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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

PROPOSED APPLICATION FOR THE ISSUE OF NOT MORE THAN 647,000,000 A SHARES IN THE PRC

At the meeting of the Board held on 31 March 2017, the Board resolved to propose the issue of not more than 647,000,000 new A Shares, representing approximately 21.86% and 13.17% of the total number of A Shares and the total number of shares of the Company respectively as at the date of this announcement, assuming that no other change occurs to the shareholding structure of the Company before completion of the Additional A Shares Issue, and to submit the resolution to the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting for the Shareholders' approval. The issue price of the new A Shares under the Additional A Shares Issue will be no less than 90% of the average trading price per A Share as quoted on the Shanghai Stock Exchange during the Price Determination Period (which is calculated by dividing the total turnover of the A Shares during the Price Determination Period by the total trading volume of the A Shares during the same period). The Company proposes to use the net Proceeds from the Additional A Shares Issue on the Project.

As a result of the issue of new A Shares pursuant to the Additional A Shares Issue, the

shareholding structure of the Company will change upon completion of the Additional A Shares Issue and as such, the Articles of Association will then need to be amended to reflect the relevant changes. The Board will make necessary amendments to the provisions of the Articles of Association which relate to the Company's shareholding structure (including but not limited to articles 19, 20 and 23 of the Articles of Association) upon completion of the Additional A Shares Issue pursuant to the authorization to be granted by the Shareholders. The exact amendments to the Articles of Association cannot be confirmed unless and until the Additional A Shares Issue is completed.

It should be noted that in addition to the approvals being sought from the Shareholders at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting, the Additional A Shares Issue is also subject to approval by CSRC and relevant PRC authorities. There is no assurance that the Additional A Shares Issue will proceed. Investors are advised to exercise caution when dealing in H Shares. Further details of the Additional A Shares Issue will be disclosed by the Company when the Additional A Shares Issue materializes.

Reference is made to the very substantial acquisition announcement of the Company dated 24 January 2017 in relation to the acquisition of 100% of the share capital of Coal & Allied Industries Limited.

At the meeting of the Board held on 31 March 2017, the Board resolved to propose the issue of not more than 647,000,000 new A Shares, representing approximately 21.86% and 13.17% of the total number of A Shares and the total number of shares of the Company respectively as at the date of this announcement, assuming that no other change occurs to the shareholding structure of the Company before completion of the Additional A Shares Issue, and to submit the resolution to the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting for the Shareholders' approval.

1. Shareholders' Approval of the Additional A Shares Issue

The Company proposes to issue not more than 647,000,000 new A Shares, representing approximately 21.86% and 13.17% of the total number of A Shares and the total number of shares of the Company respectively as at the date of this announcement, assuming that no other change occurs to the shareholding structure of the Company before completion of the Additional A Shares Issue. The Company will seek a specific mandate in respect of the Additional A Shares Issue from the Shareholders which will be valid for 12 months from the passing of the relevant resolutions at the AGM, A Shareholders Class Meeting and H

Shareholders Class Meeting. The proceeding of the Additional A Shares Issue is subject to, among other things, the necessary approval from CSRC being obtained. As of the date of this announcement, the Company has not made the relevant application to CSRC. The formal application to CSRC can only be made after obtaining relevant approvals from the Shareholders at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting. Specific terms of the Additional A Shares Issue will be determined in accordance with the approval from CSRC.

The new A Shares under the Additional A Shares Issue are proposed to be issued to not more than ten specific investors, including securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors, other local legal entity institutional investors and individual investors that satisfy the requirements stipulated by CSRC. A securities investment fund management company subscribing through more than one fund managed by it will be regarded as one subscriber. Subscribers who are trust investment companies may only pay the subscription money with their own funds. To the best knowledge, information and belief of the Directors, the target subscribers are third parties independent of the Company and its connected persons.

The final list of target subscribers will be determined under the principle of price priority based on the offers made by the subscribers after the Company obtains the approval in respect of the Additional A Shares Issue from CSRC. A proposal will be submitted to the general meeting to authorize the Board to determine the specific target subscribers.

2. General Information of the Additional A Shares Issue

(1) Class and nominal value of shares to be issued

The shares of the Company to be issued under the Additional A Shares Issue are A Shares with the nominal value of RMB1.00 per A Share.

(2) Method and time of the issue

All new A Shares under the Additional A Shares Issue will be offered to specific investors by way of non-public issuance, which shall be implemented as appropriate within six months from the date of obtaining the approval from CSRC in respect of the Additional A Shares Issue.

