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 HD **Australian takeovers panel halts Yancoal issuance**
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Australia's takeovers regulator has ordered Yancoal Australia to halt a \$2.3 **billion** issue of securities that would **lead** to **China's** Yanzhou increasing its 78% **stake** in the Australian-listed **coal** miner to 98.8%, the panel said Monday.

The regulatory panel ruled the securities issue — designed to recapitalize debt-laden Yancoal — was "unacceptable" because it could potentially dilute the shareholdings of other Yancoal shareholders and affect their rights. Yancoal will be allowed to go ahead with a modified version of its securities issue providing it does not **lead** to Yanzhou increasing its shareholding in the Australian miner above its present 78%, the panel said.

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Yancoal said in a statement to the Australian Securities Exchange it was reviewing the decision and its next steps.

Two Yancoal shareholders, Senrigan Capital Management and Nicholas Taylor, complained to the takeovers panel in November alleging unfairness in the miner's plan to issue \$2.3 **billion** of securities in the form of subordinated capital notes, that would be convertible to shares.

"The SCNs are a complex security which require a significant capital contribution and are unattractive to Yancoal shareholders other than Yanzhou," said the panel in giving its reasons for its decision. "Steps to minimize the control effect of the rights offer are not sufficient, including the discount conversion price which exacerbates the potential control effect, and compulsory **acquisition** may occur at a cheaper price than would be the case through ordinary **acquisition** of its shares," said the panel.

The panel received written submissions from interested parties and held a conference on the issue. Shareholders in Yancoal were to receive 2.32 subordinated capital notes for every 100 shares they held in the **coal** miner. The notes would have an issue price of \$100 each and would be convertible to Yancoal shares at 10 cents/share.

Yanzhou **Coal Mining** Co., Yancoal's 78% shareholder, said it would subscribe to its full allocation in the securities issue amounting to \$1.8 **billion** subject to Yancoal agreeing to repay Yanzhou \$1.8 **billion** in shareholder loans from the offer. The takeovers panel said "if no other shareholders take up their rights, Yanzhou could acquire up to 98.8% of Yancoal by converting its SCNs into shares over time in reliance on the 3% creep exception to the takeovers prohibition."

A **company** is allowed to increase its shareholding in an Australian listed **company** by 3% each year above 19.9%, the threshold above which a takeover is triggered, under Australian takeovers law.

Yanzhou **Coal Mining** had agreed to an undertaking with the Australian government's Foreign Investment Review Board at the time of its A\$3.5 **billion** takeover of Australian **coal company** Felix Resources in 2009 that the **Chinese company** would restrict its shareholding in Felix to 70%. Felix Resources was later renamed Yancoal and is listed on the ASX.

The Australian-listed miner had A\$4.9 billion of interest bearing liabilities on its balance sheet at June 30 including A\$2.9 billion of secured bank loans and A\$2 billion of loans from related parties mostly from Yanzhou Coal, according to its half-year accounts released in August.

Yancoal shares were trading steady at A\$0.14/share (\$0.11/share) at 3 pm Sydney time Monday (0500 GMT) on the ASX. It touched a recent low of A\$0.11/share on December 10.

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CO yaptl : 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

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