

24 January 2017

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# ASX Release:

## US\$2.45 billion<sup>1</sup> acquisition of Coal & Allied from Rio Tinto Yancoal to become Australia's largest pure-play coal producer

### Highlights:

- Yancoal has entered into a binding agreement to acquire 100% of Coal & Allied from Rio Tinto for US\$2.45 billion<sup>1</sup> (A\$3.27 billion<sup>2</sup>) in completion and deferred cash payments plus a coal price linked royalty
- Coal & Allied owns and operates the Hunter Valley Operations ("HVO") and Mt Thorley Warkworth ("MTW") coal mines in the Hunter Valley region of New South Wales
- HVO and MTW are world-class "tier 1" assets producing thermal and semi-soft coking coals, combining large-scale operations, long-life reserve and resource positions and industry leading cash cost positions
- Transforms Yancoal into Australia's largest, pure-play coal producer with expected pro-forma Run Of Mine ("ROM") coal production of 71Mtpa<sup>3</sup> (managed)
- Substantial operational and marketing synergies expected with Yancoal's existing operations, including blending, site and corporate synergies
- Yancoal intends to fund the Transaction via a capital raising and pro-rata entitlement offer of ordinary shares
- Yancoal's balance sheet and cash flow generation will be materially strengthened post completion of the Transaction, providing a strong platform for ongoing growth and value accretion

### Transaction overview

Yancoal Australia Ltd (ASX: YAL) ("Yancoal" or the "Company") has entered into a binding agreement to acquire 100% of the shares in Coal & Allied Industries Limited ("Coal & Allied") from wholly-owned subsidiaries of Rio Tinto Limited for US\$2.45 billion<sup>1</sup> (A\$3.27 billion<sup>2</sup>) in completion and deferred cash payments, plus a coal price linked royalty (the "Transaction"). The Transaction follows extensive due diligence.

<sup>1</sup> Comprises US\$1.95 billion cash payment at completion and US\$500 million in aggregate deferred cash payments, payable as annual instalments of US\$100 million over five years following completion. For further details, please refer to the "Key terms of the Transaction" section on page 6

<sup>2</sup> Based on an AUD/USD exchange rate of 0.75

<sup>3</sup> Based on CY2017 forecast production

Coal & Allied owns interests in three operating, large-scale, long-life and low-cost coal mines in the Hunter Valley region of New South Wales, as well as export infrastructure. These interests are:

- a 67.6% interest in the Hunter Valley Operations mining complex (“HVO”);
- an 80.0% interest in the Mt Thorley mine and a 55.6% interest in the Warkworth mine (together, “MTW”); and
- a 36.5% interest in Port Waratah Coal Services (“PWCS”), a coal export terminal located at the Port of Newcastle.

The Transaction has the full support of Yancoal’s majority shareholder, Yanzhou Coal Mining Co Ltd<sup>4</sup> (“Yanzhou”) and Yanzhou’s 56% shareholder, Yankuang Group Co Ltd (“Yankuang”).

The Transaction is subject to a number of closing conditions, including Rio Tinto plc and Rio Tinto Limited shareholder approval, Yanzhou shareholder approval and various regulatory approvals. The Transaction is expected to complete in the 3<sup>rd</sup> quarter of 2017. Further details of the terms of the Transaction are included in Appendix A.

Yancoal intends to fund the Transaction via a capital raising and pro-rata entitlement offer of ordinary shares, the terms of which are being overseen by a committee of independent Yancoal Directors.

Yanzhou has announced that it intends to subscribe for around US\$1 billion of its entitlement in the Yancoal entitlement offer<sup>5</sup> and Yancoal is in discussions with professional underwriters and third-party investors to underwrite the balance of the capital raising.

Further details of Yancoal’s proposed funding strategy for the Transaction will be announced after key conditions precedent of the Transaction are fulfilled and ahead of launch. Further information is provided under the heading ‘Transaction funding’.

Commenting on the Transaction, Yancoal Chairman Xiyong Li said:

“This is a transformative and exciting acquisition for Yancoal shareholders and will form the basis for our future growth and success as Australia’s largest pure-play coal company.

“Via the acquisition of Coal & Allied’s high quality asset portfolio, we will be delivering substantial cash flows to the Company, quality coal products and long-term relationships with end-users in key global markets.