(3) Issue price and pricing principle

The Benchmark Price Determination Date of the new A Shares under the Additional A Shares Issue is the first day of the issue period of the Additional A Shares Issue. The issue price of the new A Shares under the Additional A Shares Issue will be no less than 90% of the average trading price per A Share as quoted on the Shanghai Stock Exchange during the Price Determination Period (which is calculated by dividing the total turnover of the A Shares during the Price Determination Period by the total trading volume of the A Shares during the same period).

The base issue price of the new A Shares to be issued under the Additional A Shares Issue will be adjusted in case of any ex-rights or ex-dividend matters during the period from the Benchmark Price Determination Date to the date of issuing such new A Shares. After necessary approvals for the Additional A Shares Issue from CSRC are obtained and in accordance with the provisions of relevant laws and regulations and the requirements from the regulatory authorities, the final actual issue price will be determined by the Board pursuant to the authorization to be granted by the Shareholders in consultation with the sponsor (lead underwriter) and having regard to the offers made by the subscribers.

The net price to the Company of each new A Share to be issued under the Additional A Shares Issue will be determined and disclosed in accordance with the requirements of the Listing Rules upon completion of the Additional A Shares Issue and the determination of the relevant expenses incurred or to be incurred in relation to the Additional A Shares Issue.

The closing price of H Shares as at the date of this announcement is HK\$6.04 per H Share. The closing price of A Shares as at the date of this announcement is RMB11.40 per A Share.

(4) Number of new A shares to be issued

The Company proposes to issue not more than 647,000,000 new A Shares (inclusive) with an aggregate nominal value of not more than RMB647,000,000, representing (i) approximately 13.17% and 21.86% of the total number of shares and the total number of A Shares of the Company respectively as at the date of this announcement, assuming that no other change occurs to the shareholding structure of the Company before completion of the Additional A Shares Issue and (ii) approximately 11.64% and

17.94% of the total number of shares and the total number of A Shares as enlarged by the number of new A Shares to be issued pursuant to the Additional A Shares Issue (assuming that the maximum number of 647,000,000 new A Shares are issued and subscribed for and no other change occurs to the shareholding structure of the Company before completion of the Additional A Shares Issue).

The maximum number of new A Shares to be issued under the Additional A Shares Issue will be adjusted in case of ex-rights matters such as distribution of dividends and issue of shares by conversion of capital reserve during the period from the date of the board resolutions approving the Additional A Shares Issue (i.e. 31 March 2017) to the date of issuance. Within the abovementioned scope, the actual number of new A Shares to be issued will be determined by the Board pursuant to the authorization to be granted by the Shareholders and in consultation with the sponsor (lead underwriter) and having regard to the market conditions at the time of issue.

(5) Use of Proceeds

The amount of gross Proceeds from the Additional A Shares Issue is expected to be not more than RMB7,000,000,000. The Company intends to use such Proceeds (after deducting the expenses for the issuance) for the following purpose:

Intended use of Proceeds	Total amount of capital required (RMB)	Proposed amount of Proceeds to be applied (RMB)
Acquisition of 100% of the share capital of Coal & Allied Industries Limited	17,150,000,000 (Note)	7,000,000,000

Note: The total investment amount for the acquisition of 100% of the share capital of Coal & Allied Industries Limited will be US\$2.35 or US\$2.45 billion, depending on the payment structure elected by Yancoal Australia. As at the date of this announcement, the payment structure and the final purchase price have not been determined. The total amount of capital required used in this table is calculated based on US\$2.45 billion using an exchange rate of US\$1.00 = RMB7.00.

The net Proceeds will not exceed the amount of capital required by the abovementioned Project. In the event that the actual amount of Proceeds is less than the amount of capital required by the Project, the Company will fund the shortfall

with its self-raised funds. In the event that the availability of the Proceeds is inconsistent with implementation schedule of the Project, the Company may fund the Project with other funds according to actual situation in advance, which capital shall then be exchanged with the Proceeds when they are available in compliance with the requirements and procedures as prescribed by the relevant laws and regulations.

As disclosed in the Announcement, the abovementioned Project of the acquisition of 100% of the share capital of Coal & Allied Industries Limited will be implemented by Yancoal Australia, a subsidiary controlled by the Company. The Company intends to subscribe for the rights issue proposed to be undertaken by Yancoal Australia and inject the funds into Yancoal Australia.

