



Australian Government

Takeovers Panel

MEDIA RELEASE

No: TP14/87

Monday, 24 November 2014

Yancoal Australia Limited – Panel Receives Application

The Panel has received an application from Senrigan Capital Management Ltd and its founder and Chief Investment Officer, Nicholas R. Taylor (together **Senrigan**) in relation to the affairs of Yancoal Australia Limited. The application concerns a rights offer by Yancoal.

Details of the application, as submitted by Senrigan, 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

On 10 November 2014, Yancoal announced a pro-rata, renounceable rights offer of 2.32112 Subordinated Capital Notes (**SCNs**) for every 100 Yancoal shares to raise up to approximately US\$2.3 billion. The SCNs are to be treated as equity for accounting purposes. Yancoal intends to apply US\$1.8 billion of the rights offer proceeds to repay existing senior debt owing to Yanzhou Coal Mining Company Limited and use any remaining proceeds to part fund Yancoal's existing coal operations and future growth.

The SCNs will be convertible into Yancoal shares¹ at a conversion price of US\$0.10 per share. Yanzhou (which holds approximately 78% of Yancoal) has committed to subscribe for its full entitlement of approximately US\$1.8 billion of SCNs. If no other shareholders take up their rights, Yanzhou could acquire up to 98.8% of Yancoal by converting its SCNs into shares.

¹ subject to Yancoal not redeeming the SCNs

Mr Taylor holds Yancoal shares and Senrigan Capital has an economic interest in Yancoal shares through cash settled equity swaps. Senrigan submits (among other things) that:

- The rights offer is part of a strategy to avoid the need to obtain shareholder approval and enable Yanzhou to convert its SCNs into equity at depressed share prices “so as to permit the compulsory acquisition of minorities cheaply”. They also submit that, while the rights offer addresses some aspects of the Panel’s policy on rights issues, it does not address Senrigan’s concerns.
- The rights offer is not necessary given Yancoal’s debt is not yet due for repayment and the financial support Yanzhou has committed to provide.

Senrigan seeks interim orders that no offers of the SCNs be made until the conclusion of Panel proceedings.

Senrigan also seeks final orders to the effect that (in the alternative):

- the rights offer be made subject to shareholder approval (with Yanzhou excluded from voting) or
- the rights offer be withdrawn and Yancoal be restrained from entering into any transaction that might result in a person increasing their voting power from a starting point that is above 20% and below 90%, without prior shareholder approval.

Allan Bulman
Director, Takeovers Panel
Level 10, 63 Exhibition Street
Melbourne VIC 3000
Ph: +61 3 9655 3597
allan.bulman@takeovers.gov.au