting Date). Following this date, the Deferred Share Rights will be exercised by the Company and Mr Zhang will be entitled to receive one ordinary share in the Company in respect of each exercised Deferred Share Right or a cash payment equivalent to the value of such shares, at the discretion of the Board.</p>
<p>Cessation of employment prior to vesting</p>	<p>Unless the Board determines otherwise, if Mr Zhang ceases employment prior to the Vesting Date, he will be entitled to retain all of his Deferred Share Rights subject to the Plan rules, unless he is terminated for cause or poor performance in which case his Deferred Share Rights will lapse. Any retained Deferred Share Rights will remain subject to the Vesting Condition.</p>
<p>Other information required by ASX Listing Rule 10.15</p>	<p>Mr Zhang is the only person referred to in ASX Listing Rule 10.14 presently entitled to participate in the Plan.</p> <p>No persons referred to in ASX Listing Rule 10.14 have previously received securities under the Plan.</p> <p>No loan will be made available to Mr Zhang in connection with the acquisition or exercise of the Deferred Share Rights proposed to be granted to him if the resolution in Item 5(a) is approved.</p>

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

Recommendation

The Board (other than Mr Baocai Zhang) recommends that shareholders vote in favour of this resolution.

Item 5(b) – Issue of Rights to Chief Executive Officer

An overview of the key terms of the proposed grant of Deferred Share Rights to Mr Schmidt, the Chief Executive Officer of the Company, including information required under ASX Listing Rule 10.15, is set out in the table below. Whilst shareholder approval is not being sought under ASX Listing Rule 10.14 in respect of the grant of Deferred Share Rights to Mr Schmidt, the Company considers it appropriate to comply with the disclosure requirements of ASX Listing Rule 10.15 as it considers such disclosure to be best practice corporate governance in the context of seeking the shareholder approval the subject of the resolution in Item 5(b).



<p>Details of the proposed grant</p>	<p>The proposed grant to Mr Schmidt is up to 14,953,113 Deferred Share Rights, comprising:</p> <ul style="list-style-type: none"> • 4,225,319 Deferred Share Rights representing Mr Schmidt's entire SIS Breakeven Bonus award of \$600,000; and • 10,697,794 Deferred Share Rights representing Mr Schmidt's entire Transaction Bonus of \$1,508,389. <p>The maximum number of Deferred Share Rights that may be granted to Mr Schmidt if approval is obtained has been calculated by dividing the aggregate value of the entire SIS Breakeven Bonus and Transaction Bonus by the volume weighted average price of the Company's shares for 10 trading days either side of 31 December 2017, which was \$0.141 per share. However, the Company may award part of the SIS Break Even Bonus and/or Transaction Bonus in cash.</p> <p>Deferred Share Rights are Rights issued under the Company's Equity Incentive Plan and are subject to the terms of the Plan (as outlined in the Explanatory Notes to Item 4). Further details regarding the SIS Breakeven Bonus and Transaction Bonus are contained in the Remuneration Report.</p>
<p>Price payable on grant or exercise</p>	<p>The Deferred Share Rights to be granted to Mr Schmidt will be for nil consideration. Mr Schmidt will not be required to pay any amount to exercise the Deferred Share Rights on vesting.</p>
<p>Date of grant</p>	<p>If shareholder approval is obtained, the Deferred Share Rights will be granted to Mr Schmidt as soon as practicable after the AGM, but in any event within 12 months after the date of the AGM.</p>
<p>Vesting Conditions</p>	<p>Unless the Deferred Share Rights lapse under the terms of the Plan, the Deferred Share Rights will vest on 1 September 2018 (Vesting Date). Following this date, the Deferred Share Rights will be exercised by the Company and Mr Schmidt will be entitled to receive one ordinary share in the Company in respect of each exercised Deferred Share Right or a cash payment equivalent to the value of such shares, at the discretion of the Board.</p>

<p>Cessation of employment prior to vesting</p>	<p>Unless the Board determines otherwise, if Mr Schmidt ceases employment prior to the Vesting Date, he will be entitled to retain all of his Deferred Share Rights subject to the Plan rules, unless he is terminated for cause or poor performance in which case his Deferred Share Rights will lapse. Any retained Deferred Share Rights will remain subject to the Vesting Condition.</p>
<p>Other information required by ASX Listing Rule 10.15</p>	<p>Mr Baocai Zhang is the only person referred to in ASX Listing Rule 10.14 presently entitled to participate in the Plan.</p> <p>No persons referred to in ASX Listing Rule 10.14 have previously received securities under the Plan.</p> <p>No loan will be made available to Mr Schmidt in connection with the acquisition or exercise of the Deferred Share Rights proposed to be granted to him if the resolution in Item 5(b) is approved.</p>

A voting exclusion applies to this item of business, as set out in the Notice of Meeting.

Recommendation

The Board recommends that shareholders vote in favour of this resolution.

Item 6: Re-insertion of proportional takeover provision

Rule 6 of the Company's Constitution currently contains provisions dealing with proportional takeover bids for shares in the Company in accordance with the Corporations Act 2001.

The current provisions were last approved by the Company's members at the 2015 Annual General Meeting for a three year period. Accordingly, it is proposed to refresh the provisions at the 2018 AGM. If this item of business is approved, Rule 6 will operate on the same basis for a further period of three years from the date of the Annual General Meeting.

The Corporations Act requires that the following information be provided to shareholders in connection with this item of business.

What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?

A proportional takeover bid involves the bidder offering to buy a proportion only of each shareholder's shares in the Company. This means that control of the Company may pass without members having the chance to sell all their shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, a company may provide in its constitution that:

- in the event of a proportional takeover bid being made for shares in the Company, members are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and

Explanatory Notes *Continued*

- the majority decision of the Company's members will be binding on all individual members.

The Directors consider that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid members feeling pressure to accept the bid even if they do not want it to succeed.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes.

The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and their associate are not allowed to vote.

If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are approved by shareholders. The provisions may be refreshed for a further three-year period, but only by a special resolution passed by members.

Potential advantages and disadvantages

Rule 6 allows the Directors to ascertain members' views on a proportional takeover bid, but it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendations as to whether the bid should be accepted.

The provisions in Rule 6 ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may help individual members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids, and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their shares.

The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.

As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Recommendation

The Board recommends that shareholders vote in favour of this resolution.