

# The Sydney Morning Herald

SE Business  
HD **Loss-making Yancoal to get \$1.8bn debt injection**  
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Resources

**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.

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

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

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

The offering will, to an extent, become an exercise in circulating money, with much of the proceeds from the offer to be used to pay down debt that Yancoal owes to Yanzhou.

Minority shareholders such as Noble and **Hong Kong** hedge fund Senrigan have been hesitant to subscribe to the offer.

Because of this, 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**.

This includes its plan to expand the Moolarben mine in New South Wales.

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 in New South Wales and Queensland, and in the September quarter about 54 per cent of its product was thermal **coal** while 46 per cent was coking **coal**.

Prices for thermal **coal** have fallen by 26 per cent over the past 12 months, while prices for coking **coal** have also fallen, by about 15 per cent.

Yanzhou has vowed to ensure Yancoal remains solvent.

It reached a deal with the Australian government that excused 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

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

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