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**End-semester Examination-April, 2018** | **Max. Marks: 100**
**Name of the Program: B. Tech (*Mining Engineering*)** | **Semester – VIII**
**Course Title: Strategic Mine Acquisitions & Merger** | **Code: MIEG 451**
**This question paper has 3 (*three*) pages** | **Duration: 3 hours**

Note: Include appropriate Question Number. Do not split answers on largely separated answer sheets. Overwriting, striking-off answers, illegible answer or any kinds of incorrect scribbling will not attract evaluation. Use pencil while drawing figures and other forms of charts.

## SECTION: A

Questions from 1 to 10 carry 3 (*three*) marks each. Answer all of them? (10 × 03 = 30)

1. Identify the difference between *Preserving Capital* and *Raising Capital* for mining and metals companies?

2. Comment on Alternative Finance in the acquisition of mining and metal companies?

3. Statement: ……… is/are the process/ activity where, two or more firms operating in the same field and in the same stages of process of attaining the same commodity or service….
   Using a suitable example in the mining industry, identify the explicit activity from the statement? Explain the process in own words?

4. Statement: Firms may seek an entry to new mineral product markets in order to increase their market power or try to spread their risks by de-investing from conservative markets and investing into developing markets…. Given conditions, what the company is supposed to do? Explain?

5. Statement: Different financing options are suited to particular stages of the development cycle and critically to the individual needs of the asset, each with their own risks and costs attached. Do you agree with the statement? What are the development cycles in the mining industry?

6. Give suitable methods of obtaining q-ratio?

7. Statement: Vertical merger may take the form of forward or backward merger. Do you agree? What is the difference between forward and backward merger?

8. Statement: Upfront payment plus ongoing payments in return for a right to a percentage of production from an identified asset (usually life-of-mine)…. What is the suitable term for this kind of financing option? Suggest suitable mining activity where, this type of financing is has relevance and feasible?

9. ______________ the act of splitting off a part of a present firm to become a new firm, which operates entirely separate from the original firm? Give suitable term and examples?

10. Identify challenges in Merger or Acquisition?

## SECTION: B

Questions from 11 to 15 carry 8 (*eight*) marks each. Answer all of them? (05 × 08 = 40)

11. What are the advantages in Development Finance compared Earn-in Agreements? (4+4)

12. Critically examine how motives behind merger and acquisitions are met? Give suitable suggestions? (8)

13. How Synergy in Merger and Acquisition may be analysed? How limitations of synergy shall be addressed? (8)

14. Explain significance of reverse merger in mining and mineral industry? (8)

15. What are the consequences and impact of merger and acquisition in the coal mining industry? Use suitable examples (8)

## SECTION: C

Questions from 16 to 21 carry 30 (*thirty*) marks. Answer all of them? (06 × 05 = 30)

The following text is taken from (https://www.reuters.com/article/us-yancoal-australia/glencore-signs-deals-to-buy-49-percent-of-hunter-valley-coal-idUSKBN1AC08T) for academic purpose

Glencore signs deals to buy 49 percent of Hunter Valley coal

Glencore said on Thursday it had signed agreements to buy a 49 percent stake in coal mines in Australia's Hunter Valley for just over $1.1 billion, getting a share of assets it was expected to miss out on to China's Yancoal. Glencore has long wanted Rio Tinto's Hunter Valley Operations (HVO) but Yancoal Australia was confirmed last month as the preferred bidder for Rio's Australian Coal & Allied division, which owns the mines.

Glencore said on Thursday, however, it would buy a 16.6 percent stake in HVO from Yancoal and 32.4 percent from Mitsubishi Corp, and then form a joint venture to run the mines with Yancoal, which will keep a 51 percent stake. Yancoal's Chinese parent company Yanzhou said on Wednesday its board had approved the transfer of the 16.6 percent interest in the HVO joint venture, without naming the buyer, provided the Rio sale was completed.

HVO is widely regarded as the more valuable of the two Hunter Valley coal complexes that Yancoal is set to acquire from Rio Tinto for $2.7 billion after Glencore lost out in a bidding war with the Chinese-owned coal miner. Glencore wants the assets that adjoin operations it owns in the Hunter Valley. It first tried to acquire Coal & Allied in 2015, when Rio Tinto made it clear that coal was no longer part of its growth strategy.

Analysts said Glencore planned to blend the HVO coal with coal from its existing operations to customize shipments to power-generating customers. Thursday's statement says Glencore will be the exclusive marketing agent for Hunter Valley coal sales into Japan, South Korea and all other countries except China, Taiwan (with certain exclusions), Thailand and Malaysia.

It also gets the right to nominate candidates for the HVO general manager, while Yancoal will nominate candidates for financial controller. Glencore is already the world's largest exporter of sea-traded thermal coal, with interests in 28 mines in Australia, Colombia and South Africa.

Under Thursday's announcement, Glencore will pay $1.139 billion in cash and a 27.9 percent share of $240 million in non-contingent royalties over five years, as well as subscribing to $300 million worth of shares Yancoal is selling as part of a capital increase to fund its Rio Tinto deal.

The joint venture deal is expected to be completed within six months.

Mitsubishi, which said in June it would sell its HVO stake to whoever won the Rio assets, said on Friday that negotiations to sell its interest and over transfer marketing rights were still underway.

"We have not made any agreement with Glencore on a sale of our 32.4 percent stake in HVO, including marketing rights in Japan," a company spokesman said.

"We will talk to Glencore and Yancoal on the deal," he said. Glencore declined further comment.

Analysts said Glencore and Yancoal both gained as Glencore would get the assets it wanted most and Yancoal would reduce the cost of its deal with Rio.

BMO Capital Markets analyst Edward Sterck calculated the price paid by Glencore would be about 8 percent lower than the implied valuation of Yancoal's bid, though Glencore was only getting a minority stake as well as buying Yancoal shares. Glencore's share price rose 0.3 percent on Thursday, recovering from a decline in early trade after the company cut its 2017 production targets.

16. Identify the relationship between Rio Tinto and Mitsubishi? (5 Marks)

17. What could be the advantages to Yancoal with this acquisition? (5 Marks)

18. Mitsubishi, which said in June it would sell its HVO stake to whoever won the Rio assets….. What could be the rationale behind Mitsubishi's statement? (5 Marks)

19. How does the proposed stake buyout from Mitsubishi should help Glencore? (5 Marks)

20. With the buyout of a 16.6 percent stake in HVO from Yancoal, what could be the advantages to Glencore? (5 Marks)

21. Compare the advantages to Yancoal and RioTInto with this acquisition proposal? (5 Marks)