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HD **Yancoal faces rebellion by shareholders**  
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Resources - Minority investors angry

Furious minority shareholders in **Chinese**-controlled Yancoal claim they were approached by management over a buyout just weeks before the Australian-listed coalminer announced a dilutive \$US2.3 **billion** debt-for-**equity** swap on Monday.

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After unveiling the refinancing deal, Yancoal boss Reinhold Schmidt denied it was a new attempt at privatisation by controlling shareholder Yanzhou **Coal**, and said privatisation was not on the table.

But a senior investor in Yancoal has told Fairfax Media that Yancoal's management had made half a dozen informal offers to buy out its holding at about 30 cents in the past six months - most recently in mid-October. The offers would have seen the largest minority shareholder, Noble Group, remain on the register.

Yancoal shares opened at \$1.53 on their ASX debut in mid-2012, and currently languish at about 16 cents.

The shareholder claims the debt-for-**equity** swap, using a subordinated capital notes offer, is a stealthy privatisation grab by **Chinese coal** giant Yanzhou **Coal**, after informal takeover offers were rejected.

Yancoal's head of investor relations James Rickards said Yancoal had been in talks about "a potential liquidity event for minority shareholders" as part of an independent board committee review.

"Preliminary informal conceptual soundings were held with a number of shareholders to test the feasibility of this option, however, no offer was ever tabled as this option was not feasible," he said.

Yancoal is one of the ASX's most illiquid stocks, with Yanzhou's monstrous holding accounting for 78 per cent, and Asian commodities trader Noble Group with 13.2 per cent. The remaining 8.8 per cent is split between four minority shareholders.

In a recapitalisation revealed on Monday, Yanzhou will take up \$US1.8 **billion** of a \$US2.3 **billion** subordinated capital notes offer in Yancoal to repay a \$US1.8 **billion** loan to itself. The notes will be treated as **equity**, convertible at 10c a share. Yancoal will attempt to tap the rest of its register for the \$US500 **million** balance. Yanzhou will also extend a fresh \$US1.4 **billion** loan to the troubled miner.

Mr Rickards said the deal was "an offer in the interests of strengthening the balance sheet, not privatising Yancoal - to assert otherwise is incorrect and misinformed".

The minority shareholder says the debt-for-**equity** swap is a "massive expropriation" in which Yancoal would refinance itself unnecessarily at a higher rate, adding about \$50 **million** a year to interest repayments - which in the main would go to Yanzhou **Coal**.

There was no justification for the timing of the refinancing, when no significant debt is due for two and a half years, he said.

But Mr Rickards said: "The status quo is not sustainable in light of our gearing levels and covenant position. We are under growing pressure from lenders to proactively take steps to reduce our debt, address our covenant position and establish a more sustainable capital structure.

"Delaying recapitalisation of the **company** until the debt is due and payable or a default has occurred would clearly not be in the interests of the **company**."

The aggrieved shareholder is taking legal advice on his options, and will make a complaint to the **company**, while also considering an application to the Takeovers Panel. He will also ask independent directors why they backed the deal.

**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

**RE**      austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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