

SE popular
HD **Yancoal launches \$US2.3b notes offer to slash debt**
BY AMANDA SAUNDERS - AUSTRALIAN FINANCIAL REVIEW
WC 457 words
PD 9 November 2014
SN Singleton Argus
SC FSINGA
LA English
CY Copyright 2014 Fairfax Media Publications Pty Limited. . Not available for re-distribution.
LP

Chinese-owned **coal** miner Yancoal, which has a listing in Australia, is trying to raise about \$US500 **million** through a subordinated capital notes offer to repay a mounting debt pile, to add to the \$US1.8 **billion** stumped up by its major shareholder.

Locally Yancoal operates Ashton mine near Camberwell. The **company** is currently negotiating final conditions of consent for its Ashton South East **Coal** Project.

TD

Majority shareholder Yanzhou **Coal** will subscribe for \$US1.8 **billion** "its full entitlement" of Yancoal's \$US2.3 **billion** subordinated capital notes offer but has said it will not cover any shortfall. Yancoal will look to the rest of its illiquid register for the balance - about \$US500 **million**, and failing that has said it will consider issuing notes to new investors.

Yanzhou will also feed up to \$1.4 **billion** into Yancoal, which has seven mines in Australia, to prop it up during a dismal time for the **coal** industry.

Yanzhou gave an undertaking on Monday that it will "ensure Yancoal remains solvent", for as long as it remains majority shareholder.

Yanzhou **Coal**, **China**'s fourth-biggest **coal company**, holds a 78 per cent **stake** in Yancoal, which made its debut on the Australian Securities Exchange in mid-2012.

The struggling Australian **coal** sector is immersed in a sea of red ink despite cutting costs for the past two years, and is poorly placed to wear any more cost pressure.

Yancoal chief Reinhold Schmidt said the decision was taken to reduce gearing and "deliver significant cost savings to weather the challenges of an increasingly competitive marketplace".

"In a depressed commodities marketplace facing continued uncertainty for the near-term, Yancoal's existing level of debt is a significant constraint on our future expansion and operational improvement strategies," Mr Schmidt said.

Under the renounceable rights offer, Yancoal will issue 2.32112 subordinated capital notes for every 100 Yancoal Australia shares held - up to a value of \$US2.3 **billion**. The notes will be treated as **equity**.

About \$US1.8 **billion** of proceeds will be used to repay existing senior debt from Yanzhou. The balance will be used at Yancoal's suite of existing **coal** mines and future growth.

The **coal** miner also said on Monday that Yanzhou will provide up to \$1.4 **billion** in extra finance, and it will support fund distributions on the subordinated capital notes over a five year period, after they are issued.

If the offer proceeds, Bank of **China** and **China** Construction Bank will grant an extension on the repayment of their \$US2.6 **billion** syndicated facility for three years.

The Australian Financial Review

CO yaptyl : Yancoal Australia Limited | yankua : Yankuang (Group) Corp | ynzmn : Yanzhou Coal Mining Co Ltd

IN i111 : Coal Mining | i1 : Energy | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying | i112 : Coal Mining Support Activities

RE austr : Australia | nswals : New South Wales | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document FSINGA0020141110eab900001