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Merger Proposal with Yanzhou Coal

Gloucester Coal Ltd (Gloucester) has entered into a merger proposal deed (Merger Proposal Deed) with Yanzhou Coal Mining Company Limited (Yanzhou) and its wholly owned Australian subsidiary, Yancoal Australia Limited (Yancoal), following an approach from Yanzhou. Under the merger proposal, Gloucester's assets will be combined with Yancoal's following Australian assets:

- 100% interest in the Austar Coal Mine;
- 90% interest in the Ashton Coal Joint Venture;
- 80% interest in the Moolarben Joint Venture;
- 100% interest in the Yarrabee coal mine;
- 15.4% interest in the Newcastle Coal Infrastructure Group; and
- 5.6% interest in the Wiggins Island Coal Export Terminal,

(together, Yancoal Assets).

Key terms of the merger proposal

The key terms of the merger proposal are as follows:

- The merged company (ie, Yancoal after the implementation of the merger proposal and after the exclusion of the Excluded Assets¹), will be owned 23% by Gloucester Shareholders² and 77% by Yanzhou, with these ratios subject to validation through the ongoing due diligence process described below.
- Initially immediately after the implementation of the merger proposal, Yancoal will contribute approximately \$2.7 billion in US dollar denominated debt with maturity dates in 2014, 2017 and 2018. In addition, the merged company will have existing Gloucester Group¹ debt including \$700 million on account of the proposed Special Dividend and proposed Capital Return described below.

¹ See Attachment 1 for definitions used in this announcement.

² Gloucester Shareholders who participate in the merger, being all persons registered as Gloucester Shareholders as at the record date for the scheme described below. This will include Noble Group Limited. Certain other 'foreign' shareholders may be ineligible to receive scrip in the merged company and they will instead receive the net proceeds of the scrip to which they would otherwise be entitled.



- The Board of the merged company would comprise six nominees of Yanzhou and five independent directors agreed between Gloucester and Yanzhou, with the Chairman to be one of the nominees of Yanzhou.
- The merger proposal is conditional on the merged company obtaining a listing on the ASX.
- In consideration for the transfer of all of their Gloucester Shares to the merged company, Gloucester Shareholders will have the option to elect to receive either all ordinary shares in the merged company or a combination of ordinary shares and CVR (Contingent Value Rights) Shares.³
- Under the terms of the CVR Shares, the merged company will pay the former Gloucester Shareholders who participate in the merger and who elect to receive CVR Shares as a component of their consideration, the amount by which the ordinary share price of the merged company is less than \$6.96 per equivalent Gloucester share after the Capital Return described below based on the 3 month VWAP 18 months after merger implementation, subject to a cap of \$3.00 per share and other conditions.
- Separate to the merger, eligible Gloucester Shareholders will receive approximately \$3.20⁴ cash per Gloucester Share, comprising a Special Dividend of approximately \$0.56⁴ per Gloucester Share payable after the Court's approval of the merger but prior to the Effective Date of the merger and a Capital Return of approximately \$2.64⁴ per Gloucester Share. The Capital Reduction to facilitate the Capital Return will be implemented prior to the Effective Date of the merger and will be paid by Gloucester delivering prior to that date one or more Promissory Notes to an independent trustee. The Promissory Note will fall due for payment six months after the merger is implemented.

Transaction structure

The merger proposal involves the acquisition of all Gloucester Shares by Yancoal, including all new Gloucester Shares issued on conversion of Gloucester Converting Shares and on exercise of outstanding Gloucester Options. Under the merger proposal, the acquisition will be effected by a Scheme of Arrangement between Gloucester and its ordinary shareholders. The Scheme will require the approval of 75% of shares voted on the proposal and a simple majority of shareholders that vote on the proposal.

The Capital Reduction requires the approval of a simple majority of Gloucester Shares voted at a General Meeting that would be held on the same day as the Scheme Meeting. The Capital Reduction is conditional on Gloucester announcing a record date for the Capital Reduction after the Court's approval of the Scheme.

Other key conditions

The merger proposal is subject to a number of other conditions summarised in Attachment 1 to this announcement including:

- Yancoal and Gloucester completing their respective due diligence inquiries to validate the relative values of the Yancoal Assets and Gloucester specified in the Merger Proposal Deed;
- the Independent Expert engaged by Gloucester, Deloitte Corporate Finance Pty Ltd (Deloitte), concluding that the merger proposal is in the best interest of Gloucester Shareholders;
- Australian, PRC and the relevant stock exchanges' regulatory approvals;

³ Subject to a maximum number of CVR Shares.

⁴ Depending on the number of shares issued on the conversion of existing Converting Shares and exercise of existing Gloucester Options before the record date for the proposed Special Dividend and proposed Capital Return. It has been assumed that all in the money Gloucester Options are exercised and all out of the money Gloucester Options are not exercised but cancelled for an agreed cash amount.



- Yanzhou shareholder approval, if required;
- no Gloucester or Yancoal Prescribed Occurrences;
- no Gloucester or Yancoal Material Adverse Change; and
- ASX approving the admission of Yancoal, as the intended merged company, to the official list of ASX and the quotation of all of its ordinary shares and CVR Shares on ASX.

Noble's intentions

Noble Group Limited (Noble) has stated to Gloucester's independent directors that, subject to approval by the Noble board of directors and in the absence of a superior proposal, Noble intends to vote its shareholding in favour of the merger proposal and would elect to receive all ordinary shares as scheme consideration (that is, the option not including any CVR shares). Noble currently controls 64.5% of the ordinary shares in Gloucester.

Merger Proposal Deed summary

A summary of the key terms and conditions of the Merger Proposal Deed is included in Attachment 1. In accordance with that deed, Yancoal will issue an Enforcement Share to Gloucester having the effect of reinforcing Gloucester's contractual rights under the deed. The Enforcement Share will be issued by Yancoal on the earlier of:

- Gloucester's directors recommending the merger proposal to shareholders; and
- the order of the Court convening the Scheme Meeting.