“The substantial cash flows from Coal & Allied’s assets, combined with the anticipated synergies and proposed equity raising will materially strengthen Yancoal’s balance sheet. The new Yancoal will be very well positioned to realise significant value for our shareholders in the years ahead.”

Yancoal Chief Executive Officer, Reinhold Schmidt, said:

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<sup>4</sup> Subject to shareholder vote. Yanzhou majority shareholder Yankuang has given a binding agreement to Rio Tinto to vote in favour of the Transaction

<sup>5</sup> Yanzhou’s subscription amount may be adjusted and is subject to Yanzhou maintaining a shareholding of at least 51% in Yancoal. As a shareholder, Yanzhou will be entitled to participate in the entitlement offer on the same basis as any other shareholder

“In addition to recapitalising the Company, the Transaction represents a significant expansion of Yancoal’s operational portfolio, providing Yancoal shareholders with exposure to world class thermal and semi-soft coking coal mines.

“Yancoal has successfully restructured its operations and reduced costs throughout the past three years and established itself as a leading coal producer committed to investing in the Australian resources sector.

“Post transaction, Yancoal will be the largest pure-play coal producer in Australia, with the ability to realise ongoing value from its combined low operating cost portfolio.”

### Overview of Coal & Allied<sup>6</sup>

Coal & Allied owns joint venture interests in and operates three of Australia’s highest quality coal operations, which produce high grade thermal and semi-soft coking coal products at strong cash margins.

	HVO	Mt Thorley	Warkworth
Ownership (%)	<ul style="list-style-type: none"> <li>▪ Coal &amp; Allied – 67.6%</li> <li>▪ MDP<sup>7</sup> – 32.4%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Coal &amp; Allied – 80.0%</li> <li>▪ POSCO – 20.0%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Coal &amp; Allied – 55.6%</li> <li>▪ MDP – 28.9%</li> <li>▪ Other<sup>8</sup> – 15.5%</li> </ul>
<b>Physicals and operational data (100% basis)</b>	<b>HVO<sup>9</sup></b>	<b>MTW<sup>10</sup></b>	
Marketable Coal Reserves (Mt)	629	13	217
Coal Resources (Mt)	1,831	322	966
Mine life (years) <sup>11</sup>	46	19	
<b>Coal and Allied combined (100% basis)<sup>12</sup></b>	<b>CY14A</b>	<b>CY15A</b>	<b>CY16A</b>
ROM production (Mtpa)	35.7	34.2	36.2
Saleable production (Mtpa)	25.8	24.7	25.9

<sup>6</sup> Yancoal is not aware of any new information or data that materially affects these Coal Reserve and Resource estimates, and Yancoal believes that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The form and context in which the Competent Persons’ findings are presented have not been materially modified

<sup>7</sup> MDP = Mitsubishi Development Pty Ltd

<sup>8</sup> Mitsubishi Materials Corporation (6.0%), Nippon Steel & Sumitomo Metal Corporation (9.5%)

<sup>9</sup> Sourced from Rio Tinto’s 2015 Annual Report as released to market in 2016 (riotinto.com). Competent Persons responsible for Coal Resource and Reserve Reports are full-time employees of Rio Tinto, R Ruddock AusIMM and G Doyle AusIMM

<sup>10</sup> MTW Marketable Coal Reserves are sourced from the Rio Tinto 2015 Annual Report as released to market in 2016 (riotinto.com) and MTW Coal Resources are sourced from Rio Tinto’s announcement to the market “Increase to Mount Thorley Warkworth Mineral Resources” released on 24 January 2017. Competent Persons responsible for Coal Resource and Reserve Reports are full-time employees of Rio Tinto, R Ruddock AusIMM and G Doyle AusIMM

<sup>11</sup> Yancoal Mine Life estimate based on Marketable Reserves and annual production representing HVO and MTW on 100% basis, based on Coal & Allied unaudited management information

<sup>12</sup> Sourced from HVO and MTW unaudited management information

## Pro-forma Yancoal operational and financials metrics

The pro-forma Yancoal entity will be Australia's largest pure-play coal producer with low cost operations.

