

HD Yancoal needs \$3.5 billion capital injection

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China's Yanzhou Coal Mining will inject about \$3.5 billion in its majority-owned Australian coal miner Yancoal Australia, underlying its continued commitment to its investment in Australia's coal industry. Yancoal (YAL) operates seven mines in Australia and the parent company is China's fourth largest coal company. Yancoal said this morning that it was seeking to raise \$US2.3bn (\$2.7bn) through a subordinated capital notes offer to repay existing debt and to fund operations as well as future growth. Yanzhou Coal, the Chinese state-owned company which owns 78 per cent in Yancoal, has committed to subscribe for full entitlements in the offer, which will amount to about \$US1.8bn (\$2.1bn). In addition, Yanzhou Coal will provide up to \$1.4bn in additional extra support and will support fund distributions on the subordinated capital notes over a five-year period after issuance.

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Coal markets have been hurt by a glut of raw material, as supply rises from mining operations in hubs like Australia and demand growth in Asia eases. Prices of thermal coal used to create electricity and metallurgical coal, a key ingredient in steelmaking, have been trading near multi-year lows. In August, Yancoal reported another first-half loss and said it did not expect a marked improvement in global coal markets in the year ahead. The package of funding injection comes after Yanzhou Coal ditched a plan to buy out the minority 22 per cent stake in its Australian arm earlier this year. Yanzhou's support for the offer and associated additional funding commitment, demonstrate its continued long term investment in Australia, and provides greater certainty for our more than 2000 employees and the communities in which we operate, Yancoal chief executive Reinhold Schmidt said in a statement this morning. Yancoal would use the funds it raises to repay existing senior loans from major shareholder Yanzhou Coal Mining, he said. Any remaining cash would help fund the miner's existing coal operations and projects, such as the expansion of its Moolarben mine in New South Wales. Yancoal's current debt level had impeded the company's growth plans in Australia, Mr Schmidt added. 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, he said. The notes offer will strengthen its balance sheet and secure funding to pursue future growth opportunities. Under the offer, Yancoal will issue 2.32112 subordinated capital notes for every 100 Yancoal shares held. The notes will be treated as equity, improving its capital structure and gearing ratio, the company said.

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

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