

## **Rio Tinto Limited general meeting – Address by the chairman**

**Jan du Plessis, chairman**  
**Sydney, 29 June 2017**

### **Proposed disposal of Coal & Allied Industries Limited**

**\*\*Check against delivery\*\***

Good morning ladies and gentlemen.

I am pleased to welcome you to this general meeting, convened to approve the sale of your company's shareholding in Coal & Allied Industries Limited to Yancoal Australia Limited for US\$2.69 billion.

As a quorum is present, I now declare this general meeting open.

As a welcome to this meeting let me pay my respects and acknowledge the Traditional Owners of the land on which we meet today. To the Gadigal people of the Eora nation, I pay my deep respects to Elders, both past and present.

Please now allow me to introduce those on stage with me.

- your chief executive, J-S Jacques;
- chief financial officer, Chris Lynch;
- non-executive director, Michael L'Estrange; and
- your company secretary, Tim Paine.

Ladies and gentlemen, as I mentioned, the purpose of today's meeting is to vote on the proposal before you, namely to approve the sale of Rio Tinto's 100 per cent interest in Coal & Allied Industries, to Yancoal Australia Limited.

The meeting has been called because Yancoal Australia, for the reasons set out in the explanatory memorandum, is considered to be in a position of influence in relation to Rio Tinto Limited.

This means the transaction requires shareholder approval under the Listing Rules in both the United Kingdom and Australia. Details of the proposed sale were first announced on 24 January 2017 and are further described in the explanatory memorandum.

As I am sure you will know from our public statements over the last three weeks, Glencore plc has proposed two counter offers and Yancoal has responded in turn with revised and improved offers on both occasions.

As context for today's decision, let me explain the sequence of recent events and the headline terms of the respective offers from both parties.

Under the terms of the initial sale and purchase agreement of 24 January 2017, Yancoal agreed to pay:

- US\$2.45 billion in total consideration, comprising;
- US\$1.95 billion in cash at completion; and
- US\$500 million in deferred cash payments, payable as annual instalments of US\$100 million over five years following completion,
- plus a coal price-linked royalty.

On 9 June 2017, Glencore plc submitted a competing proposal and agreed to pay:

- US\$2.55 billion in total consideration, comprising;
- US\$2.05 billion payable on completion; and
- US\$500 million in deferred payments, payable in five annual instalments;
- plus a coal price-linked royalty.

On 20 June 2017, Rio Tinto announced it had agreed improved terms for the sale of Coal & Allied to Yancoal for:

- US\$2.45 billion in total consideration payable at completion;
- plus a coal price-linked royalty.

Subsequent to this, on 23 June 2017, Glencore submitted a revised proposal and agreed to pay:

- US\$2.675 billion in total consideration on completion; and
- the greater of post-tax cash flows of Coal & Allied and US\$25 million net of tax per month between 1 September 2017 and 31 March 2018, subject to a number of significant qualifications;
- a break fee of US\$225 million;
- plus a coal-price linked royalty.

Both of Glencore's offers of 9 June and 23 June were subject to regulatory approvals from Australia, China, Korea and Taiwan.

On 25 June, Yancoal submitted a revised offer of a total consideration of US\$2.69 billion, comprising;

- US\$2.45 billion payable on completion;
- US\$240 million in the form of unconditional guaranteed royalty payments of which US\$200 million will be received before the end of 2018;
- an increased break fee amount provided by Yancoal's parent company, Yankuang, from US\$100 million to US\$225 million; and
- acknowledgement of the receipt or waiver of all regulatory approvals required to close the transaction.

The board has now considered the latest offers received from Glencore and Yancoal in recent days and is recommending Yancoal's improved offer to shareholders based on greater transaction certainty and a higher net present value.

The board, in addition, considered other factors, including:

- financial assurance of up to US\$2.1 billion provided by Yankuang in addition to Yancoal's own undrawn committed debt facility.
- improved downside protection offered by Yancoal, with a break fee of US\$225 million, comprising a cash deposit by Yankuang and an unconditional bank guarantee.
- a faster and more certain timetable, with the deal expected to complete during the third quarter of 2017, whereas any transaction with Glencore is unlikely to complete until the first half of 2018 at the earliest.
- given the uncertainty of receipt of certain cash flows under Glencore's revised terms, the Yancoal offer constitutes greater net present value.

In summary, therefore, your board has concluded that Yancoal's revised offer for a total consideration of US\$2.69 billion offers greater transaction certainty and better value for Rio Tinto shareholders.

As such we continue to consider that the proposed transaction with Yancoal is fair and reasonable.

Ladies and gentlemen, I hope that my remarks provided useful background as we turn to the formal resolution before today's meeting.

You should note that the resolution before you will be dealt with under the joint electorate procedure. Rio Tinto plc's shareholders have cast their vote on the resolution at the corresponding meeting in London held on 27 June.

The resolution is proposed as an ordinary resolution and requires a simple majority of votes cast.

The required notice has been given.

I propose therefore that, with your consent, the notice of the meeting should be taken as read.

Thank you.

## Contacts

media.enquiries@riotinto.com

riotinto.com



Follow @RioTinto on Twitter

### Media Relations, United Kingdom

Illtud Harri

T +44 20 7781 1152

M +44 7920 503 600

David Outhwaite

T +44 20 7781 1623

M +44 7787 597 493

David Luff

T +44 20 7781 1177

M +44 7780 226 422

### Investor Relations, United Kingdom

John Smelt

T +44 20 7781 1654

M +44 7879 642 675

David Ovington

T +44 20 7781 2051

M +44 7920 010 978

Nick Parkinson

T +44 20 7781 1552

M +44 7810 657 556

### Media Relations, Australia

Ben Mitchell

T +61 3 9283 3620

M +61 419 850 212

Anthony Havers

T +61 8 9425 8557

M +61 459 847 758

### Investor Relations, Australia

Natalie Worley

T +61 3 9283 3063

M +61 409 210 462

Rachel Storrs

T +61 3 9283 3628

M +61 417 401 018

---

### Rio Tinto plc

6 St James's Square  
London SW1Y 4AD  
United Kingdom

T +44 20 7781 2000

Registered in England

No. 719885

### Rio Tinto Limited

120 Collins Street  
Melbourne 3000  
Australia

T +61 3 9283 3333

Registered in Australia

ABN 96 004 458 404