Physicals and operational data <sup>13</sup> (attributable basis)	Yancoal status quo <sup>14</sup>		Coal & Allied <sup>15</sup>		Yancoal pro-forma	
Marketable Coal Reserves (Mt) <sup>16</sup>	274		556		830	
Coal Resources (Mt) <sup>16</sup>	1,699 <sup>17</sup>		2,032 <sup>18</sup>		N/A	
Operational metrics <sup>19</sup>	Yancoal status quo <sup>20</sup>		Coal & Allied <sup>21</sup>		Yancoal pro-forma	
	<u>3Q CY16</u>	<u>4Q CY16</u>	<u>3Q CY16</u>	<u>4Q CY16</u>	<u>3Q CY16</u>	<u>4Q CY16</u>
ROM production (Mt)	4.9	4.4	6.2	5.7	11.1	10.1
Saleable production (Mt)	3.7	3.6	4.4	4.2	8.2	7.8
Key financial metrics	Yancoal status quo 30 June 2016		Coal & Allied at completion		Yancoal pro-forma	
Total equity (A\$ billion)	1.5		3.3 <sup>22</sup>		4.8 <sup>23</sup>	
	<u>3Q CY16</u>	<u>4Q CY16</u>	<u>3Q CY16<sup>24</sup></u>	<u>4Q CY16<sup>24</sup></u>	<u>3Q CY16</u>	<u>4Q CY16</u>
Revenue (A\$ million)	280	493	341	558	621	1,051
EBITDA (A\$ million)	61	158	73	237	134	395

<sup>13</sup> The Competent Person responsible for tabling the above Coal Resources and Coal Reserves is Raymond Howard, AusIMM Member and full-time employee of Yancoal

<sup>14</sup> Yancoal Coal Resources and Marketable Coal Reserves are sourced from the Yancoal announcement to the market "Coal Resource and Coal Reserve statement for year ending 31 December 2016" released on 24 January 2017 (yancoal.com.au). Competent Persons responsible for the Coal Resources and Coal Reserves are listed in the statement

<sup>15</sup> Coal & Allied Coal Resources and Marketable Coal Reserves are sourced from the Rio Tinto 2015 Annual Report (riotinto.com) save for that component which relates to MTW Coal Resources, which is sourced from Rio Tinto's announcement to the market "Increase to Mount Thorley Warkworth Mineral Resources" released on 24 January 2017. Competent Persons responsible for Coal Resource and Reserve Reports are full-time employees of Rio Tinto, R Ruddock AusIMM and G Doyle AusIMM

<sup>16</sup> Marketable Coal Reserves and Coal Resources are shown on an attributable basis and excludes Watagan and the Yancoal-managed Premier Coal and Cameby Downs operations

<sup>17</sup> Yancoal Coal Resources are reported inclusive of Coal Reserves

<sup>18</sup> Coal & Allied Coal Resources are reported exclusive of Coal Reserves

<sup>19</sup> Operational metrics shown on an attributable basis. CY16A and 4Q CY16 figures are based on unaudited management information

<sup>20</sup> Yancoal production metrics exclude Watagan

<sup>21</sup> Sourced from HVO and MTW unaudited management information

<sup>22</sup> Based on present value of purchase price consideration and stamp duty

<sup>23</sup> Excludes impact of the capital raising or loan restructure

<sup>24</sup> Sourced from HVO and MTW unaudited management information. Rio Tinto has not reviewed the financial information set out above and accepts no responsibility for that information

## Transaction rationale

The Transaction is consistent with Yancoal's strategy to position itself as a leading ASX-listed pure-play coal producer. Coal & Allied comprises a suite of tier 1 assets and will add significant scale and quality to Yancoal's portfolio. The pro-forma Yancoal entity will have:

- majority ownership interests in and operatorship of three world class thermal coal assets being Moolarben, HVO and MTW;
- JORC Marketable Coal Reserves of 830Mt (attributable basis)<sup>14,15</sup>;
- Pro-forma ROM coal production of 71Mtpa (managed) and 47Mtpa (attributable basis) expected in CY2017
- Pro-forma saleable coal production of 53Mtpa (managed) and 34Mtpa (attributable basis) expected in CY2017
- a strong position on the global seaborne thermal coal margin curve and large-scale operations expected to generate significant cash flows;
- greater diversity in thermal and coking coal products, which can be readily blended and tailored to customer requirements in order to achieve optimal pricing for Yancoal;
- stable customer relationships, with mainly Japanese and Korean power plants, and potential to expand the customer base with greater coal product flexibility;
- potential to unlock substantial operational synergies from the integration of the Coal & Allied assets with Yancoal's existing portfolio; and
- a capital structure capable of supporting further growth and value accretion through-the-cycle.

