

HD **UPDATE 3-**China's Yanzhou looks to rescue Australian arm in \$2.3 bln deal

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* Parent Yanzhou could end up with more than 90 pct **stake**

* Yanzhou to inject extra A\$1.4 bln to shore up **operations**

TD

* Noble Group would have to pay \$300 mln for its share of notes

* Yancoal shares plunge to record low (Adds Yanzhou comment)

By Sonali Paul

MELBOURNE, Nov 10 (Reuters) - **China's** Yanzhou **Coal Mining** Co Ltd has moved to shore up its struggling Australian arm, Yancoal Australia Ltd, through a \$2.3 **billion** deal that could pave the way for the **Chinese firm** to take over its subsidiary.

The move follows the failure of a plan by Yanzhou to privatise Yancoal earlier this year after resistance from the Australian **company's** second-largest shareholder, **Hong Kong**-based trader Noble Group.

Yancoal said on Monday it plans to raise up to \$2.3 **billion** through a **sale** of convertible notes to shareholders with its parent Yanzhou kicking in its full 78 percent share, worth \$1.8 **billion**.

Noble, which has 13 percent of Yancoal and would have to pay \$300 **million** for its share of the notes, has not seen the offer, and therefore declined to comment on it, a spokesman said.

If Yanzhou converted its notes into shares and no other shareholders either bought notes or converted them, Yanzhou would hold more than 90 percent **stake** of Yancoal, allowing it to make a compulsory bid for the shares it does not own.

"Yanzhou **Coal** will acquire all the available convertible notes we are able to acquire," Zhang Baocai, the board secretary of Yanzhou told Reuters.

"If it turns out that we are the only shareholder purchasing the notes, then we will be able to secure a 98 percent **stake** in Yancoal after the conversion. But there is still a lot of uncertainty."

Yancoal's shares sank 27 percent to a record low, giving the **company** a market value of just A\$159 **million** (\$138 **million**), after the plan was announced. Yanzhou's shares rose 4.5 percent to HK\$6.57.

Yanzhou will also provide A\$1.4 **billion** to help fund Yancoal's loss-making **coal operations** and pay distributions on the notes, cashing up the Australian business that has been hammered by a drop in **coal** prices to 5-1/2 year lows.

Yancoal's shares have plunged 71 percent this year, a much bigger fall than its closest rivals in Australia, Whitehaven **Coal** and New Hope **Coal**, as it has struggled to manage its debt.

Most of the funds raised will be used to repay existing debt owed to Yanzhou, effectively refinancing short-term debt into long-term debt. The debt is the legacy of Yanzhou's A\$3.5 **billion acquisition** of Felix Resources in 2009 at the height of the **coal** boom and its takeover of Gloucester **Coal** in 2011.

(1 US dollar = 1.1537 Australian dollar) (Additional reporting by Winni Zhou in BEIJING; Editing by Richard Pullin)

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

IN imet : Mining/Quarrying | ibasicm : Basic Materials/Resources | i1 : Energy | i111 : Coal Mining | i112 : Coal Mining Support Activities

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