Next steps

Gloucester has engaged Deloitte to prepare an Independent Expert's Report expressing an opinion on whether the proposal is in the best interest of Gloucester's shareholders.

As noted above, the proposal is subject to the completion of due diligence by both parties validating the relative value of the Yancoal Assets and Gloucester specified in the Merger Proposal Deed, a process which is ongoing.

The Gloucester directors believe that a combination of Gloucester and the Yancoal Assets has the potential to create a world class coal production and export operation. The Gloucester directors believe that it is important to assess the outcome of Gloucester's ongoing due diligence inquiries described above before making a recommendation to shareholders, which they will do on completion of that process.



Exclusivity and other arrangements

A break fee of \$A20 million (inclusive of GST) may become payable by Gloucester⁵ to Yancoal in the circumstances described in Attachment 1.

Reciprocal exclusivity undertakings by each party in favour of the other apply. A summary of these undertakings is included in Attachment 1.

Estimated timing

It is expected that the reciprocal due diligence investigations and Deloitte's Independent Expert's Report will be completed by late February 2012. Gloucester will provide a further announcement once these work streams are complete. In the meantime, Gloucester Shareholders should note that there is no assurance that the merger proposal will proceed at all or that, if it does proceed, that it will do so on the same terms as announced today.

Gloucester is being advised by Lazard as its financial adviser and Minter Ellison as its legal adviser in relation to the merger proposal.

For Further Information

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Attachments:

1. Summary of Merger Proposal Deed
2. Summary of proposed CVR Share terms of issue

⁵ Noble has agreed to reimburse certain transaction costs incurred by Gloucester in connection with the merger proposal if the proposal is not implemented other than as a result of the implementation of a Competing Proposal. Noble has also agreed to reimburse any break fee payable by Gloucester in connection with the merger proposal if (a) the proposal is not implemented other than as a result of the implementation of a Competing Proposal; or (b) the merger proposal is not implemented other than where all or a majority of Gloucester Directors recommend the transaction and subsequently change or withdraw their recommendation and the change is not due to a change in the Independent Expert's opinion.



ATTACHMENT 1

Summary of Merger Proposal Deed

Gloucester, Yancoal and Yanzhou have entered into the Merger Proposal Deed dated 22 December 2011 which sets out the obligations of the parties in connection with the proposed transactions described below, as well as the conditions and other key terms. A summary of the proposed transactions and their key terms and conditions are set out below. Relevant definitions are set out at the end of the summary.

Item	Issue	Summary
1.	Outline of proposed transactions	<ul style="list-style-type: none"> A scheme of arrangement between Gloucester and its ordinary shareholders under which participating Gloucester Shareholders will transfer all their Gloucester Shares to Yancoal in exchange for Yancoal Shares, as described further in Item 2 below. Separately to the Scheme: <ul style="list-style-type: none"> an equal reduction of the issued share capital of Gloucester (not involving any cancellation of shares) under which eligible Gloucester Shareholders will receive the capital return amount noted in Item 2 below; and a special dividend, as described further in Item 2 below, that will be payable at the discretion of Gloucester Board.
2.	What will Gloucester Shareholders receive?	<ul style="list-style-type: none"> Yancoal Shares and/or CVR Shares to be issued by Yancoal (being the entity that will acquire all the Gloucester Shares under the Scheme and be listed on ASX). Gloucester Shareholders will have the ability to make the scrip elections noted in Item 3 below. <p>Foreign Scheme Shareholders (excluding Gloucester's controlling shareholder, Noble) will be ineligible to receive Yancoal Shares or CVR Shares. The Yancoal Shares or CVR Shares to which Foreign Scheme Shareholders would otherwise be entitled will be issued instead to a sale agent who will sell those shares on-market and remit the net sale proceeds to the Foreign Scheme Shareholders.</p> Separately to the Scheme but subject to Gloucester making an announcement after the Court's approval of the Scheme setting a record date to determine entitlements to the Special Dividend and Capital Return prior to the Effective Date (see further item 8 below), it is proposed that eligible Gloucester Shareholders will receive a cash payment of approximately \$3.20⁶ per share comprising: <ul style="list-style-type: none"> a fully franked Special Dividend of up to approximately \$0.56⁶ per share – to be paid to all persons registered as Gloucester Shareholders as the Capital Reduction Record Date; and a Capital Return of up to approximately \$2.64⁶ per share, with payment deferred until 6 months after the merger proposal is completed. <p>The Capital Return would be effected by Gloucester undertaking a Capital Reduction in which the same Gloucester Shareholders that are entitled to participate in the Gloucester Special Dividend will participate. The proceeds of the Capital Return are to be paid by Gloucester issuing to the Trustee one or more Promissory Notes for the aggregate amount of the Capital Return, payable six months after the merger proposal is implemented. The Trustee will hold the Promissory Note(s) on trust for</p>

6

See footnote 4 above.



