

20 June 2017

ASX Release:

Revised Yancoal transaction superior to Glencore proposal

Highlights:

- Yancoal has amended its Sale and Purchase Agreement to acquire 100% of the shares in Coal & Allied by accelerating payment of the US\$500 million deferred payments so that they are payable on completion
- The Rio Tinto Board has maintained its support of the Yancoal transaction and the Rio Tinto shareholder meetings are expected to be held as planned on 27 and 29 June 2017
- Yankuang has agreed to provide financial assurances to Rio Tinto in support of the Yancoal transaction

Yancoal Australia Ltd (ASX: YAL) (“Yancoal” or the “Company”) has amended its Sale and Purchase Agreement (“SPA”) to acquire 100% of Coal & Allied Industries (“Coal & Allied”)(the “CNA Transaction”).

The US\$500 million of deferred payments will now be paid on completion of the CNA Transaction¹, increasing the total amount payable by Yancoal on completion to US\$2.45 billion².

In addition, Yancoal has agreed to waive its ‘Material Adverse Change’ termination rights and the NSW Government approval condition precedent and will waive the SAFE approval condition precedent if not satisfied on or before 3 July 2017.

Yancoal intends to finance the CNA Transaction through a capital raising. However, to support the CNA Transaction, Yankuang Group Company Limited (“Yankuang”) has undertaken to Rio Tinto that if Yancoal’s capital raising does not raise at least US\$2.1 billion, Yankuang will place Yancoal in sufficient funds for Yancoal to pay the purchase price at completion under the SPA. Yankuang’s maximum liability under the undertaking is US\$2.1 billion³. Yancoal has sufficient headroom under existing facilities to fund any difference between this amount and the completion payment if necessary.

In addition, a Yankuang Group member will provide a deposit of US\$100 million pending completion of the CNA Transaction. The deposit will be forfeited if Yancoal fails to complete the transaction on the basis of funding or default at completion.

¹ Previously, the deferred payments were to be paid annually following completion in US\$100 million instalments.

² Subject to adjustment for estimated net debt and net working capital of Coal & Allied at completion.

³ The terms on which any required financial support is provided by Yankuang to Yancoal remain under consideration by Yancoal’s independent directors.

Commenting on the Transaction, Yancoal Chairman Xiyong Li said:

“Yancoal has demonstrated the value of its offer to Rio Tinto and its shareholders and achieved an agreement in the best interests of the Coal & Allied operations and our continued future growth and investment in Australia.

“Our offer provides certainty of execution, having already achieved all key international regulatory approvals. In comparison, the Glencore bid remains subject to material regulatory risk.”

Yancoal Chief Executive Officer, Reinhold Schmidt, said:

“With the certainty of funding, confirmation of regulatory approvals and removal of regulatory conditions precedent, Yancoal continues to provide a compelling offer for the strategic acquisition of the Coal & Allied assets.

“As a proven operator within Australia, we have the experience, skills and local expertise required to drive further investment into the New South Wales resources sector, with an absolute commitment to maintaining the highest regulatory, safety and environmental standards.”

END

Media contact:

James Rickards
General Manager Investor Relations and Corporate Affairs
Phone: +61 2 8583 5922
Mobile: +61 419 731 371
Email: james.rickards@yancoal.com.au