

FOREIGN INVESTMENT DECISION – FELIX RESOURCES

The Assistant Treasurer, Senator Nick Sherry, has today approved the application by Yanzhou Coal Mining Company Limited (Yanzhou) to acquire full ownership of Felix Resources Limited (Felix), conditional upon it complying with legally enforceable undertakings provided by Yanzhou.

These undertakings apply to all of Yanzhou's operations, including the Astar mine near Newcastle which Yanzhou already owns.

Yanzhou has undertaken to:

- operate its Australian mines through a company, Yancoal Australia Proprietary Limited (Yancoal Australia), that is incorporated and headquartered in Australia and is managed in Australia using a predominately Australian management and sales team;
- ensure Yancoal Australia, and any of its operating subsidiaries, have at least two directors whose principal place of residence is in Australia, one of whom will be independent of Yanzhou and its related entities;
- ensure that the Chief Executive Officer and Chief Financial Officer of Yancoal Australia have their principal place of residence in Australia;
- hold the majority of Yancoal Australia's board meetings in Australia in any calendar year;
- list Yancoal Australia on the Australian Securities Exchange by the end of 2012 and, by that time, reduce Yanzhou's ownership of Yancoal Australia to less than a 70 percent holding; and
- market coal produced at all of its Australian mines on arms-length terms with reference to international benchmarks and in line with market practices.

As several of the mines operated by Felix are owned by joint ventures with third party companies, following the listing and holding reduction in Yancoal Australia, Yanzhou's economic ownership of the underlying mining assets must stand at no more than 50 percent.

"With these undertakings provided by Yanzhou, I consider that this acquisition is consistent with Australia's national interest," said the Assistant Treasurer.

"As such, compliance with these undertakings is a condition of my approval of the acquisition under section 25 (1A) of the *Foreign Acquisitions and Takeovers Act 1975*."

"The Australian Securities Exchange listing of all of Yanzhou's Australian assets – including the Austar mine – is a significant development."

"It represents the first time a Chinese state-owned enterprise operating in Australia will list on our stock exchange. As such, it demonstrates the strength of the developing bilateral economic and investment partnership between Australia and China."

Felix has four major mining projects, two in New South Wales and two in Queensland. Three of these are in production, with the Moolarben mine in the Hunter Valley under development.

"This investment also means jobs for Australians, especially in regional areas."

"Yanzhou will continue all four of the Felix mining operations, including completing the development of the Moolarben mine – this will create more jobs for both New South Wales and Queensland."

"Finally, Yangzhou's undertakings support the continuing market-based operation and further development of Australia's natural resources."

Yangzhou will report to the Foreign Investment Review Board on its compliance with these undertakings.

UNDERTAKINGS TO THE TREASURER BY YANZHOU COAL MINING COMPANY

In relation to its proposed acquisition of Felix Resources Limited, Yanzhou Coal Mining Company Limited (Yanzhou Coal) and Yancoal Australia Proprietary Limited (Yancoal Australia) makes the following undertakings to the Treasurer.

1. Felix Resources Limited and the Austar coal mine (collectively, Yanzhou Australia) will be owned by and publicly acknowledged as owned by the Australian incorporated holding company, Yancoal Australia, which will remain headquartered and managed in Australia by a predominantly Australian management and sales team, with:
 - a. Yancoal Australia, and any of its operating subsidiaries:
 - i. Each having at least two directors whose principal place of residence is in Australia, one of whom will be independent of Yanzhou Coal and its related entities;
 - ii. The Chief Executive Officer and Chief Financial Officer having their principal place of residence in Australia; and
 - iii. The majority of the board meetings in any calendar year being held in Australia;
 - b. All Yanzhou Coal's future Australian operations to be owned by Yancoal Australia; and
 - c. An annual financial report in accordance with section 295 of the *Corporations Act 2001*, together with an annual directors' report that includes a review of the operations and principal activities of Yancoal Australia including product sales, employees, community relationships, environmental performance and any matter or circumstance that may significantly affect its operations, results or state of affairs in future years being lodged with the Australian Securities and Investments Commission and being made accessible to the Australian public on Yancoal Australia's website.
2. Yancoal Australia will be operated according to commercial objectives, including the maximisation of product prices and long-term profitability and value, with production sold on an arms-length and non-discriminatory basis to all customers at prices determined by

reference to international benchmarks in line with market practice.

3. Yanzhou Coal will:
 - a. List Yancoal Australia on the Australian Securities Exchange by no later than the end of 2012 (ASX Listing);
 - b. Not later than the date of ASX Listing reduce Yanzhou Coal's economic ownership of:
 - i. Felix Resources Limited's existing assets to no more than 50 per cent and from then on to not exceed 50 per cent; and
 - ii. Yancoal Australia to less than 70 per cent and from then on to not exceed 70 per cent.
 - c. The Treasurer's approval will be sought to vary this Undertaking if Yanzhou Coal considers that economic conditions or other factors potentially mean it could not be met.
4. The Chief Executive Officer of Yancoal Australia will provide a report to the Foreign Investment Review Board on compliance with these Undertakings annually or as required.