	<p>Gloucester Shareholders registered as such on the Capital Reduction Record Date. On the due date, the Trustee will present the Promissory Note(s) to Gloucester for payment and distribute the proceeds to the eligible former Gloucester Shareholders.</p>
3. Scrip elections	<ul style="list-style-type: none"> In the absence of a specific election to the contrary, the consideration under the Scheme will comprise a combination of Yancoal Shares and CVR Shares. The CVR Shares will be redeemable preference shares conferring the rights summarized in Attachment 2. Gloucester Shareholders can elect to receive 100% of their scheme consideration in the form of Yancoal Shares.
4. Scheme conditions	<p>The Scheme is subject to the conditions noted in Items 5, 6 and 7 below, all of which must be satisfied or waived by 8.00am on the Second Court Date. The conditions in Item 5 (other than the last one) are not capable of waiver. The conditions in Item 6 are only capable of being waived by Yancoal. The conditions in Item 7 are only capable of being waived by Gloucester.</p>
5. Joint Scheme conditions (i.e. ones that apply for the mutual benefit of all parties)	<ul style="list-style-type: none"> (Regulatory approvals) Receipt of regulatory approvals including from ASIC, ASX, FIRB and from various Chinese regulatory authorities (Independent Expert) The Independent Expert opines that Scheme is in the best interest of Gloucester Shareholders and maintains that opinion at all times up to 8.00am on the Second Court Date (Scheme approval) The Scheme is approved by Gloucester Shareholders and the Court (Capital reduction approval) Gloucester shareholders approve the Capital Reduction⁷ (Yanzhou shareholder approval) To the extent required by law or applicable regulatory requirements, the Transactions are approved by Yanzhou shareholders in accordance with all applicable requirements in the jurisdictions where Yanzhou's securities are listed (namely, Shanghai, Hong Kong and New York) (Admission of Yancoal to ASX) ASX approves the admission of Yancoal to the official list of ASX and grants quotation of all of its issued shares (including the CVR shares), subject only to the approval of the Scheme by the Court, the implementation of the Scheme as approved by the Court and usual and customary conditions of ASX of a procedural or administrative nature. (Hong Kong Stock Exchange approval) The Hong Kong Stock Exchange confirms that Yanzhou may proceed with the separate listing of Yancoal on the ASX or grants a waiver to Yanzhou from strict compliance with applicable Hong Kong Stock Exchange's approval requirements, in either case subject to any conditions the Hong Kong Stock Exchange may impose (Elections not to receive CVR shares) Gloucester shareholders holding in aggregate at least 130 million of Gloucester shares (equivalent to approximately 64% of the total number of Gloucester ordinary shares currently on issue) elect under the Scheme to receive 100% of their consideration in the form of Yancoal ordinary shares (rather than receiving any portion of their scheme consideration in the form of Yancoal CVR Shares)

7

Note – the Capital Reduction will only proceed if Gloucester announces a record date to determine entitlements to the Capital Reduction after the Court approves the Scheme. See further Item 8 below



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| 6. Scheme conditions that apply for the benefit of Yancoal only | <ul style="list-style-type: none"> • (No Gloucester Material Adverse Change) No Gloucester Material Adverse Change arises between the date the Merger Proposal Deed is entered into and 8.00am on the Second Court Date • (No Gloucester Prescribed Occurrence) No Gloucester Prescribed Occurrence arises between the date the Merger Proposal Deed is entered into and 8.00am on the Second Court Date • (No breach of Gloucester warranties) Gloucester provides various warranties relating to contractual capacity/authority, the compliant preparation of the Explanatory Booklet, the accuracy of information supplied to Yancoal during due diligence, together with a number of specific business/operational warranties. These warranties must remain true and correct in all material particulars up to 8.00am on the Second Court Date • (Amendment of Terms of Issue) Prior to the Capital Reduction Record Date, the Terms of Issue are amended so that the Converting Shares convert into Gloucester Shares on a 1-for-1 basis and an agreed number of Additional Shares in Gloucester are Provided (by way of issue) to the holders of the Converting Shares • (Gloucester finance debt cap) By 8.00am on the Second Court Date, Gloucester confirms to Yancoal that the aggregate finance debt cap of the Gloucester Group does not exceed an agreed amount |
| 7. Scheme conditions that apply for the benefit of Gloucester only | <ul style="list-style-type: none"> • (No Yancoal Material Adverse Change) No Yancoal Material Adverse Change arises between the date the Merger Proposal Deed is entered into and 8.00am on the Second Court Date • (No Yancoal Prescribed Occurrence) No Yancoal Prescribed Occurrence arises between the date the Merger Proposal Deed is entered into and 8.00am on the Second Court Date • (No breach of Yancoal warranties) Yancoal provides various warranties relating to contractual capacity/authority, the accuracy of information supplied to Gloucester during due diligence, the accuracy of Yancoal information for inclusion in the Explanatory Booklet and other matters. These warranties must remain true and correct in all material particulars up to 8.00am on the Second Court Date • (Yancoal finance debt cap) By 8.00am on the Second Court Date, Yancoal confirms to Gloucester that the aggregate finance debt cap of the Bidder Group does not exceed an agreed amount • (Extension of due debt) By 8.00am on the Second Court Date, Yancoal confirms to Gloucester that the repayment terms for various debt facilities are amended so that their due date for repayment are extended until 16 December 2017 in some cases or until 16 December 2018 in other cases • (\$700 million funding) Before 8.00am on the Second Court Date, Yancoal must confirm that it has in place \$700 million of funding to enable Gloucester to pay the Gloucester Special Dividend on or immediately after the Capital Reduction Record Date, the Promissory Note immediately on the presentation of the Promissory Note for payment and the Gloucester Option Amount |
| 8. Capital Reduction condition | <p>The Capital Reduction is not conditional on the Court approving the Scheme. However, the Capital Reduction is conditional on the Gloucester directors announcing a record date to determine entitlements to the Capital Reduction which will occur (assuming the Capital Reduction is approved by shareholders) after the Court's approval of the Scheme. (As noted under Item 5 above, the Scheme is subject to a condition that Gloucester Shareholders approve the</p> |