Furthermore, the Transaction is timed at an attractive point in the coal price cycle. The Transaction consideration implies an enterprise value/CY2016A EBITDA multiple of 6.9x<sup>25</sup> (pre-synergies).

## Operational synergies

Yancoal expects substantial operational synergies to be realised from:

- blending Coal & Allied's and Yancoal's coal products to realise a higher overall coal product price;
- corporate and administrative cost savings;
- site and infrastructure efficiencies (including optimised asset management and maintenance); and
- procurement costs savings arising from the expanded operations.

## Key terms of the Transaction

The Transaction cash consideration consists of:

- a US\$1.95 billion cash payment, payable upon completion; and
- five deferred cash payments of US\$100 million each, paid annually, with the first payment to be made 12 months following completion, and the subsequent payments made every 12 months thereafter<sup>26</sup>.

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<sup>25</sup> Based on US\$2.35 billion purchase price, a AUD/USD exchange rate of 0.75 and Coal & Allied CY2016A EBITDA sourced from HVO and MTW unaudited management information

<sup>26</sup> Deferred payments are not event contingent, nor linked to any other milestones. Yancoal may be required to provide bank guarantees to Rio Tinto in support of these deferred payments

Yancoal is entitled to elect, prior to 24 February 2017, an alternative purchase price structure of a single cash payment at completion of US\$2.35 billion.

The completion cash payment will be subject to completion adjustments for net debt and working capital<sup>27</sup>, and a potential further adjustment for receipt of certain outstanding subordinate approvals.

Yancoal will also pay Rio Tinto a coal price linked royalty, calculated as US\$2.0/t<sup>28</sup> of attributable saleable production from Coal & Allied for a period of 10 years commencing on the third anniversary of completion, payable if the Newcastle benchmark thermal coal price exceeds US\$75/t<sup>28</sup>.

A summary of the key terms of the binding agreement of the Transaction is annexed at Appendix A.

### **MDP tag-along right**

Mitsubishi Development Pty Ltd (“MDP”) has a right to “tag-along” to the Transaction with respect to its 32.4% interest in HVO (“MDP Tag-Along”)<sup>29</sup>. Yancoal is currently in discussions with MDP in relation to the MDP Tag-Along and it is not known at this stage whether or not MDP will exercise its MDP Tag-Along. A fair market value of the MDP Tag-Along will be determined in discussions with MDP or by an independent expert if no agreement is reached.

### **Transaction funding**

The total completion cash funding required for the Transaction, including estimated transaction costs, is US\$2.1 billion (A\$2.8 billion<sup>30</sup>), or US\$2.6 billion (A\$3.5 billion) if Yancoal elects to make a single payment at completion. Yancoal intends to fund this amount plus additional proceeds for general corporate purposes via a capital raising and pro-rata entitlement offer of ordinary shares. Yanzhou has announced that it intends to subscribe for around US\$1 billion of its entitlement in the Yancoal entitlement offer<sup>31</sup>.

Yancoal’s Board of Directors has appointed an independent board committee comprising Mr Gregory Fletcher, Dr Geoff Raby, Mr Vince O’Rourke and Mr Joe Zhang (“IBC”) to consider and take actions in relation to the funding required for the Transaction and any other element of the Transaction which may constitute a related party transaction, to ensure that these matters are undertaken in the best interests of Yancoal and its shareholders as a whole. Among other things, the IBC will develop and determine the terms of the entitlement offer.

Yancoal is in discussions with professional underwriters and third-party investors to underwrite the entitlement offer. Further details of Yancoal’s proposed funding strategy for the Transaction, including the proposed capital raising and entitlement offer, will be announced after key conditions precedent of the Transaction are fulfilled and ahead of launch, which is expected in the 2<sup>nd</sup> quarter of 2017.

