

# The Sydney Morning Herald

SE Business  
HD **Yancoal debt play 'no road' to privatisation**  
BY Amanda Saunders  
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Resources - New funding deal

Yancoal boss Reinhold Schmidt is adamant a new \$US2.3 **billion** (\$2.65 **billion**) funding deal is not a fresh push to privatise the listed Australian coalminer by its major **Chinese** shareholder Yanzhou **Coal**.

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Yancoal's addition to the ASX in mid-2012 was the first time a **Chinese** SOE operating in Australia had listed on the local exchange.

But the loss-making Yancoal, which has seven coalmines in Australia, so far appears to have been a disastrous experiment for **China**.

Yanzhou has been forced to guarantee to the Australian government that Yancoal will remain solvent for as long as it remains a majority shareholder.

Under a deal announced on Monday, Yanzhou will extend a fresh \$US1.4 **billion** loan to the troubled miner and take \$US1.8 **billion** of a \$US2.3 **billion** subordinated capital notes offer to repay a senior loan to itself.

Yancoal will look to the rest of its share register to raise the \$US500 **million** shortfall, which would be invested into the business.

But the notes will be treated as **equity** and it is understood some shareholders are claiming the debt-for-**equity** swap is Yanzhou's attempt to privatise by stealth.

Yanzhou holds a 78 per cent **stake** in Yancoal and is **China**'s fourth-biggest **coal company**.

Yanzhou called off a privatisation bid for Yancoal in March, after being stymied by Noble Group - the **company**'s second-biggest shareholder, with about 13.2 per cent of the register. It is understood Noble Group is furious about not being sounded out about the recapitalisation, with management at the Asian commodities trading giant scrambling to get their heads around the detail of the deal on Monday.

Mr Schmidt said privatisation was not on the table and defended not briefing the shareholder first.

Noble Group executive William Randall sits on Yancoal's board but he was "very clear there was a **Chinese** wall established between him as a director and the Noble Group", Mr Schmidt said.

Yancoal clocked an \$832 **million** loss for 2013, and lost \$192.7 **million** in the first half of calendar 2014.

Mr Schmidt said solvency was not an issue, but the recapitalisation would help ensure the "viability of the business" in a depressed market.

The Yancoal boss said take-or-pay port and rail contracts in NSW and Queensland had taken their toll.

"In Australia, the problem we've got ... is that every single **company** sits with take-or-pay contracts. If they were to put a mine on care and maintenance, then many of those contracts are written as such that it will crystallise a very large payment. In today's environment, it is better to continue operating than to crystallise that.

"That is why you haven't had more mines closing down, or even going on care or maintenance."

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.

**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**      c183 : Privatizations/Nationalization | c18 : Ownership Changes | cactio : Corporate Actions | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpin : C&E Industry News Filter

**RE**      austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRICS Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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