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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)**

### **OVERSEAS REGULATORY ANNOUNCEMENT**

**This announcement is made pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.**

The "China Shenhua Energy Company Limited Announcement in relation to Watermark Exploration Area Exploration Licence" as published on the website of the Shanghai Stock Exchange on 20 November 2008 and PRC newspapers on 21 November 2008 is attached below, for reference only.

The subject matter of this announcement in relation to the Watermark Exploration Project does not constitute any transaction under Chapter 14 and 18 of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

Beijing, 20 November 2008

*As at the date of this announcement, the Board comprises Mr. Chen Biting and Dr. Ling Wen, as executive Directors, Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Mr. Han Jianguo, as non-executive Directors, and Mr. Huang Yicheng, Mr. Anthony Francis Neoh and Dr. Chen Xiaoyue, as independent non-executive Directors.*

**China Shenhua Energy Company Limited**  
**Announcement in relation to Australia Watermark Exploration Area Exploration Licence**

The Board and all Directors guarantee that there is no false representation, misleading statement or material omission contained in this announcement and accept joint and several responsibilities in relation to the truthfulness, accuracy and completeness of the contents of this announcement.

**Highlights of important content**

Pursuant to the Exploration Licence entered into between the wholly-owned subsidiary of China Shenhua Energy Company Limited in Australia, Shenhua Watermark Coal Pty Limited, and the state government of New South Wales, Australia, the state government of New South Wales, Australia agreed to grant the Exploration Licence in the Watermark exploration area to Shenhua Watermark Coal Pty Limited; On 20 November 2008, Shenhua Watermark Coal Pty Limited paid the consideration to the state government of New South Wales, Australia, for the Exploration Licence in the amount of AUD 299,900,000 (approximately equivalent to RMB1,307,953,870). Therefore, Shenhua Watermark Coal Pty Limited has carried out its initial duty under the terms of the Exploration Licence in relation to the payment for the acquisition of the exclusive Exploration Licence.

**1. OVERVIEW OF THE WATERMARK COAL EXPLORATION AREA**

Pursuant to the tender invitation of the Watermark Exploration Project issued by the state government of New South Wales around October 2007: the Watermark exploration area has a total area of approximately 190 square kilometres, and is expected to contain shallow coal resources with thermal coal of domestic and export quality, and more than one billion tonnes of coal resources. The Watermark exploration area is located approximately 270 kilometres from the Port of Newcastle with a branch railway passing through the north eastern side of the exploration area connecting to a main railway line, which continues to the Port of Newcastle.

**2. CONTENT AND CONDITIONS OF THE EXPLORATION LICENCE**

Pursuant to the Exploration Licence entered into between Shenhua Watermark Coal Pty Limited and the state government of New South Wales, Australia, the state government of New South Wales, Australia agreed to grant the Exploration Licence in the Watermark exploration area to Shenhua Watermark Coal Pty Limited. On 20 November 2008, Shenhua Watermark Coal Pty Limited paid the consideration to the state government of New South Wales, Australia, for the Exploration Licence in the amount of AUD 299,900,000 (approximately equivalent to RMB1,307,953,870). Therefore, Shenhua Watermark Coal Pty Limited has carried out its initial duty under the terms of the Exploration Licence in relation to the payment for the acquisition of the exclusive Exploration Licence.

According to the tender proposal submitted by the Company and the terms of the Exploration Licence, in the event that Shenhua Watermark Coal Pty Limited applies for and is granted a Mining Lease in relation to the Watermark exploration area in the future, and subject to the ongoing tenure of the Exploration Licence, Shenhua Watermark Coal Pty Limited shall pay an additional consideration of AUD200,000,000 to the state government of New South Wales, Australia.

There is no assurance that a Mining Lease will be issued to Shenhua Watermark Coal Pty Limited even if it applies for a Mining Lease in relation to the Watermark exploration area in the future since the laws of New South Wales and Australian Federal laws require consideration of many factors including, but not limited to, the environmental impact and assessment of the proposed mining operation. In addition, the laws of New South Wales and Australian Federal laws also require that an Exploration Licence holder complies with the terms of the Exploration Licence before any Mining Lease application is granted.