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<sup>27</sup> The purchase price assumes that Coal & Allied will have nil net debt and A\$(161) million of working capital at completion and a post-completion adjustment mechanism will apply to adjust the purchase price for actual net debt and working capital at completion

<sup>28</sup> Subject to annual CPI adjustment

<sup>29</sup> Right to tag-along does not apply to MDP’s 28.9% interest in Warkworth

<sup>30</sup> Based on an AUD/USD exchange rate of 0.75

<sup>31</sup> Yanzhou’s subscription amount may be adjusted and is subject to Yanzhou maintaining a shareholding of at least 51% in Yancoal. As a shareholder, Yanzhou will be entitled to participate in the entitlement offer on the same basis as any other shareholder

If MDP exercises the MDP Tag-Along, additional funding may be required by Yancoal depending on the price and other terms applicable to the acquisition. The additional funding will be met through either an increase in the size of the Yancoal capital raising and entitlement offer or other funding sources. The preferred funding arrangement will be finalised by Yancoal after MDP's election in relation to the MDP Tag-Along and prior to the launch of the Yancoal entitlement offer.

#### **Financial advisors**

Yancoal's financial advisors in relation to the Transaction are J.P. Morgan Australia Limited and Morgan Stanley Australia Limited.

The IBC is being separately advised by Deloitte Corporate Finance Pty Limited.

#### **Legal advisors**

Yancoal's legal advisors in relation to the Transaction are Herbert Smith Freehills.

The IBC is being separately advised by Gilbert + Tobin.

#### **Media conference call**

A conference call on the Transaction will be held at 09:00 am Sydney time on 25 January 2017.

#### **Conference ID: 241 665**

#### **Participant Dial-in numbers:**

Australia	1800 908 299	Indonesia:	007 803 321 8057
Australia (alternative)	1800 455 963	Ireland:	1800 948 607
New Zealand:	0800 452 795	Japan:	0066 3386 8000
Auckland Local:	+64 9 929 3905	Malaysia:	1800 816 441
Canada/USA:	1855 624 0077	Singapore:	800 101 2702
China:	1080 0140 1776	South Africa:	0800 984 013
France:	0800 913 734	Switzerland:	0800 802 498
Germany:	0800 183 0918	Taiwan:	0080 112 7377
Hong Kong:	800 968 273	UAE:	8000 3570 2706
India:	000 800 100 8070	UK:	0800 051 1453

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## Appendix A: Summary of Key terms of SPA

### Outline of Transaction

Yancoal Australia Limited (**Yancoal**) has entered into a Sale and Purchase Agreement (**SPA**) with Australian Coal Holdings Pty Limited and Hunter Valley Resources Pty Ltd, members of the Rio Tinto group, whereby Rio Tinto has agreed to sell 100% of the shares in Coal & Allied Industries Limited (**Coal & Allied**) to Yancoal.

Subject to the terms and conditions of the SPA, the total purchase price to be paid by Yancoal comprises a US\$1.95 billion cash payment at completion and US\$500 million in aggregate deferred cash payments, payable as annual instalments of US\$100 million over five years following completion. Yancoal is entitled to elect within one month of the date of the SPA an alternative purchase price structure of a single cash payment at completion of US\$2.35 billion.

The purchase price assumes that Coal & Allied will have nil net debt and A\$(161) million of working capital at completion. A post-completion adjustment mechanism will apply to adjust the purchase price for actual net debt and working capital at completion.

Yancoal will also pay Rio Tinto a coal price linked royalty, calculated as US\$2.0/t<sup>32</sup> of attributable saleable production from Coal & Allied for a period of 10 years commencing on the third anniversary of completion, payable if the Newcastle benchmark thermal coal price exceeds US\$75/t<sup>33</sup>.

A potential further post-completion adjustment is payable if certain outstanding subordinate approvals relating to mining operations are not obtained.

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### Conditions precedent to completion of the Transaction

Completion of the SPA is subject to the following conditions precedent:

- **Shareholder approval**

- The shareholders in Yanzhou Coal Mining Company Limited (**Yanzhou**) approve the Transaction; and
- the shareholders in Rio Tinto Limited and Rio Tinto Plc approve the Transaction.

In respect of the required Yanzhou shareholders resolution, Yankuang Group Company Limited (**Yankuang**), the parent company of Yanzhou, has undertaken in favour of Rio Tinto to exercise its full entitlements to vote in favour of the Yanzhou shareholders resolution.

- **Foreign Investment Review Board approval**

Yancoal receives Foreign Investment Review Board approval for the Transaction.

