

YAL

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

10 August 2017

Not for release or distribution in the United States

Dear Shareholder

Yancoal Australia Limited Entitlement Offer – Notification to ineligible shareholders

Yancoal Australia Limited ACN 111 859 119 (**Yancoal** or **Company**) (ASX: YAL) has announced a 23.6 for 1 pro rata renounceable entitlement offer of fully paid ordinary shares (**New Shares**) to raise approximately US\$ 2.35 billion (**Entitlement Offer**).

The Entitlement Offer is being made by the Company in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared.

This notice is to inform you about the Entitlement Offer and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter but there may be financial implications for you as a result of the Entitlement Offer that you should be aware of.**

DETAILS OF THE ENTITLEMENT OFFER

The Entitlement Offer is being made to Eligible Shareholders (as defined below), on the basis of 23.6 New Shares for every 1 existing fully paid ordinary share (**Share**) held in Yancoal as at 7:00pm (Sydney, Australia time) on Monday, 7 August 2017 (**Record Date**).

Documents relating to the Entitlement Offer were lodged with the ASX on Wednesday, 2 August 2017 and are being mailed to Eligible Shareholders.

Eligibility Criteria

Eligible Shareholders are those persons who:

- are registered as a holder of Shares in Yancoal as at the Record Date, being 7.00pm (Sydney, Australia time) on Monday, 7 August 2017;
- if a retail investor, have a registered address on the Company's share register in Australia or New Zealand and, if an institutional or professional investor, are permitted to participate in the Entitlement Offer having regard to the 'Selling Restrictions' contained in Section 8.6 of the entitlement offer booklet prepared by the Company in connection with the Entitlement Offer (a copy of which was released to ASX on 2 August 2017) (**Offer Booklet**);

- are not in the United States and are not acting for the account or benefit of persons in the United States (to the extent such a person holds Shares in the Company for the account or benefit of such persons in the United States); and
- other than those holders of Shares who have an address in Australia or New Zealand on the Yancoal share register, are eligible under all applicable laws to receive an offer under the Entitlement Offer without a prospectus, disclosure document, product disclosure statement or any lodgement, filing, registration or qualification.

Shareholders who are not Eligible Shareholders are ineligible shareholders and are consequently unable to participate in the Entitlement Offer.

The restrictions upon eligibility to participate in the Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to Yancoal of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing Shares in Yancoal they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. Yancoal has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules, that it would be unreasonable to make or extend offers to Yancoal shareholders in certain countries under the Entitlement Offer.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b), Yancoal wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer. You will not be sent the documents relating to the Entitlement Offer and you will not receive any value for the New Shares to which you would otherwise have been entitled.

As the Entitlement Offer is renounceable, the Company expects to appoint a nominee and will issue that nominee with the entitlements to subscribe for New Shares that would otherwise have been available for subscription by ineligible shareholders. The nominee will arrange for the sale of those entitlements on ASX or to certain institutional investors through a bookbuild (**Entitlement Offer Bookbuild**). The entitlements (i) of Eligible Shareholders (or acquirers of entitlements on ASX) who do not take up some or all of their Entitlements or (ii) which would otherwise have been available to ineligible shareholders and have not been sold on ASX by the nominee and then taken up by their acquirers will be offered for subscription to certain institutional investors on behalf of renouncing Eligible Shareholders and relevant ineligible shareholders through the Entitlement Offer Bookbuild (to be undertaken by the joint lead managers to the Entitlement Offer) and any proceeds in excess of the Offer Price that may be achieved under the Entitlement Offer Bookbuild (**Entitlement Offer Premium**) will be remitted to those renouncing Eligible Shareholders and relevant ineligible shareholders in proportion to the number of New Shares represented by their renounced entitlements (or, in the case of ineligible shareholders, in proportion to the number of entitlements that they would have been entitled to had they been eligible to participate in the Entitlement Offer) (net of any expenses and any withholdings required by law).

No assurance or guarantee can be given as to the price that will be achieved under the Entitlement Offer Bookbuild from the sale of entitlements. If the price achieved under the Entitlement Offer Bookbuild does not exceed the Offer Price, no distribution will be made to renouncing Eligible Shareholders or relevant ineligible shareholders.

The ability to sell entitlements in respect of New Shares through the Entitlement Offer Bookbuild will be dependent on various factors including market conditions. Similarly, the Entitlement Offer Bookbuild price may not be the highest price offered but will be determined by agreement between the joint lead managers to the Entitlement Offer and the Company (each acting reasonably having regard to the outcome of the Entitlement Offer Bookbuild), provided that (i) the Entitlement Offer Bookbuild price will not be set higher than the Offer Price unless the joint lead managers have received binding bona fide offers from institutional investors that, in the reasonable opinion of the joint lead managers, will (if accepted) result in allocations to dispose of all New Shares offered for sale through the Entitlement Offer

Bookbuild at a price higher than the Offer Price and (ii) the Entitlement Offer Bookbuild price may not be higher than the price that would 'clear' the book.

To the maximum extent permitted by law, the Company, the joint lead managers, and their respective related bodies corporate, agents or affiliates, or the directors, officers, employees or advisers of any of them, disclaim all liability, including for negligence, for any failure to procure applications for New Shares under the Entitlement Offer Bookbuild at a price in excess of the Offer Price (or at all). The Entitlement Offer Premium (if any) (net of expenses and any withholdings required by law) will be paid to renouncing Eligible Shareholders and relevant ineligible shareholders in Australian dollars. If applicable, you will be paid by cheque sent by ordinary post to your address as recorded by the Company's share registry. There is no guarantee that the joint lead managers will be able to sell all (or any) renounced entitlements (or New Shares) or that any Entitlement Offer Premium will be realised from any such sales.

You are not required to do anything in response to this letter.

For further information on the Entitlement Offer or if you believe that you are an Eligible Shareholder, you can call Yancoal's share registry on 1300 059 020 (within Australia) or +61 3 9415 4292 (outside Australia) from 9.00am to 5.00pm (Sydney, Australia time) Monday to Friday during the Entitlement Offer offer period. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

On behalf of the Board of Yancoal, I thank you for your continued support.

Yours faithfully



Baocai Zhang
Director
Yancoal Australia Limited

Important Notices

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been, or will be, taken to register, qualify or otherwise permit an offering of the entitlements and the New Shares in any jurisdiction outside Australia or New Zealand. In particular, the entitlements and the New Shares referred to herein have been not and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements and the New Shares may not be offered or sold to any person in the United States or any person that is acting for the account or benefit of persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.