As at the date of this announcement, the Company does not participate in any transactions involving foreign exchange derivatives in relation to the Watermark Exploration Project.

### **3. PROJECT APPROVAL**

#### **(i) Domestic Approvals**

As at the date of this announcement, the Company has already obtained the relevant approvals from the National Development and Reform Commission of the PRC, the State Administration of Foreign Exchange, Beijing Administrative Office, and the Ministry of Commerce of the PRC.

#### **(ii) Overseas Approvals**

As at the date of this announcement, the Company has already obtained the no-objection letter in relation to the acquisition of the Exploration Licence for the Watermark Exploration Project from the Foreign Investment Review Board of the Australian government. The Australian law firm engaged by the Company, Freehills, confirmed that the Company has complied with the Australian foreign investment laws and policies in relation to the acquisition of the Exploration Licence.

### **4. QUALIFICATIONS OF THE EXPLORATION LICENCE HOLDER**

The Company is a leading coal-based comprehensive energy company that specialises in the coal and electric power business. The principal businesses of the Company are in the areas of coal production and trade, electric and heat power generation and supply, and related railway and port transportation services. The Company has extensive experience in coal mining. The Company has established a wholly-owned subsidiary in Australia, Shenhua Australia Holdings Pty Limited. Shenhua Australia Holdings Pty Limited has incorporated Shenhua Watermark Coal Pty Limited to invest, manage and operate the Watermark Exploration Project. Shenhua Watermark Coal Pty Limited is the holder of the Exploration Licence.

### **5. RISKS**

- (i) The coal exploration by Shenhua Watermark Coal Pty Limited in Australia has to comply with the relevant laws and regulations in Australia. Relevant approvals that are necessary for the acquisition of the Mining Lease may not be obtained or may be obtained only on adverse terms & conditions.
- (ii) All data in relation to the coal resource disclosed in this announcement are cited from the tender documents published by the state government of New South Wales, and no field exploration has ever been undertaken by or on behalf of the Company. There is a risk of having inconsistencies between the actual exploration results and the tender documents published by the state government of New South Wales.
- (iii) According to the tender documents provided by the state government of New South Wales, oil and gas exploration licences are also available in the Watermark exploration area, which may adversely affect the coal exploration activities.

- (iv) Whether Shenhua Watermark Coal Pty Limited can obtain the Mining Lease in the Watermark exploration area depends on whether the development proposal by Shenhua Watermark Coal Pty Limited can satisfy the relevant laws and regulations in Australia.
- (v) During the course of coal exploration and subsequent possible mining, Shenhua Watermark Coal Pty Limited may be exposed to the impact of unpredictable events such as changes in the Australian legal environment, commercial environment, natural environment and social environment. Therefore, it is uncertain as to whether Shenhua Watermark Coal Pty Limited can obtain the desired effects in relation to its exploration and subsequent possible mining activities in the Watermark exploration area.

## 6. DEFINITIONS

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

"AUD"	Australian dollar, the lawful currency of Australia;
"Board"	The board of Directors;
"Company"	China Shenhua Energy Company Limited, a joint stock limited company incorporated under the laws of the PRC, the A-shares and H-shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited respectively;
"Director(s)"	The director(s) of the Company;
"Exploration Licence "	The agreement entered into between Shenhua Watermark Coal Pty Limited and the state government of New South Wales, Australia;
"PRC"	The People's Republic of China;
"Watermark Exploration Project"	The project in relation to the Exploration Licence in the Watermark exploration area in Australia;

For the purpose of illustration only, the amount denominated in AUD has been translated into RMB at the exchange rate of AUD1 to RMB4.3613 as at the date of this announcement.

By Order of the Board  
**China Shenhua Energy Company Limited**  
*Huang Qing*  
*Secretary of the Board of Directors*  
 20 November 2008