	Capital Reduction.)
9. Gloucester Options	<p>Gloucester agrees to use reasonable endeavours to obtain the written agreement of each holder of Gloucester Options to have their options cancelled, subject to the Scheme becoming Effective, for an agreed amount of consideration and subject to all other holders of Gloucester Options agreeing to have their Gloucester Options cancelled.</p> <p>If some but not all holders of Gloucester Options do not agree to this private treaty approach, Yancoal can direct Gloucester to propose a separate creditors' scheme of arrangement (which would not be inter-conditional with the share scheme) or alternatively proceed to compulsory acquisition of the outstanding Gloucester Options after implementation of the merger proposal.</p>
10. Gloucester Converting Shares	<p>Gloucester agrees to use reasonable endeavours to obtain the written agreement of each holder of Converting Shares to an amendment to the Terms of Issue with effect on and from a date not later than the day before the Capital Reduction Record Date and having the effect of:</p> <ul style="list-style-type: none"> • converting each Converting Share into a Gloucester Share; and • ensuring that all Additional Shares (but to a total value (based on pre announcement VWAP over 20 Business Days of Gloucester ordinary shares) of no more than \$120 million) are provided under the Terms of Issue.
11. Conduct of business	<p>Both Gloucester and Yancoal agree to conduct their respective businesses in the ordinary course and substantially in the manner in which each such business has been conducted before entering into the Merger Proposal Deed and in compliance in all material respects with all applicable laws. This includes preserving their relationships with customers, suppliers, and other third parties, consulting with the other party in respect of any material decisions regarding their respective business.</p>
12. Transfer of Excluded Assets	<p>Prior to the Effective Date, Yanzhou will procure that the Excluded Assets are transferred to one or more related bodies corporate of Yanzhou that are not Bidder Group Members and that any consideration paid for them by the acquirer(s) of those assets is distributed to Yanzhou.</p>
13. Right of first refusal over certain assets	<p>Yanzhou must procure that prior to the Effective Date the Excluded Assets are transferred to one or more related bodies corporate of Yanzhou that are not Bidder Group Members for consideration and distribute to Yanzhou so much of that consideration, or otherwise procure, such that the Bidder Group is in the same economic position as it would have been had the transfer and distribution not given rise to any tax for the Bidder Group.</p>
14. Mutual termination rights	<p>Either Gloucester or Yancoal may terminate the Merger Proposal Deed in any of the following circumstances:</p> <ul style="list-style-type: none"> • a condition precedent is not fulfilled; • during the course of the parties' continuing due diligence, there is an unresolved dispute in relation to the relative values ascribed to Yancoal and Gloucester assets under the merger proposal; • Gloucester does not receive a favourable class ruling from the ATO in relation to the tax treatment of the Gloucester Special Dividend, the Capital Reduction and the Scheme Consideration, after failure of any subsequent negotiations to restructure the merger proposal; or • any material breach of the Merger Proposal Deed is not remedied within 10 Business Days of the breach being notified in writing to the relevant party



<p>15. Yancoal termination rights</p>	<p>Yancoal may terminate the Merger Proposal Deed if:</p> <ul style="list-style-type: none"> • the Gloucester Board (or a majority of the Gloucester Board) have not, by no later than the earlier of 31 March 2012 and the date 2 Business Days after the Independent Expert's Report is received by Gloucester, recommended that Gloucester Shareholders vote in favour of the Transaction Resolutions; • the Gloucester Board changes or withdraws any positive recommendation it may make to its shareholders, including because the Gloucester Board publicly states that it supports a Competing Proposal; or • Gloucester breaches its exclusivity obligations or causes a Gloucester Prescribed Occurrence to occur.
<p>16. Gloucester termination rights</p>	<p>Gloucester may terminate the Merger Proposal Deed immediately if Yancoal breaches its exclusivity obligations or causes a Yancoal Prescribed Occurrence to occur.</p>
<p>17. Gloucester's exclusivity undertakings</p>	<ul style="list-style-type: none"> • Exclusivity is granted by Gloucester to Yancoal from the date the Merger Proposal Deed is signed until the End Date. • Exclusivity comprises customary 'no shop', 'no talk' and 'no due diligence' restrictions that apply to Gloucester, with the 'no talk' and 'no due diligence' restrictions each being subject to a fiduciary carve out allowing Gloucester to respond to any unsolicited Competing Proposal. • Yancoal is entitled to receive notice of any Competing Proposal that Gloucester receives and is given five Business Days to match or better any such Competing Proposal. There is a fiduciary carve-out to the notification and matching right regime.
<p>18. Yancoal's exclusivity undertakings</p>	<p>A reciprocal exclusivity regime applies to Yancoal in favour of Gloucester, with an exception allowing Yancoal to continue preparations for an IPO of its Australian coal assets, with those preparations confined to documentary and procedural matters only.</p>
<p>19. Gloucester Break Fee</p>	<p>A break fee of \$20 million (inclusive of GST) is payable by Gloucester to Yancoal in any of the following three circumstances:</p> <ol style="list-style-type: none"> 1. If: <ul style="list-style-type: none"> • the Independent Expert concludes that the Scheme is in the best interest of Gloucester Shareholders and the Independent Expert has not changed or withdrawn that conclusion; • there are no unresolved disputes between Gloucester and Yancoal regarding the relative values ascribed to Yancoal and Gloucester assets under the merger proposal; and • there is no Superior Proposal <p>and the Gloucester Board (or a majority of the Gloucester Board) do not make a public statement recommending that Gloucester Shareholders vote in favour of the Transaction Resolutions within 10 Business Days of those conditions being satisfied, unless they have within those 10 Business Days obtained written legal advice that so recommending would be likely to constitute a breach of the Gloucester Board's (or the majority of the Gloucester Board's) fiduciary or statutory duties.</p> 2. If at any time after the time that the Gloucester Board (or a majority of the Gloucester Board) makes a public statement recommending that Gloucester Shareholders vote in favour of the Transaction Resolutions but on or before the earlier of the End Date and the time the Court



makes, or refuses to make, an order approving the Scheme:

- the Gloucester Board (or a majority of the Gloucester Board) makes a public statement withdrawing or adversely changing or modifying its or their recommendation that Gloucester Shareholders vote in favour of the Transaction Resolutions or makes a recommendation or statement that is inconsistent with such recommendation or statement; or
- without limiting the foregoing, the Gloucester Board (or a majority of the Gloucester Board) makes a public statement indicating that they no longer support the Transactions or that they support another transaction (including a Competing Proposal),

but excluding in either case where the reason for the withdrawal, change or modification of recommendation is that:

- the Independent Expert has changed or withdrawn its conclusion that the Scheme is in the best interest of Gloucester Shareholders (unless that change in or withdrawal of the Independent Expert’s conclusion is as a result of the existence of a Competing Proposal); or
- Gloucester has exercised certain termination rights.

3. If at any time before the termination or expiry of the Merger Proposal Deed, a Competing Proposal is announced by a Third Party and, within one year of that announcement, the Third Party or any of its associates completes in all material respects a transaction of the kind referred to in paragraph (a), (b), (c) or (d) of the definition of Competing Proposal.

