

9 JULY 2013

# ASX Release:

## Indicative non binding Proposal Received from Yanzhou Coal

Yancoal Australia Limited (**Yancoal**) has received a proposal from its holding company and controlling shareholder, Yanzhou Coal Mining Company Limited (**Yanzhou**) regarding a possible privatisation of Yancoal. Under the proposal, Yanzhou would acquire via a scheme of arrangement all of the shares in Yancoal that it does not own via a share exchange in which Yancoal shareholders would receive 0.91 Yanzhou CDIs (CHESS Depository Interests) for every Yancoal ordinary share held.

Yanzhou has made clear in conveying Yanzhou's interest in the proposed transaction that the proposal is indicative, non binding and not capable of acceptance nor does it constitute a binding offer by Yanzhou. The proposal will be subject to discussions and negotiation between Yanzhou and Yancoal. Yanzhou's announcement to the Stock Exchange of Hong Kong is attached.

The independent directors of Yancoal are considering the proposal and will commence appropriate due diligence investigations and discussions in light of the proposed terms put to them by Yanzhou. The independent board committee of Yancoal (**IBC**) will undertake those investigations and discussions on behalf of Yancoal. The IBC believes that it is important to assess the outcome of its due diligence investigations in light of the proposed terms of the proposal and to engage in discussions with Yanzhou based on those findings before making a recommendation to minority shareholders of Yancoal. The IBC expects that these investigations and discussions will take some time. A further announcement will be made once those discussions and investigations have been completed and the IBC has reached a concluded view.

### Key aspects of the Yanzhou proposal

Key aspects of the Yanzhou non binding and indicative proposal are as follows:

- the proposal is to acquire via a scheme of arrangement the remaining 22% of Yancoal's issued shares from its minority shareholders in exchange for Yanzhou CDIs;
- Yanzhou's proposed exchange ratio under the proposal is 0.91 Yanzhou CDIs for every Yancoal ordinary share held;
- the shares underlying the Yanzhou CDIs would be the H shares of Yanzhou and each Yanzhou CDI will confer the same economic entitlements as one H share of Yanzhou;
- Yanzhou would apply for a foreign exempt listing of those CDIs on the ASX and it is proposed that holders of the CDIs can transmute those securities into their underlying share (Yanzhou is

currently listed on the New York Stock Exchange, the Shanghai Stock Exchange and the Hong Kong Stock Exchange);

- all of the shares in Yancoal not owned by Yanzhou would be acquired under the proposal;
- Yancoal would then be delisted from ASX.

### **Conditions**

Yanzhou's proposal is stated to be subject to a number of conditions:

- agreement between Yanzhou and Yancoal of share exchange terms and execution of definitive transaction documentation;
- unanimous recommendation by the members of the Yancoal IBC (subject to customary qualifications regarding the independent expert's conclusion and absence of a superior proposal);
- a successful application by Yanzhou for exempt foreign listing of the CDIs on the ASX;
- an independent expert concluding that the proposed share exchange is in the best interests of Yancoal minority shareholders;
- Yancoal and Yanzhou obtaining their respective shareholder approvals, as applicable (in Yancoal's case, this would be approval of Yancoal's minority shareholders under voting rules applicable to schemes of arrangement);
- receipt of relevant court and regulatory approvals and waivers on terms satisfactory to Yanzhou in Australia and China in connection with the proposed transaction.

### **Contingent Value Rights (CVRs)**

Yanzhou has noted that the Yancoal CVRs are not included in its share exchange proposal and has confirmed that Yanzhou will comply with its obligations in respect of the CVRs.

### **Next steps**

As noted above, having received the proposal, the Yancoal IBC is undertaking appropriate due diligence investigations to enable it to assess the proposed terms of the proposal and will engage in discussions with Yanzhou before making a recommendation to shareholders. The IBC has retained investment bankers Blackstone Advisory Partners and Lazard and lawyers Minter Ellison to assist in that process.

We will advise shareholders further once these investigations and discussions have been completed and the IBC has reached a concluded view. Shareholders will appreciate that no assurance can be given that a concluded agreement will be reached or a proposal sufficiently developed to be considered by shareholders.

### **For further information**

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Additional information about the company can be found at [www.yancoal.com.au](http://www.yancoal.com.au)

**About Yancoal**

In NSW Yancoal operates Moolarben mine near Mudgee in the NSW central west; Ashton, Austar, Abel, Tasman and Donaldson mines in the Hunter Valley; and Duralie and Stratford in the Gloucester region north of Newcastle. The company also operates Yarrabee mine near Blackwater in central Queensland, and has a near 50 per cent share in Middlemount mine north-west of Rockhampton. Yancoal also has investments in two coal terminals - Wiggins Island in Gladstone which Yancoal holds 5.6 per cent share and NCIG in Newcastle which Yancoal holds a 27 per cent share. On behalf of its major shareholder, Yanzhou, Yancoal manages Cameby Downs mine in south west Queensland, Premier mine in south west Western Australia, Longwall Top Coal Caving (LTCC) technologies Pty Ltd and Ultra Clean Coal (UCC) Pty Ltd.

