

**HD** Yancoal eyes US\$2.3B to repay debt

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Yancoal Australia Ltd. said Nov. 10 that it is undertaking a rights offering of 2.32112 subordinated capital notes for every 100 of its shares held to raise about US\$2.3 **billion**.

About US\$1.8 **billion** of the proceeds will be used to repay Yancoal's existing senior loans from major shareholder Yanzhou **Coal Mining** Co. Ltd., who committed to subscribe for US\$1.8 **billion** of the capital notes being offered.

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The **company** said the notes will be treated as **equity** for accounting purposes.

The remaining proceeds will be used to partly fund Yancoal's existing **coal operations** and future growth.

The distribution rate of the subordinated capital notes will be initially set at 7.00% per annum, but can be reset to the five-year U.S. dollar midswap rate plus the initial margin per annum every five years for perpetuity. It is subject to a further 2.50% per annum step up in the 10th year and an incremental 5.00% per annum step up if a change of control event occurs.

The first distribution payment date is slated in June 2015.

Various terms are conditional upon the offer proceeding. First, the Bank of **China** and **China** Construction Bank will extend the repayment dates of their US\$2.6 **billion** syndicated facility for three years, with the first repayment under that facility now due until June 2020.

Yanzhou committed to provide up to A\$1.4 **billion** in additional financial support to Yancoal through a 10-year committed funding facility, which will be progressively drawn by Yancoal to fund its cash flow requirements.

Yanzhou also agreed to provide another 10-year committed funding facility to Yancoal, which it may draw down, as needed, to pay distributions on the subordinated capital notes for the first five years after the notes were issued.

Lastly, as long as Yanzhou owns at least 51% of Yancoal, Yanzhou will ensure that Yancoal remains solvent.

Yancoal expects the offer to close and the subordinated capital notes be issued before Dec. 31.

Deutsche Bank AG's Sydney branch will manage the offer, which will not be underwritten.

The note holders will be able to convert them into shares within 30 years at 10 cents per share if Yancoal does not redeem the notes.

Parent **company** Yanzhou **Coal Mining** recently posted a slide in third-quarter profit due to falling output at Yancoal Australia.

**CO** yaptl : Yancoal Australia Limited | ynzmn : Yanzhou Coal Mining Co Ltd | yankua : Yankuang (Group) Corp

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**IPD** Debt

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