20. Separation and Co-operation Agreement	Yanzhou and Yancoal will enter into a Separation and Co-operation Agreement which provides for various transitional matters once Yancoal ceases to be a wholly owned subsidiary of Yanzhou.
21. LTCC Licence Agreement	Yanzhou and Yancoal will enter into an LTCC Licence Agreement to allow the mines held by the merged group on implementation of the Scheme to use the LTCC and other technology held by Yancoal Technology
22. Restructure Agreement	Yanzhou and Yancoal will enter into a Restructure Agreement dealing with various internal restructuring arrangements, including facilitating the intended listing of Yancoal on ASX



Definitions

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
ATO	the Australian Taxation Office.
Athena Coal Pty Limited	Athena Coal Pty Limited ABN 68 108 510 452.
Athena Joint Venture	the unincorporated joint venture between Athena Coal Pty Limited (51%), Sojitz (45%) and Kores Australia Athena Coal Pty Ltd (4%) as amended from time to time in respect of the prospective underground mine development to produce coal, known as the Athena coal project and currently covered by exploration permits for coal numbers 553 (EPC 553) 1116 (EPC 1116), 1393 (EPC 1393) and 1591 (EPC 1591) including all new or existing exploration permits, mineral development licences or mining leases and applications for the foregoing for the total area covered by the external boundaries of EPC 553 EPC 1116, EPC 1393 and EPC 1591 together with all related joint venture assets.
Bidder or Yancoal	Yancoal Australia Limited ABN 82 111 859 119.
Bidder Board or Yancoal Board	the board of directors of Bidder.
Bidder Disclosure Letter	the letter so entitled provided by Bidder to Gloucester before entry into the Merger Proposal Deed and countersigned by Gloucester.
Bidder Due Diligence Material	<p>(a) all documents and information that were at any time during the period ending on and including 9 December 2011 contained in the electronic and physical data rooms established by Bidder and administered by Freehills and made available to Gloucester or its Representatives; and</p> <p>(b) all written answers given to written questions submitted by Gloucester or its Representatives as part of the question and answer process on or by the day before the date of the Merger Proposal Deed.</p>
Bidder Group	Bidder and each of its subsidiaries (excluding, at any time, Gloucester and its subsidiaries to the extent that Gloucester and its subsidiaries are subsidiaries of Bidder at that time). A reference to a member of the Bidder Group or a Bidder Group Member is a reference to Bidder or any such subsidiary. Except that, for the purpose of interpreting Bidder Prescribed Occurrences and Bidder Material Adverse Change, a reference to the Bidder Group, excludes the Excluded Assets.
Bidder Material Adverse Change	<p>any event, occurrence or matter (or the disclosure or discovery of any event, occurrence or matter) that individually or when aggregated with all such events, occurrences or matters has, has had or would be reasonably likely to have the effect of:</p> <p>(a) a diminution in the consolidated net assets of the Bidder Group (calculated on the basis of AIFRS as at the date of the Merger Proposal Deed), of at least \$80 million compared to the consolidated net assets of the Bidder Group as shown in the</p>



document 'Monthly Report – September 2011'; or

- (b) a diminution in the consolidated net profit before tax of the Bidder Group (calculated on the basis of AIFRS as at the date of the Merger Proposal Deed) of at least \$20 million per annum on a recurring basis over a period of at least 5 years; or
- (c) the Bidder Group being unable to carry on its business in substantially the same manner as carried on as at the date of the Merger Proposal Deed,

other than changes, events, occurrences or matters:

- (d) required or permitted by the Merger Proposal Deed or another Transaction Document;
- (e) to the extent fairly disclosed on or before 9 December 2011 in the Bidder Due Diligence Material or fairly disclosed in the Bidder Disclosure Letter;
- (f) to the extent fairly disclosed in public announcements issued by Yanzhou on or by the day before the date of the Merger Proposal Deed on any of the securities exchanges where its securities are listed;
- (g) which do not relate specifically to the Bidder Group and which are beyond the control of the Bidder and which arise from:
 - (i) changes in coal or other commodity prices, exchange rates or interest rates; or
 - (ii) general economic or business conditions;
- (h) arising as a result of any changes of accounting standards or laws in Australia; or
- (i) to the extent any losses or liabilities arising from such change, event, occurrence or matter are covered by insurance which the Bidder Group's insurers have agreed to pay.

Bidder Prescribed Occurrence

certain agreed occurrences including changes to the Bidder's capital structure, insolvency related events and matters relevant to the operation of the Bidder's business, provided that none of the following will constitute a Bidder Prescribed Occurrence:

- (a) anything required or permitted to be done by any member of the Bidder Group by the Merger Proposal Deed or another Transaction Document;
- (b) anything approved in writing by Gloucester;
- (c) anything fairly disclosed on or before 9 December 2011 in the Bidder Due Diligence Material or fairly disclosed in the Bidder Disclosure Letter; or
- (d) anything fairly disclosed in public announcements issued by Yanzhou on or by the day before the date of the Merger Proposal Deed on any of the securities exchanges where its securities are listed,

and provided further that certain occurrences will not constitute Bidder Prescribed Occurrences if they occur in the ordinary course of Bidder Group's ordinary business.

Bidder Share or

a fully paid ordinary share in the capital of Bidder.