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兗州煤業股份有限公司

**YANZHOU COAL MINING COMPANY LIMITED**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 1171)

**ANNOUNCEMENT  
POSSIBLE PRIVATISATION OF YANCOAL AUSTRALIA**

This announcement is made pursuant to the disclosure obligations under Part XIVA of the Securities and Futures Ordinance and Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**1. Introduction**

The board of directors (the "**Board**") of Yanzhou Coal Mining Company Limited (the "**Company**" or "**Yanzhou**") announces that the Company has proposed a possible privatisation of Yancoal Australia Limited ("**Yancoal Australia**"), a non wholly-owned subsidiary of the Company, the shares of which are currently listed on the Australian Securities Exchange ("**ASX**"). Yancoal Australia is currently owned as to approximately 78% by the Company and 22% by other minority shareholders.

The Company has sent an indicative and non-binding proposal outlining the proposal to Yancoal Australia's independent board committee and conveying the Company's interest in the proposed transaction. The proposal is not capable of acceptance nor does it constitute a binding offer by the Company. The detailed terms of the proposed transaction are subject to further negotiation with Yancoal Australia and are yet to be determined at this stage.

**2. General information on the proposed transaction**

(a) Mechanism

If the proposed transaction is implemented, this would occur via a scheme of arrangement between Yancoal Australia and its shareholders, pursuant to which the Company would acquire the remaining 22% of Yancoal

Australia's issued shares from its minority shareholders who will receive Yanzhou CHESS Depository Interests (the "CDIs", "CHESS" stands for the Clearing House Electronic Subregister System of ASX) as the consideration.

If the proposed transaction is implemented, the shares underlying the Yanzhou CDIs will be the H shares of the Company and the Company will apply for a foreign exempt listing of those CDIs on the ASX. Holders of Yanzhou CDIs may transmute the Yanzhou CDIs into their underlying shares. Each Yanzhou CDI will confer the same economic entitlements as an H share of the Company.

(b) Proposed exchange ratio

The Company proposes that Yancoal Australia's minority shareholders will receive approximately 0.91 Yanzhou CDIs for every Yancoal Australia share held if the proposed transaction is implemented.

Such proposed exchange ratio was determined by reference to (1) a value of A\$0.91 per Yancoal Australia share, which represents a 30% premium to the 60 calendar day (ended 5 July 2013) volume weighted average price ("VWAP") of Yancoal Australia shares, being A\$0.70 per share; and (2) the 60 calendar day (ended 5 July 2013) VWAP of Yanzhou H shares, being HK\$7.09 per share.

(c) Conditions

The proposed transaction would be subject to a number of key conditions (the "**Conditions**"), including, among other things, the following Conditions:

- (i) agreement of share exchange terms and execution of definitive transaction documentation;
- (ii) unanimous recommendation by the independent board committee of Yancoal Australia;
- (iii) a successful application by Yanzhou for exempt foreign listing of CDIs on the ASX;
- (iv) an independent expert concluding that the proposed transaction is in the best interests of Yancoal Australia's minority shareholders;
- (v) Yancoal Australia and Yanzhou obtaining their respective shareholders' approvals, as applicable; and
- (vi) receipt of relevant court and regulatory approvals and waivers on satisfactory terms in Australia and China in connection with the proposed transaction.

(d) CVRs

The contingent value rights ("CVRs") will not be included in the proposed transaction. The Company will comply with its obligations in respect of the CVRs.

(e) Yancoal Australia's board and management

Subject to conditions imposed by regulators, the Company intends to retain Yancoal Australia's existing board structure post the implementation of the proposed transaction.

### 3. General

The proposed transaction, if implemented, will further increase the Company's interest in the expandable operating mines operated by Yancoal Australia and coal resources in Australia. With Yancoal Australia becoming a wholly owned subsidiary of the Company if the proposed transaction is implemented, the Company will be better positioned in managing and operating a fully integrated business and delivering higher efficiency across its portfolio of businesses.

The proposed transaction, if implemented, may constitute a notifiable transaction of the Company and may be subject to announcement and/or shareholders' approval requirements under Chapter 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Hong Kong Listing Rules**"). Should the proposed transaction involve a connected person of the Company, such transaction may also constitute a connected transaction and may be subject to announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Company will comply with the applicable disclosure and/or shareholders' approval requirements in due course.

**The proposed transaction has yet to be finalized between the parties and may or may not eventually materialize. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**Yanzhou Coal Mining Company Limited**  
**Li Weimin**  
*Chairman of the Board*

Zoucheng, Shandong Province, the PRC  
8 July 2013

*As at the date of this announcement, the directors of the Company are Mr. Li Weimin, Mr. Wang Xin, Mr. Zhang Yingmin, Mr. Shi Xuerang, Mr. Wu Yuxiang, Mr. Zhang Baocai and Mr. Dong Yunqing, and the independent non-executive directors of the*

*Company are Mr. Wang Xianzheng, Mr. Cheng Faguang, Mr. Wang Xiaojun and Mr. Xue Youzhi.*