(6) Lock-up period

The subscribers who subscribe for the new A Shares under the Additional A Shares Issue shall not dispose any of such A Shares within a period of 12 months from the date of completion of the issuance (the “**Lock-up Period**”). The Company will apply for listing of and permission to deal in the new A Shares under the Additional A Shares Issue on the Shanghai Stock Exchange after the expiration of the Lock-up Period.

(7) Arrangement relating to the accumulated undistributed profits

Upon completion of the Additional A Shares Issue, holders of the new A Shares, together with all existing Shareholders, will be entitled to all undistributed profits of the Company accumulated prior to completion of the Additional A Shares Issue.

(8) Validity of resolution

The resolution regarding the Additional A Shares Issue will be valid for 12 months following the approval of the Additional A Shares Issue at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting.

(9) Place of listing

The new A Shares to be issued under the Additional A Shares Issue will be listed and traded on the Shanghai Stock Exchange upon expiration of the Lock-up Period.

(10) Method of subscription

All new A Shares to be issued under the Additional A Shares Issue shall be subscribed for in cash.

3. Effect of the Additional A Shares Issue on the Company's Shareholding Structure

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after completion of the Additional A Shares Issue, assuming that 647,000,000 new A Shares in aggregate will be issued under the Additional A Shares Issue and no other change to the shareholding structure of the Company before completion of Additional A Shares Issue:

Name of Shareholder	As at the date of this announcement		Immediately after completion of the Additional A Shares Issue	
	<i>Number of shares in issue</i>	<i>%^(Note 2) (approx.)</i>	<i>Number of shares in issue</i>	<i>%^(Note 2) (approx.)</i>
Yankuang Group and its associates ^(Note 1)	2,780,000,000	56.59%	2,780,000,000	50.01%
Including: A Shares	2,600,000,000	52.93%	2,600,000,000	46.77%
H Shares	180,000,000	3.66%	180,000,000	3.24%
Other Shareholders	2,132,016,000	43.40%	2,779,016,000	49.99%
Including: A Shares	360,000,000	7.33%	1,007,000,000	18.11%
H Shares	1,772,016,000	36.08%	1,772,016,000	31.88%
Total	<u>4,912,016,000</u>	<u>100%</u>	<u>5,559,016,000</u>	<u>100%</u>

Notes:

1. As at the date of this announcement, Yankuang Group directly held 2,600,000,000 A Shares, representing 52.93% of the total issued share capital of the Company; the wholly-owned subsidiary of Yankuang Group incorporated in Hong Kong held 180,000,000 H Shares, representing 3.66% of the total issued share capital of the Company; Yankuang Group and its wholly-owned subsidiary incorporated in Hong Kong held in aggregate 2,780,000,000 shares of the Company, representing 56.59% of the total issued share capital of the Company.
2. The percentages are subject to rounding differences, if any.

The Additional A Shares Issue will not lead to any change in the control over the Company and Yankuang Group will remain as the controlling Shareholder of the Company upon completion of the Additional A Shares Issue.

4. Fund Raising in the Past 12 Months

Save as disclosed below, the Company has not engaged in any fund raising activity involving issue of equity securities in the 12 months preceding the date of this announcement.

Reference is made to the announcements of the Company dated 16 June 2016, 19 August 2016, 30 December 2016 (the "**Announcement**") and 10 March 2017 and the circulars of the Company dated 25 July 2016 and 24 January 2017 (the "**Circular**").

The "Proposal regarding the Company's non-public issuance of shares to specific persons" and related resolutions involving the non-public issuance of A Shares have been considered and approved by the Company at the twenty-second meeting of the sixth session of the Board held on 16 June 2016, and the related resolutions with respect to the non-public issuance of A Shares set out above have been considered and approved at the 2016 first extraordinary general meeting and the 2016 second A Shareholders class meeting and H Shareholders class meeting held on 19 August 2016. For the reasons disclosed in the Announcement and the Circular, the "Proposal in relation to non-proceeding of the non-public issuance of A Shares" has been considered and approved by the Board at the twenty-seventh meeting of the sixth session of the Board held on 30 December 2016 and the relevant resolution has been considered and approved in the 2017 first extraordinary general meeting and the 2017 first A Shareholders class meeting and H Shareholders class meeting held on 10 March 2017.

5. Reasons for and Benefits of the Additional A Shares Issue

The Proceeds from the Additional A Shares Issue will mainly be used for the acquisition of 100% of the share capital of Coal & Allied Industries Limited. Coal & Allied Industries Limited owns majority interests in the coal mine operations of Hunter Valley Operations, Mount Thorley and Warkworth in Hunter Valley Basin, New South Wales, Australia, with an aggregate area coverage of approximately 17,000 hectares. Such coal mine operations are of world class quality and can produce high quality thermal coal and coking coal products with their tremendous operation scales and the resources and reserves that are available for mining in the long term.