Yancoal Share	
Bidder Sub	a direct or indirect wholly owned subsidiary of Bidder, nominated in writing by Bidder to Gloucester, or if such a subsidiary is not nominated by Bidder then a reference to Bidder Sub is a reference to Bidder.
Break Fee	\$20,000,000 (inclusive of GST).
Business Day	a business day as defined in the official listing rules of ASX, as amended from time to time.
Cameby Downs mine	open cut mine located approximately 30km from the town of Chinchilla in the Surat Basin, Queensland in respect of the area covered by mining lease (ML 50233), exploration permits for coal numbers 562 (EPC 562), 732 (EPC 732), 873 (EPC 873), 1165 (EPC 1165), mineral development licences 246 (MDL 246) and 247 (MDL 247) including all new or existing exploration permits, mineral development licences or mining leases and applications for the foregoing for the total area covered by the external boundaries of EPC 562, EPC 732, EPC 873, EPC 1165, MDL 246, MDL 247 and ML 50233, together with all related assets and all interests in any assets owned or held by Syntech Holdings Pty Ltd or Syntech Holdings II Pty Limited and all issued shares in Syntech Holdings Pty Ltd and Syntech Holdings II Pty Limited.
Capital Reduction	a proposed equal reduction of the share capital of Gloucester under Part 2J.1 of the Corporations Act in the aggregate amount of the Capital Reduction Amount and not involving the cancellation of any Shares.
Capital Reduction Amount	subject to the Gloucester Board making an announcement to ASX by no later than two Business Days after the Court Approval Date setting the Capital Reduction Record Date, an amount equal to \$700 million less the sum of the Gloucester Special Dividend and the Gloucester Option Amount.
Capital Reduction Record Date	7.00pm on a date occurring after the Court Approval Date but at least two Business Days before the Effective Date, as determined by Gloucester acting reasonably.
Capital Reduction Resolution	the resolution to be considered at the General Meeting to consider and, if thought fit, approve the Capital Reduction.
Capital Return	subject to the Gloucester Board making an announcement an announcement to ASX by no later than two Business Days after the Court Approval Date setting the Capital Reduction Record Date, an amount per Gloucester Share equal to the Capital Reduction Amount divided by the number of Gloucester Shares on issue as at the Capital Reduction Record Date, and effected in accordance with clause 4.5.
Competing Proposal	<p>any expression of interest, proposal, offer, transaction or arrangement (including any takeover bid, scheme of arrangement, shareholder approved acquisition, share or asset sale, recapitalisation or issue of securities, capital reduction, share buy back or repurchase, joint venture, reverse takeover, dual listed company structure or other synthetic merger) under which a Third Party will or may, if the expression of interest, proposal, offer, transaction or arrangement is entered into and completed:</p> <ul style="list-style-type: none"> (a) acquire control of Gloucester; (b) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in assets with an aggregate book value representing 20% or more of the total assets of the Gloucester Group as set out in



	<p>Gloucester's consolidated balance sheet as at 30 June 2011;</p> <p>(c) otherwise (whether directly or indirectly) acquire or merge or amalgamate with Gloucester;</p> <p>(d) come to have voting power in Gloucester of more than 20%; or</p> <p>(e) enter into any agreement or understanding requiring Gloucester to abandon, or otherwise fail to proceed with, the Transactions.</p>
Confidentiality Agreement	the confidentiality agreement between Yanzhou and Gloucester dated 21 November 2011.
Converting Share	a non-cumulative non-redeemable preference share in Gloucester so called and issued on or about 15 July 2011.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing between the parties.
Court Approval Date	the date the Court approves the Scheme for the purposes of section 411(4)(b) of the Corporations Act.
CVR Share	a fully paid non-cumulative preference share in the capital of Bidder having the rights summarised in the attachment.
Effective	the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme and becomes Effective.
End Date	31 July 2012, subject to extension in certain circumstances.
Excluded Assets	<p>the following assets of the Bidder Group as at the date of the Merger Proposal Deed:</p> <p>(a) all of the issued shares in, and/or all assets, liabilities, obligations or interests of, Yancoal Technology Development Pty Limited;</p> <p>(b) 100% interest in Ultra Clean Coal together with all issued shares in, and/or all assets, liabilities, obligations, or interests of, UCC Energy Pty Ltd ABN 15 003 435 836);</p> <p>(c) 100% interest in Harrybrandt Project together with all issued shares in, and/or all assets, liabilities, obligations, or interests of, Tonford Pty Ltd (ABN 48 006 880 931);</p> <p>(d) all of the issued shares in, and/or all assets, liabilities, obligations or interests of, Athena Coal Pty Limited and thereby a 51% interest in the Athena Joint Venture;</p> <p>(e) 100% interest in Wilpeena;</p> <p>(f) all of the issued shares in, and/or all assets, liabilities, obligations or interests of, each of Syntech Holdings Pty Limited and Syntech Holdings II Pty Limited and thereby a 100% interest in the Cameby Downs mine; and</p> <p>(g) all of the issued shares in Wesfarmers Premier Coal Limited ABN 21 008 672 599 and Wesfarmers Char Pty Ltd ABN 77 009 379 597 and/or all assets, liabilities, obligations, or interests of those entities (including those detailed in the Share Sale Agreement dated on or about 27 September 2011 and entered into between Wesfarmers Coal Resources Pty Ltd, Wesfarmers Chemicals, Energy &</p>



	Fertilisers Limited, Wesfarmers Resources Limited, and Austar Coal Mine Pty Ltd regarding the acquisition of relevant Wesfarmer entities mentioned above and any other connected assets, liabilities, obligations or interests including 100% interest in the Premier coal mine.
Exclusivity Period	the period from and including the date of the Merger Proposal Deed to the earlier of: <ul style="list-style-type: none"> (a) the termination of the Merger Proposal Deed; and (b) the End Date.
Explanatory Booklet	the explanatory booklet to be prepared by Gloucester in respect of the Transactions in accordance with the terms of the Merger Proposal Deed and to be despatched to Gloucester Shareholders.
Foreign Scheme Shareholder	a Scheme Shareholder whose address in the Gloucester Share Register is a place outside Australia and its external territories or New Zealand unless Gloucester and Bidder agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Bidder Shares and (unless the relevant Scheme Shareholder has elected not to receive CVR Shares under the Scheme) CVR Shares under the Scheme.
General Meeting	a general meeting of Gloucester Shareholders to consider and, if thought fit, pass the Capital Reduction Resolution and any other resolutions required to give effect to the Transactions.
Gloucester Accounts	the audited individual and consolidated accounts (including the financial statements, notes forming part of or intended to be read with the financial statements, directors' report and declaration, and auditor's report) of Gloucester at and for the year ended 30 June 2011.
Gloucester Board	the board of directors of Gloucester.
Gloucester Disclosure Letter	the letter so entitled provided by Gloucester to Bidder before entry into the Merger Proposal Deed and countersigned by Bidder.
Gloucester Due Diligence Material	<ul style="list-style-type: none"> (a) all documents and information that were at any time during the period ending on and including 9 December 2011 contained in the electronic and physical data rooms established by Gloucester and administered by Minter Ellison and made available to Bidder or its Representatives; and (b) all written answers given to written questions submitted by Bidder or its Representatives as part of the question and answer process on or by the day before the date of the Merger Proposal Deed.
Gloucester Group	Gloucester and each of its subsidiaries. A reference to a member of the Gloucester Group or Gloucester Group Member is a reference to Gloucester or any such subsidiary.
Gloucester Material Adverse Change	any event, occurrence or matter (or the disclosure or discovery of any event, occurrence or matter) that individually or when aggregated with all such events, occurrences or matters has, has had or would be reasonably likely to have the effect of: <ul style="list-style-type: none"> (a) a diminution in the consolidated net assets of the Gloucester Group (calculated on the basis of AIFRS as at the date of the Merger Proposal Deed), of at least \$66 million compared to the consolidated net assets of the Gloucester Group as shown in the Gloucester Accounts; or (b) a diminution in the consolidated net profit before tax of the



