



Australian Government

Takeovers Panel

MEDIA RELEASE

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Yancoal Australia Limited 02 – Panel Receives Application

The Panel has received an application from Senrigan Capital Management Ltd and Mr Nicholas R. Taylor in relation to the affairs of Yancoal Australia Limited (ASX: YAL).

Details of the application, as submitted by the applicants, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

Details

The applicants have a direct and economic interest in Yancoal.¹

On 24 January 2017, Yancoal entered into an agreement to acquire 100% of the shares in Coal & Allied Industries Limited from wholly-owned subsidiaries of Rio Tinto Limited for US\$2.69 billion.²

On 1 August 2017, Yancoal announced a 23.6 for 1 renounceable entitlement offer at \$0.10 per share to raise up to approximately US\$2.35 billion and released an offer document for the entitlement offer, in conjunction with a placement to strategic investors at the same price to raise approximately US\$150 million. The offer price is at a 67.9% discount to the closing price of Yancoal shares on 31 July 2017 (\$0.390 per share) and a 4.6% discount to the theoretical ex rights price (\$0.131 per share). Eligible shareholders are invited to subscribe for additional shares with a minimum guaranteed allocation³ and any rights not taken up or sold by shareholders will be offered for sale under a bookbuild.

The proceeds raised under the entitlement offer and placement will be used to provide funding for Yancoal's acquisition of Coal & Allied.

Yancoal's majority shareholder, Yanzhou Coal Mining Co., Ltd, has a relevant interest of approximately 78% in Yancoal and also holds subordinated capital notes (SCNs) convertible

¹ The applicants separately have an interest in Yancoal shares and Senrigan has an economic interest in Yancoal shares through cash settled equity swaps

² Comprising a US\$2.45 billion cash payment at completion of the acquisition and US\$240 million of 'non-contingent' royalty payments payable over a four-year period

³ Defined as that number of additional shares which together with a shareholder's entitlement under the entitlement offer will enable the shareholder to maintain the same proportionate shareholding the shareholder held at the record date

into Yancoal shares. Yanzhou has committed to take up US\$1 billion of its entitlement in the entitlement offer and to convert as many SCNs as it is able to.⁴

The entitlement offer is underwritten by:

- International High Grade Fund B, L.P. (**Cinda**) up to US\$750 million
- Glencore Coal Pty Ltd up to US\$350 million and
- Shandong Lucion Investment holdings Group Co., Ltd. (**Lucion**) up to US\$250 million.

The applicants submit (among other things) that:

- the entitlement offer has been priced and structured in a manner that is (i) unnecessarily highly dilutive and “*value shifting*” (ii) does not allow existing minority shareholders a reasonable and equal opportunity to participate (iii) is prejudicial to the ongoing ownership interests of existing minority shareholders and (iv) to ensure Yanzhou is able to convert all of its SCNs and
- Cinda and Lucion are associates of Yanzhou, therefore the voting power of Yanzhou and its associates could go from 78% to 89.15% as a result of the entitlement offer.

The applicants have sought interim orders that offers under the entitlement offer not be made and entitlement trading be deferred until a decision is made by the Panel in relation to the application.

The applicants have sought final orders including that the entitlement offer be prevented from proceeding in its current form without shareholder approval and a variation of the Panel’s orders in *Yancoal Australia Limited* [2014] ATP 24 to restrict Yanzhou, together with its associates (including Cinda and Lucion), from having voting power of more than 78% in Yancoal.

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⁴ Having regard to the orders of the Panel made in *Yancoal Australia Limited* [2014] ATP 24 on 12 December 2014, which restrict conversion by Yanzhou where such conversion would result in Yanzhou having voting power of more than 78% in Yancoal