

# FINANCIAL REVIEW

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HD **Yancoal set for loan despite panel's ruling**  
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**Chinese company** Yanzhou has vowed to push ahead with a \$1.8 **billion** loan to loss-making Australian miner Yancoal, despite the terms of a controversial debt offering being largely emasculated by the Takeovers Panel.

The panel threw the offering into doubt this week when it ruled Yanzhou would not be able to convert the subordinated capital notes into Yancoal shares beyond its 78 per cent **stake**.

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That ruling ensured Yanzhou would not be able to dilute a group of minority shareholders, including commodities trader Noble, that have in the past prevented it from fully privatising Yancoal.

But with Yancoal set to breach a number of covenants on existing loan facilities by December 31 if new debt was not raised, Yanzhou has vowed to push ahead and subscribe for its \$1.8 **billion** complement regardless.

The offering will, to an extent, become an exercise in circulating money, with much of the proceeds from the offer paying down debts that Yancoal owes to Yanzhou. Minority shareholders hesitant

Minority shareholders such as Noble and **Hong Kong** hedge fund Senrigan have been hesitant to subscribe to the offer, and it remained unclear on Friday whether the panel's intervention would convince them to participate.

Any excess proceeds would go towards improving Yancoal's **operations**, including its plan to expand the Moolarben mine in NSW. Note holders will be repaid with an initial interest rate of 7 per cent, which will rise on certain milestones, including by 5 per cent if there is a change of control at Yancoal.

Yancoal lost \$832 **million** last year and another \$192 **million** in the first six months of this year under depressed **coal** prices. It has seven producing mines across NSW and Queensland, and in the September quarter about 54 per cent of its product was thermal **coal** while 46 per cent was coking **coal**.

Thermal **coal** prices have fallen by 26 per cent over the past 12 months, while prices for coking **coal** are down 15 per cent.

Yanzhou has vowed to ensure Yancoal remains solvent under a deal with the Australian government excusing Yanzhou from having to reduce its **stake** in Yancoal to less than 70 per cent.

CO yaptyl : Yancoal Australia Limited | yankua : Yankuang (Group) Corp | ynzmn : Yanzhou Coal Mining Co Ltd  
IN i112 : Coal Mining Support Activities | ibasicm : Basic Materials/Resources | imet : Mining/Quarrying  
NS ccat : Corporate/Industrial News

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