	<p>Gloucester Group (calculated on the basis of AIFRS as at the date of the Merger Proposal Deed) of at least \$15 million per annum on a recurring basis over a period of at least 5 years; or</p> <p>(c) the Gloucester Group being unable to carry on its business in substantially the same manner as carried on as at the date of the Merger Proposal Deed,</p> <p>other than changes, events, occurrences or matters:</p> <p>(d) required or permitted by the Merger Proposal Deed or another Transaction Document;</p> <p>(e) to the extent fairly disclosed in the Gloucester Due Diligence Material on or before 9 December 2011 or fairly disclosed in the Gloucester Disclosure Letter;</p> <p>(f) to the extent fairly disclosed in public announcements issued by Gloucester to ASX on or by the day before the date of the Merger Proposal Deed;</p> <p>(g) which do not relate specifically to the Gloucester Group and which are beyond the control of Gloucester and which arise from:</p> <p>(i) changes in coal or other commodity prices, exchange rates or interest rates; or</p> <p>(ii) general economic or business conditions;</p> <p>(h) arising as a result of any changes to accounting standards or laws in Australia; or</p> <p>(i) to the extent any losses or liabilities arising from such change, event, occurrence or matter are covered by insurance which the Gloucester Group's insurers have agreed to pay.</p>
Gloucester Option	an option granted by Gloucester to acquire by way of issue one or more Gloucester Shares.
Gloucester Option Amount	the amount (which may be a negative amount) equal to the amount paid on account of the cancellation of the Gloucester Options less the amount paid to Gloucester on account of the exercise of Gloucester Options resulting in the issue of Gloucester Shares prior to the Capital Return Record Date.
Gloucester Prescribed Occurrence	<p>certain agreed occurrences including changes to Gloucester's capital structure, insolvency related events and matters relevant to the operation of Gloucester's business, provided that none of the following will constitute a Gloucester Prescribed Occurrence:</p> <p>(a) anything required or permitted to be done by any member of the Gloucester Group by the Merger Proposal Deed or another Transaction Document;</p> <p>(b) anything approved in writing by Bidder;</p> <p>(c) anything fairly disclosed on or before 9 December 2011 in the Gloucester Due Diligence Material or fairly disclosed in the Gloucester Disclosure Letter; or</p> <p>(d) anything fairly disclosed in public announcements issued by Gloucester to ASX on or before the day before the date of the Merger Proposal Deed,</p> <p>and provided further that certain occurrences will not constitute Gloucester Prescribed Occurrences if they occur in the ordinary course</p>



	of Gloucester Group's ordinary business.
Gloucester Share	a fully paid ordinary share in the capital of Gloucester.
Gloucester Shareholder	a person who is registered as the holder of Gloucester Shares from time to time.
Gloucester Special Dividend	a fully franked dividend of up to \$125 million in aggregate which may be paid by Gloucester (in its absolute discretion) to Gloucester Shareholders registered as such as at the Capital Reduction Record Date.
Harrybrandt Project	<p>the following tenements located near the town of Nebo in the Bowen Basin, Queensland:</p> <ol style="list-style-type: none"> 1. EPC 1176; and 2. MDL 8, <p>including all new or existing exploration permits, mineral development licences or mining leases and applications for the foregoing for the total area covered by the external boundaries of EPC 1176 and MDL8.</p>
Implementation Date	the fifth Business Day after the Scheme Record Date or such other date agreed to in writing between the parties.
Independent Expert	the independent expert in respect of the Scheme appointed by Gloucester.
Independent Expert's Report	a report (including any updates to such report) of the Independent Expert stating whether or not in its opinion the Scheme is in the best interest of Gloucester Shareholders, including the report of any technical specialist annexed thereto.
LTCC Licence Agreement	the agreement to be entered into between Yanzhou and Bidder (or its nominee) relating to the licensing of long wall top coal caving technology to the Bidder Group.
Noble	Noble Group Limited.
Promissory Note	one or more promissory notes to be issued by Gloucester to the Trustee.
Restructure Agreement	the agreement to be entered into between Yanzhou and Bidder (or its nominee) relating to the restructure of the Bidder Group in preparation for the contemplated admission of Bidder to the official list of ASX and the quotation of all of its issued Bidder Shares and CVR Shares on ASX.
ROFR Asset	<p>the Excluded Assets other than:</p> <ol style="list-style-type: none"> (a) all of the issued shares in, and/or all assets, liabilities, obligations and interests of, Yanzhou Technology Development Pty Limited; and (b) 100% interest in Ultra Clean Coal together with all issued shares in, and/or all assets, liabilities, obligations, or interests of, UCC Energy Pty Ltd ABN 15 003 435 836).
Scheme	the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Gloucester and the Scheme Shareholders to give effect to the merger proposal.
Scheme Meeting	the meeting of Gloucester Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
Scheme Record Date	7pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between the parties.



