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# GLENCORE plc

## **GLENCORE PLC**

*(Incorporated in Jersey under the Companies (Jersey) Laws 1991 with registered number 107710)*

(Stock Code: 805)

### **Glencore submits fully funded proposal to acquire Coal & Allied and agrees conditional acquisition of Mitsubishi's interest in Coal & Allied mines**

Glencore plc has submitted a proposal to acquire Rio Tinto's 100% interest in Coal & Allied Industries Limited ("C&A"). In addition, Glencore has agreed to purchase Mitsubishi's 32.4% interest in the Hunter Valley Operations joint venture and 28.898% interest in the Warkworth joint venture conditional on completion of Glencore's acquisition of C&A from Rio Tinto. Please see the attached announcement for more details.

By order of the Board  
**Glencore plc**  
**Tony Hayward**  
*Chairman*

Baar, Switzerland, 11 June 2017

As of the date of this announcement, the executive directors are Mr Ivan Glasenberg (Chief Executive Officer) and the independent non-executive directors are Mr Anthony Hayward (Chairman), Mr Peter Coates, Mr Leonhard Fischer, Mr Peter Grauer, Mr John Mack, Ms Patrice Merrin and Mr Martin Gilbert.

# GLENCORE

**Baar, Switzerland  
9 June, 2017**

## **Glencore submits fully funded proposal to acquire Coal & Allied and agrees conditional acquisition of Mitsubishi's interest in Coal & Allied mines**

Glencore has submitted a proposal ("**Glencore Proposal**") to acquire Rio Tinto's 100% interest in Coal & Allied Industries Limited ("**C&A**") for US\$2.55bn cash plus a coal price linked royalty, with the cash comprising:

- US\$2,050m cash payable on completion; and
- US\$500m in aggregate deferred cash payments, payable as annual instalments of US\$100m over five years following completion.

The Glencore Proposal will be funded from existing cash resources and committed facilities and is subject only to regulatory conditions.

A subsidiary of Mitsubishi Corporation ("**Mitsubishi**") has a tag-along right to sell its 32.4% interest in the Hunter Valley Operations joint venture ("**HVO JV**"). Glencore has agreed to purchase Mitsubishi's 32.4% interest in the HVO JV and 28.898% interest in the Warkworth joint venture for US\$920m cash conditional on completion of Glencore's acquisition of C&A from Rio Tinto, with US\$520m being payable on completion and US\$100m payable on the first four anniversaries of completion.

There is no certainty that any transaction will be concluded. Glencore will only be bound once a binding share purchase agreement ("**SPA**") is concluded with Rio Tinto.

If a transaction is concluded, Glencore intends to mitigate its overall financial commitment via a sale / monetisation of assets (prioritising its coal portfolio) of no less than US\$1.5 billion, including exploring the option of selling down up to 50% of its interest in the C&A mines. In any event, as part of our overall Group financial policy, in addition to targeting maximum 2x Net debt/Adjusted EBITDA through the cycle, Glencore's balance sheet will be managed to prevent net debt increasing above December 2016's level of US\$15.5 billion, thereby ensuring that our leverage target is comfortably met and financial conservatism maintained.

Glencore will make further announcements in due course regarding the Glencore Proposal and the Mitsubishi transaction.

