

4 January 2019

# ASX Release:

## Update on Watagan Agreements

As previously disclosed, Industrial Bank Co., Ltd (“**IBC**”), BOCI Financial Products Limited (“**BOCIF**”) and United NSW Energy Limited (“**UNE**” together with IBC and BOCIF, the “**Bondholders**”) hold US\$775 million of nine-year secured bonds that were issued by Watagan Mining Company Pty Ltd (“**Watagan**”), a wholly-owned subsidiary of Yancoal, to the Bondholders on 31 March 2016 (the “**Watagan Bonds**”).

### *Put option in relation to the Watagan Bonds*

The Bondholders each have a put option allowing them to transfer issued Watagan Bonds at face value to Yankuang during specified exercise windows during the first week of January in 2019, 2021, 2023 and 2025.

BOCIF has today given notice to Yankuang and Watagan that it has exercised its right to put its Watagan Bonds (the “**Put Bonds**”) to Yankuang.

As a consequence, Yankuang will become the Bondholder of the Put Bonds following completion of the purchase of those bonds by Yankuang consequent to the exercise of the put option (which should occur on or around 1 April 2019). Upon completion of that transaction occurring, Watagan will thereafter owe an amount payable to Yankuang for the face value of the Put Bonds (being US\$200 million), minus any capitalised interest. Watagan will separately pay to BOCIF the accrued interest and any capitalised interest on the Put Bonds. Under the terms of the Put Bonds, no security will be given by Watagan in favour of Yankuang.

As the Put Bonds represent less than 50.1% of the face value of the Watagan Bonds (and the put option was not exercised by UNE as the instructing Bondholder of the investor syndicate), the put option is not deemed to have been exercised as to all the Watagan Bonds.

### *Implications for Yancoal*

The exercise by BOCIF of its right to put its Watagan Bonds to Yankuang is not expected to have any material implications for Yancoal. In particular, it does not result in a reconsolidation of Watagan into Yancoal’s group for accounting and financial reporting purposes, and Yancoal will continue to account for its equity interest in Watagan as an associate rather than a subsidiary.

As the Put Bonds are on normal commercial terms and no security is given by Watagan in favour of Yankuang under the terms of the Put Bonds, the Put Bonds will constitute a fully exempt connected transaction of Yancoal for the purposes of the Hong Kong Stock Exchange Listing Rules.

### *Next steps*

Yancoal will keep the market informed should there be any further developments. The Watagan Bonds remain outstanding save that Yankuang is now the holder of the Put Bonds.

**Ends**

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