Scheme Share	a Gloucester Share held by a Scheme Shareholder.
Scheme Shareholder	a Gloucester Shareholder (other than an Excluded Shareholder) at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Separation and Cooperation Agreement	the agreement to be entered into between Yanzhou and Bidder to put in place separation arrangements between Yanzhou (and the Excluded Assets) and Bidder.
Superior Proposal	<p>a bona fide Competing Proposal received after the date of the Merger Proposal Deed (that has not been directly or indirectly solicited, invited, encouraged or initiated in breach of Gloucester's exclusivity obligations) that the Gloucester Board determines, acting in good faith in order to satisfy what the Gloucester Board considers to be its fiduciary or statutory duties (having taken advice from its external financial and legal advisers):</p> <ul style="list-style-type: none"> (a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including any conditions and the likely availability of finance; and (b) would, if completed substantially in accordance with its terms, be likely to be more favourable to Gloucester Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal.
Syntech Holdings Pty Limited	Syntech Holdings Pty Limited, ABN 21 123 782 445.
Syntech Holdings II Pty Limited	Syntech Holdings II Pty Limited, ABN 30 126 174 847.
Terms of Issue	the terms of issue of the Converting Shares.
Third Party	any person or entity (including a Regulatory Authority) other than Yanzhou, a member of the Bidder Group, Yancoal or a member of the Gloucester Group.
Transactions	<ul style="list-style-type: none"> (a) the proposed acquisition by Bidder Sub in accordance with the terms and conditions of the Merger Proposal Deed, of all of the Gloucester Shares (other than the Gloucester Shares held by an Excluded Shareholder) through the implementation of the Scheme; (b) the proposed payment of the Gloucester Special Dividend; (c) the proposed Capital Reduction; and (d) all associated transactions and steps contemplated by the Merger Proposal Deed, including the transfer of the Excluded Assets from the Bidder Group to or to another subsidiary of Yanzhou (and distribution to Yanzhou of any consideration paid for them), and entry into the LTCC Licence Agreement and the Separation and Cooperation Agreement.
Transaction Resolutions	<ul style="list-style-type: none"> (a) the approval of the Scheme by Gloucester Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act; and (b) the Capital Reduction Resolution.



Trust Deed	the trust deed governing the trust of the Promissory Note.
Trustee	the trustee appointed by Gloucester under the Trust Deed.
Ultra Clean Coal	ultra clean coal technology patented in 2009 and owned by Yancoal through its subsidiary UCC Energy Pty Limited (ABN 15 003 435 836) together with all assets and liabilities owned by UCC Energy Pty Limited.
Wilpeena	<p>the following tenements held by Yarrabee Coal Company Pty Limited (ABN 30 010 849 402):</p> <ol style="list-style-type: none"> 1. EPC 1117; 2. EPC 1668; 3. EPC 1177; and 4. the following sub-blocks of EPC 1429, Sub Blocks CLER2724 Z, CLER2796 F, CLER2795 P, CLER2796 L, CLER2796 Q, CLER2796 R, CLER2796 V, CLER2868A located on the northern side of the McKenzie river; and 5. the following sub-blocks of EPC 621, CLER2724 V, CLER2796 A, CLER2796 B, CLER2796 C, CLER2796 F, CLER2796 G, CLER2796 H, CLER2796 J, CLER2796 M, CLER2796 N located on the northern side of the McKenzie river, <p>including all new or existing exploration permits, mineral development licences or mining leases and applications for the foregoing for the total area covered by the external boundaries of EPC 1117, EPC 1168, EPC 1177 and the sub-blocks of EPC 621 and EPC 1429 located on the northern side of the McKenzie river.</p>



ATTACHMENT 2

Summary of CVR Share Terms

Nature	Redeemable preference shares in Yancoal.
End Date	18 months after the Implementation Date subject to up to 2 extensions of 12 months at the option of Yancoal if the average of the daily closing values of the ASX/S&P 200 Index for the 90 Trading Days ending on the End Date is lower than the closing date of the index on 23 December 2011 by 20% or more, being the date of announcement of the merger proposal.
Repurchase	At any time prior to the End Date Yancoal can issue or be deemed to issue a Lapse Notice to CVR Shareholders. On the 40th trading day after the day that is 45 days after the date of the Lapse Notice Yancoal will repurchase all CVRs for the Repurchase Price. Repurchase may be effected by redemption, buy-back or cancellation. If Yancoal has not issued a Lapse Notice by the date which is the End Date, Yancoal will be deemed to have issued a Lapse Notice on the day 45 days before the End Date.
Repurchase Price	This depends on the Repurchase VWAP at the relevant time: $\geq \$6.96$ ("Cap Price"): \$0.0000001 $< \text{Cap Price but } > \3.96 ("Floor Price"): Cap Price less Repurchase VWAP $\leq \text{Floor Price}$: \$3.00
Payment of Repurchase Price	Cash or transfer of existing Yancoal Shares based on Repurchase VWAP. The Lapse Notice will specify whether the Repurchase Price will be satisfied through a cash payment or transfer of Yancoal Shares.
Repurchase VWAP	VWAP (average of volume weighted average prices adjusted for cum and ex trading over the period) of Gloucester ordinary shares over the 90 day period ending 45 days after the date of the Lapse Notice or if a Lapse Notice is deemed to be given, the 90 day period ending on the End Date. Repurchase VWAP is subject to adjustment if Yancoal undertakes corporate actions.
Early Lapse Notice	If VWAP over 20 of any 25 consecutive Trading Days before 90 days before the End Date is above \$6.96. Yancoal will be deemed to have given an Early Lapse Notice. Yancoal must notify holders if VWAP is above \$6.96 over 10 out of any 15 consecutive Trading Days at any time prior to 90 days before the End Date. In this event, the CVR Shares are repurchased for nominal consideration (paid in cash) per share on the last date of the calendar month in which the Early Lapse Notice was issued.
Offer to buy following Lapse Notice	Yanzhou will undertake that on a Lapse Notice being given or deemed to be given, Yanzhou will for a period of 30 Trading Days offer to purchase any CVR Shares that holders wish to sell, at the Repurchase Price.