Following the abovementioned acquisition, Yancoal Australia will become the largest independent coal producer in Australia. Coal & Allied Industries Limited will coordinate with the existing mineral resource operations of Yancoal Australia and synergies can be created in various areas such as operational management, coal matching business, mining districts, ports and taxation. In addition, the asset-liability structure and cash flow of Yancoal Australia will realize optimization and its profitability will be strengthened significantly. The acquisition will also help Yancoal Australia to regain independent financing ability in the capital market and form a solid platform for the continuing growth and value-adding of the Company and Yancoal Australia.

Meanwhile, the Company will also benefit from the Additional A Shares Issue by optimizing its capital structure and further reducing its debt-to-asset ratio, which will provide the Company with the necessary capital profile for development of its strategic plans, help alleviate the funding pressure of the Company, improve the Company's financial situation and increase the Company's ability to resist risks. Meanwhile, the benefits arising from the Project after the acquisition will also improve the cash flow position related to the operating activities of the Company so that its financial strength will be strengthened.

Therefore, the Directors (including the independent non-executive Directors) are of the view that the Additional A Shares Issue is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

6. Proposed Authorization To The Board To Handle Matters Relating To The Additional A Shares Issue At Full Discretion

For the purposes of the Additional A Shares Issue, a resolution will be proposed by the Board at the AGM to authorize the Board to handle the matters relating to the Additional A Shares Issue at its full discretion.

The authorization proposed to be granted to the Board shall include without limitation:

- (1) To amend, adjust and supplement the proposal of the Additional A Shares Issue (including but not limited to the target subscribers, number of shares to be issued and issue price etc.) and to make decisions on various matters including but not limited to the timing of the Additional A Shares Issue, the opening of a special account for the Proceeds, the signing of tripartite agreement with respect to monitoring the savings in the special account for the Proceeds, and all other matters related to the Additional A Shares Issue in compliance with the laws, regulations and the Articles of Association

and in accordance with the requirements of the regulatory authorities and subject to the actual circumstances facing the Company;

- (2) To engage intermediaries to deal with matters relating to the application for the Additional A Shares Issue and the listing; to prepare, amend and deliver the application materials relating to the Additional A Shares Issue and the listing in accordance with the requests of the regulatory authorities; to communicate with and respond to the regulatory authorities and the other government departments in the review process, and to study and prepare the undertaking and declaration and disclose the relevant information, etc. in relation to the Additional A Shares Issue in accordance with the requests of the regulatory authorities;
- (3) To amend, supplement, sign, submit, report and execute all agreements, contracts and documents arising from the Additional A Shares Issue, including but not limited to underwriting and sponsor agreements and the agreements for engagement of intermediaries, etc.;
- (4) To adjust or determine the specific arrangements for the use of Proceeds in accordance with the actual progress and capital needs of the investment Project for the Proceeds from the Additional A Shares Issue within the scope of the use of Proceeds as approved by the Shareholders; to make necessary adjustments to the investment Project for the Proceeds pursuant to the relevant laws and regulations, the requirements stipulated by the regulatory authorities and the market conditions.
- (5) In the event of any change to the market conditions or the regulatory authorities' policies in relation to non-public issuance of share by listed companies, to authorize the Board to make corresponding adjustments or amendments to specific plans of the Additional A Shares Issue and the terms of the conditional share subscription agreement etc., except for matters which should be re-voted by the Shareholders in compliance with the relevant laws, regulations and the Articles of Association;
- (6) To determine to postpone or terminate the implementation of the Additional A Shares Issue at its discretion in the event of force majeure or under circumstances which make the Additional A Shares Issue impossible to be implemented or, if implementation is possible, may adversely affect the Company or if there is any change to the policies in relation to non-public issuance of shares;
- (7) To amend the relevant provisions of the Articles of Association as appropriate and to

deal with matters such as filings with the administration for industry and commerce and the registration for the change in registered capital in accordance with the actual circumstances arising as a result of the Additional A Shares Issue;

(8) To deal with matters such as application for registration, lock-up and listing of the new A Shares to be issued under the Additional A Shares Issue at China Securities Depository and Clearing Co., Ltd Shanghai Branch and the Shanghai Stock Exchange;

(9) To deal with other matters related to the Additional A Shares Issue; and

(10) The authorization will be effective for 12 months commencing from the date on which it is approved at the AGM.

