

HERBERT SMITH FREEHILLS ADVISES YANCOAL AUSTRALIA LTD ON ITS US\$2.5 (A\$3.1) BILLION CAPITAL RAISING TO FUND ITS US\$2.69 (A\$3.5) BILLION ACQUISITION OF COAL & ALLIED

02 August 2017 | Australia, Asia Pacific
Deals and cases

Herbert Smith Freehills is advising Yancoal Australia Ltd (**Yancoal**) on its US\$2.5 (A\$3.1) billion capital raising, which comprises a renounceable non-accelerated pro-rata Entitlement Offer (with rights trading) entitling eligible shareholders to 23.6 new shares for every 1 existing share held on the record date, and placement of new shares to institutional investors, at an offer price of US\$0.10 (\$A0.12) per share, announced to ASX on 2 August 2017.

Yancoal will use the proceeds from the capital raising to fund its US\$2.69 billion acquisition of Coal & Allied (including interests in the Hunter Valley Operations (**HVO**) and Mount Thorley and Warkworth mines) from Rio Tinto, which was [announced to ASX](#) on 24 January 2017.

Herbert Smith Freehills is also advising Yancoal on the Coal & Allied acquisition, including the recent bidding competition with Glencore ahead of Rio Tinto's shareholder vote, the acquisition of Mitsubishi's 32.4% interest in the HVO Joint Venture for US\$710 million (and associated call option to acquire Mitsubishi's 28.9% interest in the Warkworth mine), and the 51% (Yancoal) / 49% (Glencore) joint venture at HVO.

The acquisition and capital raising will:

- establish a sustainable capital structure and future cash flows for Yancoal;
- strengthen Yancoal's portfolio of Australian coal assets, making it one of Australia's largest pure-play coal producers;
- have the potential to unlock synergies from Yancoal's existing portfolio, as well as synergies from Yancoal's joint venture with Glencore.

Herbert Smith Freehills advised the issuers jointly with Minter Ellison on the capital raising.

The Herbert Smith Freehills equity capital markets team was led by partner [Philippa Stone](#), supported by special counsel Rob Finlay and solicitors Ben Robinson, Christian Bourke, Elizabeth Cameron, Michael Burrell and Lucinda Bradshaw.

The Herbert Smith Freehills team advising on the acquisition is led by partner [Adam Strauss](#), supported by partners Philippa Stone and [David Ryan](#), senior associate Geoff Kerrigan and solicitor Jennifer Wu, along with specialist teams from across Australia, Hong Kong, Beijing and London.

The Herbert Smith Freehills banking team was led by partner [Phillip McMahon](#) and supported by executive counsel Jennifer Whincup and senior associate Kelvin Choy.

Gilbert + Tobin advised the Yancoal Independent Board Committee in connection with the capital raising and funding of the acquisition.

Yancoal relationship partner Philippa Stone said: "We have been delighted to advise Yancoal on this transaction. We have worked with Yancoal over many years and are honoured to be acting on such a transformative transaction for our longstanding client."

Partner Adam Strauss said, "This has been a remarkable transaction in terms of its size, complexity and significance for the Australian coal sector. It is one of the largest coal transactions ever undertaken in Australia and clearly demonstrates that quality coal assets remain sought after by industry players, signalling a return of confidence to the sector."

This deal is another example of Herbert Smith Freehills' market-leading work in capital markets and mergers and acquisitions over the last 12 months. Other recent examples include advising Boral on its complex A\$1.6 billion capital raising to fund the acquisition of NYSE-listed Headwaters Inc. for US\$3.5 billion (Australia's largest capital raising in 2016) and advising Brookfield Infrastructure Partners and its consortium partners on the A\$13 billion joint acquisition of Asciano and associated 'break-up' sales of Asciano's Ports and BAPS businesses (Australia's largest public company M&A transaction in 2016).

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