

17 February 2016

ASX Release:

New Debt Financing To Support Continued Business Growth

Highlights

- Yancoal Australia Ltd (**Yancoal**) will raise US\$950 million¹ in new debt funding through an issue of nine-year secured debt bonds to a consortium of financiers comprising Industrial Bank Co. Ltd, BOCI Financial Products Limited (**BOCI**) and United NSW Energy Limited (**UNE**).
- The bonds will be issued by a newly established wholly owned subsidiary (**Issuer**) of Yancoal. Yancoal's interest in the New South Wales mining assets of Ashton, Austar and Donaldson (**Assets**) will be transferred to and held by the Issuer.
- Bonds to be issued in two tranches of \$US760 million (**tranche 1**) and US\$190 million (**tranche 2**).²
- Issuer to pay interest on the tranche 1 bonds at an average interest rate of approximately 8.55% - per annum³. The interest rate payable on the tranche 2 bonds will vary between 0% and 15% per annum, depending on the EBITDA performance of the Issuer and its subsidiaries.
- On and from financial close of the transaction, Yancoal will cease to control the Issuer⁴. UNE will hold a right to nominate a majority of the Issuer's directors.
- Yancoal to be appointed as the exclusive provider of mine management, marketing and infrastructure, and other corporate services for the Issuer under 10 year⁵ contracts.
- Yankuang Group Co. Ltd (**Yankuang**) will support the transaction through the grant of a put option to the financiers. The put option will allow the financiers to transfer their bonds to Yankuang⁶ at face value during option exercise windows occurring after approximately years three, five, seven and nine, and in certain other circumstances. Yankuang will also guarantee to Yancoal performance of the Issuer's obligations under a loan given by Yancoal to fund the Issuer's acquisition of the Assets.

¹ US\$175 million of BOCI's total proposed subscription of US\$375 million is subject to obtaining final BOCI credit approval. If such approval is not obtained by 30 September 2016, its commitment in respect of the US\$175 million will be cancelled in full and the total amount raised under the financing will reduce to US\$775 million.

² Tranches to be reduced to US\$620 million and US\$155 million respectively, in the event of the circumstances referred to in note 1.

³ The average interest rate of approximately 8.55% reflects a total BOCI subscription of US\$375 million. If BOCI does not obtain credit approval for the US\$175 million subscription component by 30 September 2016, its commitment in respect of that component will be cancelled in full. This will increase the average interest rate of the tranche 1 bonds to approximately 8.62% per annum.

⁴ Yancoal will regain control at the earlier of (i) Yankuang acquiring all issued bonds under the put option and (ii) repayment of the bonds.

⁵ The Issuer may remove Yancoal as services provider for all or part of the services on 6 months' notice and in certain other circumstances.

⁶ If Yankuang acquires bonds under the put option, Yankuang will not be entitled to exercise any board appointment, security or certain other rights in respect of any bonds held by it.

Yancoal Chief Executive Officer, Reinhold Schmidt, said:

“At a time of increasingly challenging global coal market conditions, Yancoal has secured additional funding to support our continued investment and expansion within the Australian resources sector.

“We have responded to the constraints of our current operating cashflow and depressed global coal prices with strong and decisive action to raise new financing in the interests of our shareholders and the future of the underground assets.

“By way of services agreements with the Issuer, Yancoal will continue to manage the Ashton, Austar and Donaldson mines to the highest safety, environmental and operational standards.

“Yancoal remains committed to investing within Australia, reducing costs and improving operational efficiencies across all operations.”

As a consequence of the transaction, Yancoal will cease to control the Issuer (and the Assets) and, from an accounting perspective, Yancoal’s investment in the Issuer will be reflected in its balance sheet as an ‘investment accounted for using the equity method’ and appropriate disclosure of the financial position and financial performance of the Issuer will be included in the accounting notes in accordance with applicable accounting standards.⁷

The transaction remains subject to satisfaction of a number of conditions precedent, including FIRB approval, PRC regulatory approvals (NDRC and SAFE), and receipt of certain other third party consents.

The transaction is expected to close on or before 30 April 2016, subject to the satisfaction of remaining conditions precedent. Proceeds will be transferred in two instalments: the first of \$US757 million upon closing; and the second of \$US193 million⁸, on or prior to 30 September 2016.

END

Assets

- **Ashton**

Located in the Upper Hunter Valley region of New South Wales, the Ashton underground mine produces semi-soft coking coal for export through the Port of Newcastle. Ashton produced 3.00 million tonnes of ROM coal and 1.38 million tonnes of saleable coal in 2015.

- **Austar**

Located south west of Cessnock in the Newcastle Coalfields, Austar produces a premium semi-hard coking coal, characterised as the highest fluidity and lowest ash coking coal in Australia, with low phosphorous and low alkalis, shipping through the Port of Newcastle. In 2015 Austar produced 0.82 million tonnes of ROM coal for the period, with saleable coal production of 0.72 million tonnes.

⁷ The disclosure is expected to be similar to that included in Yancoal’s financial statements for other material equity accounted investments, such as its interest in the Middlemount joint venture – for example, see Note 41(b) of Yancoal’s consolidated financial statements for the year ended 31 December 2014.

⁸ Reduced to US\$18 million in the circumstances referred to in note 1.

- **Donaldson**

Located in the Hunter Valley, Donaldson's underground Abel mine produces thermal and semi-soft coking coal for blending, exporting via the Port of Newcastle. Donaldson's Abel underground mine produced 1.81 million tonnes of ROM coal and 1.34 million tonnes of saleable coal in 2015.

Financiers

- Industrial Bank Co. Ltd, is a Chinese bank listed on the Shanghai stock exchange;
- BOCI Financial Products Limited, is a wholly-owned subsidiary of Bank of China Limited.
- United NSW Energy Limited, an alternative investment company incorporated in the British Virgin Islands and subsidiary of Bohai Harvest RST (Shanghai) Equity Investment Fund Management Co., Ltd.

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