7. Proposed Amendments to the Articles of Association

As a result of the issue of new A Shares pursuant to the Additional A Shares Issue, the shareholding structure of the Company will change upon completion of the Additional A Shares Issue and as such, the Articles of Association will then need to be amended to reflect the relevant changes. The Board will make necessary amendments to the provisions of the Articles of Association which relate to the Company's shareholding structure (including but not limited to articles 19, 20 and 23 of the Articles of Association) upon completion of the Additional A Shares Issue pursuant to the authorization to be granted by the Shareholders. The exact amendments to the Articles of Association cannot be confirmed unless and until the Additional A Shares Issue is completed.

8. AGM and Class Meetings

The Additional A Shares Issue can only be implemented upon, among other things, the Shareholders' approval by special resolutions at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting. Accordingly, it is proposed that, among other things, the resolution(s) for the Additional A Shares Issue be tabled at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting for voting and approval.

It should be noted that in addition to the approvals being sought from the Shareholders at the AGM, A Shareholders Class Meeting and H Shareholders Class Meeting, the Additional A Shares Issue is also subject to approval by CSRC and relevant PRC authorities. There is no assurance that the Additional A Shares Issue will proceed.

Investors are advised to exercise caution when dealing in H Shares. Further details of the Additional A Shares Issue will be disclosed by the Company when the Additional A Shares Issue materializes.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“A Shareholders”	means holders of A Shares;
“A Shareholders Class Meeting”	means the class meeting of A Shareholders to be held by the Company to consider and, if thought fit, approve, among other things, the specific mandate relating to the Additional A Shares Issue;
“A Shares”	means domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and fully paid in RMB and are listed on the Shanghai Stock Exchange;
“Additional A Shares Issue”	means the proposed issuance of not more than 647,000,000 new A Shares in the PRC, which shares are proposed to be listed and traded on the Shanghai Stock Exchange;
“Announcement”	means the very substantial acquisition announcement of the Company dated 24 January 2017 in relation to the acquisition of 100% of the share capital of Coal & Allied Industries Limited;
“AGM”	means the annual general meeting to be held by the Company to consider and, if thought fit, approve, among other things, the specific mandate relating to the Additional A Shares Issue;
“Articles of Association”	means the articles of association of the Company;
“Benchmark Price Determination Date”	means the first day of the issue period of the Additional A Shares Issue;

“Board”	means the board of directors of the Company;
“Company”	means 兗州煤業股份有限公司, Yanzhou Coal Mining Company Limited, a joint stock limited company established under the laws of the PRC in 1997, and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively;
“CSRC”	means China Securities Regulatory Commission;
“Director(s)”	means the director(s) of the Company;
“H Shareholders”	means holders of H Shares;
“H Shareholders Class Meeting”	means the class meeting of H Shareholders to be held by the Company to consider and, if thought fit, approve, among other things, the specific mandate relating to the Additional A Shares Issue;
“H Shares”	means overseas listed foreign invested shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“PRC”	means the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Price Determination Period”	means the period of 20 A Shares trading days on the Shanghai Stock Exchange immediately prior to the Benchmark Price Determination Date;

“Proceeds”	means the proceeds from the Additional A Shares Issue;
“Project”	means the project proposed for the use of Proceeds described at the section headed "Use of Proceeds" in this announcement;
“RMB”	means Renminbi, the lawful currency of the PRC;
“Shareholders”	means the shareholders of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Yancoal Australia”	means Yancoal Australia Limited, a company with limited liability incorporated under the laws of Australia in 2004 and an approximately 78% owned subsidiary of the Company, the shares of which are traded on the Australian Securities Exchange;
“Yankuang Group”	means 兗礦集團有限公司, Yankuang Group Corporation Limited, a wholly state-owned corporation and the controlling shareholder of the Company holding directly or indirectly approximately 56.59% of the total issued share capital of the Company as at the date of this announcement;
“%”	means per cent.

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

Zoucheng, Shandong Province, the PRC
31 March 2017

As at the date of this announcement, the directors of the Company are Mr. Li Xiyong, Mr. Li Wei, Mr. Wu Xiangqian, Mr. Wu Yuxiang, Mr. Zhao Qingchun, Mr. Guo Dechun and Mr. Guojun, and the independent non-executive directors of the Company are Mr. Kong Xiangguo, Mr. Jia Shaohua, Mr. Wang Xiaojun and Mr. Qi Anbang.