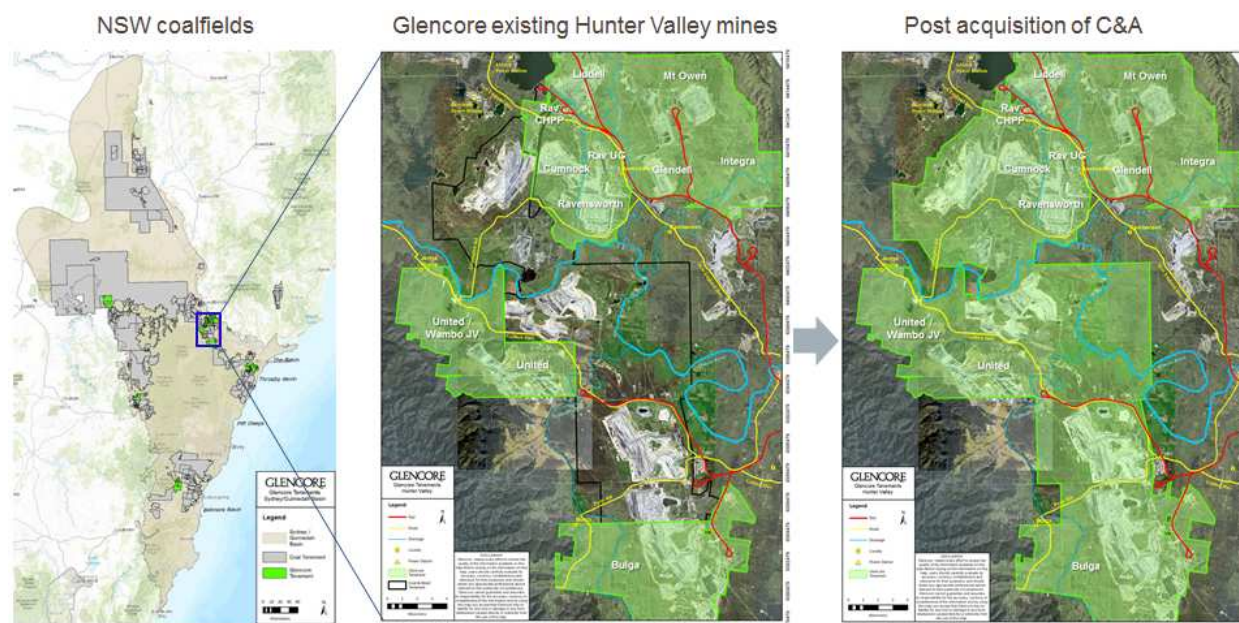
### **Strategic rationale**

The C&A assets comprise majority joint venture interests in large-scale long-life low-cost coal mines in the Hunter Valley region of NSW. HVO (owned 67.6% by C&A, 32.4% Mitsubishi), Mt Thorley (80% C&A) and Warkworth (55.6% C&A, 28.898% Mitsubishi) together produced 25.9mt in 2016 (100% basis) of premium quality export thermal coal and semi-soft coking coal. C&A also has substantial regional landholdings and owns a 36.5% interest in Port Waratah Coal Services, a coal export terminal located at the Port of Newcastle, the world's largest coal export facility.

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The C&A mines, as seen below, lie adjacent to numerous existing Glencore mines in the heart of the Hunter Valley, including our core Ravensworth North and Bulga mines.



The addition of the C&A assets to our existing portfolio in the Hunter Valley would unlock large scale mining and operating synergies. Glencore’s combined portfolio of mines in the Hunter Valley would have production capacity of 81 million tonnes per annum of high energy coal that feeds increasing Asian demand for high efficiency, low emission coal.

### Background to the Glencore Proposal

On 24 January 2017, Rio Tinto announced the terms of the potential sale of C&A to Yancoal Australia Limited (“Yancoal”) (“Yancoal Deal”). The terms of the Yancoal Deal provide that Rio Tinto may engage in negotiations or discussions with a third party if the Rio Tinto board, acting in good faith, determines that a competing proposal is (or is reasonably likely to become) a superior proposal and that compliance with the ‘no talk’ restriction would constitute a breach of their fiduciary or statutory duties. To constitute a superior proposal, a competing proposal must propose the acquisition of 100% of C&A for cash consideration (including any deferred consideration and price adjustments) and royalty payments together having a net present value exceeding the total value of the consideration payable under the Yancoal Deal by at least \$100m and be reasonably capable of being completed on a timely basis and be more favourable to Rio Tinto shareholders.

Glencore believes that the Glencore Proposal satisfies the criteria for a “superior proposal” for, amongst others, the following reasons:

- The Glencore Proposal is US\$100m greater, but otherwise matches the key terms of the Yancoal Deal.
- The Glencore Proposal is fully funded and is not subject to any funding condition or termination right. By contrast, Yancoal has the right to terminate the Yancoal Deal if it is unable to raise the funding, and its funding remains outstanding. In our view, the fully funded Glencore Proposal provides substantially more deal certainty and is more favourable to Rio Tinto shareholders.
- The Glencore Proposal is only subject to regulatory conditions, and in this regard, Glencore has already received an approval from the Japanese anti-trust authorities.

Rio Tinto must provide Yancoal with the opportunity to present a counter offer. If any such counter offer is determined by the Rio Tinto board to be equally or no less favourable than the competing proposal, then Rio Tinto must accept the Yancoal counter offer.

Glencore's Proposal will automatically expire in the event a binding SPA has not been executed by 26 June 2017.

**For further information please contact:**

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[www.glencore.com](http://www.glencore.com)

This announcement contains inside information

**Notes for Editors**

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities. The Group's operations comprise around 150 mining and metallurgical sites, oil production assets and agricultural facilities.

With a strong footprint in both established and emerging regions for natural resources, Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, oil and food processing sectors. We also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 155,000 people, including contractors.

Glencore is proud to be a member of the Voluntary Principles on Security and Human Rights and the International Council on Mining and Metals. We are an active participant in the Extractive Industries Transparency Initiative.

**Glencore's coal business in Australia**

Glencore is one of Australia's largest coal producers with 13 mining complexes – including 17 operational mines – across New South Wales and Queensland.

We employ 7,500 Australians and in 2016 managed the production of nearly 93 million tonnes of thermal and coking coal, predominantly for export.

In NSW, we operate 11 coal mines that last year produced more than 54 million tonnes of saleable thermal and coking coal.

We have a strong safety and environmental performance and play an active role in the development of low emission coal technology.

For more information, please visit [www.glencore.com.au](http://www.glencore.com.au)



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