

SE News
HD **Yancoal Australia faces \$233 million shareholder compensation bill**

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Yancoal Australia is set to pay out A\$263 million (\$233 million) next month to former shareholders of Gloucester Coal who hold a special class of shares in Yancoal, called a contingent value rights (CVR) security, the company said Wednesday.

The coal miner intends to repurchase 87.6 million CVR shares on March 4 at a cash price of A\$3 per CVR security, adding up to A\$262.9 million.

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Yancoal Australia, which is majority owned by Chinese coal producer Yanzhou, had issued the non-dividend paying CVR shares to Gloucester Coal shareholders in July 2012 to compensate them for any potential fall in the market value of Yancoal Australia within 18 months of its takeover of Gloucester Coal.

Yancoal Australia had agreed at a late stage of its 2011 merger negotiations with Gloucester Coal's independent directors to grant one CVR share in addition to one ordinary share in Yancoal to those Gloucester Coal shareholders who requested both securities, said Gloucester Coal in a June 2012 report outlining the details of its takeover.

"CVR shares provide a level of downside protection against a fall in the price of Yancoal Australia ordinary shares for a maximum of up to 18 months following implementation of the [merger] scheme ... depending on the volume weighted average price for Yancoal ordinary shares over the relevant period," said the company's report.

A maximum pay-out of A\$3 per CVR share by Yancoal Australia would be triggered, if, under a worst-case scenario the company's shares dropped below a volume weighted average market price of A\$3.96/share for a 90-day period.

Yancoal Australia's shares have traded in a range of A\$0.65 and A\$0.75 over the past three months.

The compensation available to former shareholders in Gloucester Coal could take the form of cash or additional Yancoal Australia shares, Yancoal said in its latest statement to the Australian Securities Exchange.

Commodities trader Noble Group was the largest shareholder in Gloucester Coal at the time of the merger with Yancoal with a stake of 64.5%, and Noble was eligible to receive additional Yancoal CVR shares for its 150 million Gloucester Coal shares, according to the company report.

However, it is unclear from company reports whether Noble exercised its right to Yancoal CVR securities.

At the time of its proposed merger with Yancoal, Gloucester Coal's total issued shares numbered 202.9 million and the coal producer had 2,590 shareholders of which 1,420 each held less than 1,000 shares.

At Wednesday's market close, Yancoal shares were 3.5% lower day on day at A\$0.69, according to the Australian Securities Exchange's website.

Mike Cooper

CO cenim : Gloucester Coal Ltd | yaptyl : Yancoal Australia Limited | yankua : Yankuang (Group) Corp | ynzmn : Yanzhou Coal Mining Co Ltd

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