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中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

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

(Stock Code: 01088)

VOLUNTARY ANNOUNCEMENT

**ANNOUNCEMENT ON PROGRESS OF
THE WATERMARK PROJECT**

This announcement is made by China Shenhua Energy Company Limited (the “**Company**”) on a voluntary basis. The purpose of this announcement is to keep the Shareholders and potential investors of the Company informed of the latest business development of the Group.

On 20 November 2008, the Company issued the Announcement in relation to Watermark Exploration Area Exploration License. Shenhua Watermark Coal Pty Limited (“**Watermark Pty**”), a wholly-owned subsidiary of the Company, entered into Exploration License with the state government of New South Wales, Australia (the “**NSW Government**”), pursuant to which Watermark Pty paid for the exploration license at a consideration of AUD299,900,000 and obtained the Watermark exploration area of approximately 195 square kilometers in aggregate.

On 29 June 2017, Watermark Pty reached an agreement with the NSW Government in relation to partial extension of the exploration license. Pursuant to the established policies of protection of agricultural activities on the black soil plains, the NSW Government withdrew the exploration license of approximately 100 square kilometres within Watermark exploration area and provided Watermark Pty with economic compensation amounting to AUD261,800,000, and accepted the application for the partial extension of the exploration license of non-black soil plains in Watermark exploration area. According to the agreement upon tendering in 2008, if the mining license of Watermark Pty is approved, then an additional AUD200,000,000 shall be paid to the NSW Government.

There are three planning open-cut mining areas, which are situated within the area of non-black soil plains, for the Watermark Pty Open-cut Coal Mine Project with recoverable reserves of approximately 290 million tonnes (JORC Standards), total designed raw coal production capacity of 10 million tonnes/year and designed service life of 24 years. The total investment amount of the project was approximately AUD1,470,000,000, among which 40% was contributed by Watermark Pty and 60% was financed by way of bank borrowings.

Up to now, the approval from the National Development and Reform Commission of the PRC, the approval for the environmental impact assessment from the Australian Federal Government and the approval from the Planning and Assessment Commission of the NSW Government have been obtained for the Open-cut Coal Mine Project. The environmental protection certification and mining rights license from the NSW Government will be applied for.

Watermark Pty will comply with the requirements of laws in Australia to promote the approval and construction of the Open-cut Coal Mine Project.

Shareholders of the Company and potential investors are advised to pay attention to investment risks and exercise in caution when dealing in the shares of the Company.

By Order of the Board
China Shenhua Energy Company Limited
Huang Qing
Secretary of the Board of Directors

Beijing, 12 July 2017

As at the date of this announcement, the Board comprises the following: Dr. Ling Wen, Dr. Han Jianguo and Dr. Li Dong as executive directors, Mr. Zhao Jibin as non-executive director, and Dr. Tam Wai Chu, Maria, Dr. Jiang Bo and Ms. Zhong Yingjie, Christina as independent non-executive directors.