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Yancoal Australia Ltd

ACN 111 859 119

兗煤澳大利亞有限公司*

(Incorporated in Victoria, Australia with limited liability)

(stock code: 3668)

UPDATE ON THE WATAGAN BONDS

This announcement is made by Yancoal Australia Ltd (the “**Company**”) on a voluntary basis.

Introduction

The Company refers to the Company’s announcements dated 17 February 2016, 1 April 2016 and 30 September 2016 and the Company’s prospectus dated 26 November 2018 regarding the financing arrangements in relation to the issue by Watagan Mining Company Pty Ltd (“**Watagan**”), a wholly-owned subsidiary of the Company, of certain bonds.

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 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 Group Company Limited (“**Yankuang**”), the ultimate controlling shareholder of the Company, during specified exercise windows during the first week of January in 2019, 2021, 2023 and 2025.

On 4 January 2019, BOCIF gave 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 the Company

The exercise by BOCIF of its right to put its Watagan Bonds to Yankuang is not expected to have any material implications for the Company. In particular, it does not result in a reconsolidation of Watagan into the Company for accounting and financial reporting purposes, and the Company 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 the Company for the purposes of the Hong Kong Listing Rules.

Next steps

The Company will keep shareholders and investors informed of any further developments. The Watagan Bonds remain outstanding, save that Yankuang is now the holder of the Put Bonds.

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 4 January 2019

As of the date of this announcement, the executive Director is Mr. Fucun Wang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby, Mr. David James Moulton and Ms. Helen Jane Gillies