- **PRC outbound approvals**

Yancoal, Yanzhou and Yankuang (as applicable) receives all approvals required to implement and effect the Transaction from:

- the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government;
  - the National Development and Reform Commission of the People's Republic of China;
  - the Ministry of Commerce of the People's Republic of China; and
  - the State Administration of Foreign Exchange of the People's Republic of China.
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<sup>32</sup> Subject to annual CPI adjustment

<sup>33</sup> Subject to annual CPI adjustment

- **Offshore merger clearances**

The Korea Fair Trade Commission (KFTC) and Anti Monopoly Bureau of Ministry of Commerce of the People's Republic of China (AMB) have cleared the Transaction, or the Transaction is deemed to be cleared by the KFTC and AMB.

- **Ministerial approval**

The Minister responsible for the *Mining Act 1992* (NSW) approves or consents in writing to the purchase of the Sale Shares by Yancoal.

- **BLCP Power Limited consent**

BLCP Power Limited (**BLCP**) (a Thai power generator) consents to the novation of all of the rights and obligations of Rio Tinto under its long term coal supply agreement with Rio Tinto to Yancoal.

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## Termination

- **Mutual termination rights**

Either Yancoal or Rio Tinto may terminate the SPA before completion if:

- **(conditions precedent)** the conditions precedent are not satisfied or waived by the date that is nine months from the date of the SPA (which date may be extended by a total further period of 60 days at the election of the parties); or
- **(breach of completion obligations)** if the other party does not meet its completion obligations.

- **Yancoal termination rights**

Yancoal may terminate the SPA before completion if:

- **(funding)** Yancoal may terminate the SPA if funding is not available on acceptable terms to fund the purchase price. If Yancoal terminates the SPA in these circumstances, Yancoal must pay a termination fee of US\$23.5 million to Rio Tinto.
- **(material change)** a material adverse change event (**MAC Event**) occurs after the date of the SPA and before the specified cut-off date. MAC Events include an event that:
  - reduces Coal & Allied's share of production of saleable coal to less than 10 million tonnes per annum for 18 continuous months following Completion;
  - sterilises more than 7.5% of the stated Coal & Allied share of coal Reserves; or
  - reduces the market value of the consolidated net assets of Coal & Allied by at least US\$250 million,

other than to the extent that such event occurs because of Rio Tinto complying with the terms of the SPA or a request of Yancoal or any change in law or any general economic, political business or financial change. If a MAC Event occurs, Rio Tinto will have a right to remedy the MAC Event.

- **Injunctions**

The SPA will automatically terminate if Rio Tinto is or will be unable to comply with its completion obligations on the completion date as a result of any customer of or supplier to Rio Tinto obtaining an injunction or other order which prevents Rio Tinto from performing or complying with its obligations.

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## Exclusivity

- **No shop restriction**

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During the period from the date of the SPA until the earlier of completion of termination of the SPA (**Exclusivity Period**), Rio Tinto must not, and must ensure that its related persons do not directly or indirectly solicit, invite, initiate or encourage any competing proposal or any inquiry, expression of interest, offer, proposal, negotiations or discussions by or with any third party in relation to, or that may reasonably be expected to encourage or lead to the making of a competing proposal, or communicate any intention to any person to do any of those things.

- **No talk restriction**

Subject to certain limited exceptions, during the Exclusivity Period Rio Tinto must not, and must ensure that its related persons do not directly or indirectly:

- enter into, continue or participate in, negotiations or discussions with, or accept or enter into, or offer to accept or enter into, any agreement, arrangement or understanding with any third party in relation to, or that may reasonably be expected to lead to, a competing proposal;
- make available to any third party, or permit any third party to receive, any non-public information relating to the Coal & Allied Group in connection with such third party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a competing proposal; or
- communicate to any person an intention to do anything referred to in this restriction.

- **Notification of approaches**

Subject to certain limited exceptions in the SPA, during the Exclusivity Period, Rio Tinto must notify Yancoal in writing if it, or any of its related persons, receives a competing proposal, whether unsolicited or otherwise, within five Business Days of receipt.

- **Matching right**

During the period between the date of SPA and the date of Rio Tinto's shareholder approval (**Approval Date**), Rio Tinto must not enter into, and must procure that no member of the Rio Tinto group enters into an agreement in relation to a competing proposal, unless:

- the competing proposal would be or is reasonably likely to be a superior proposal;
- Rio Tinto has provided to Yancoal all material terms of the competing proposal;
- Within five business days Yancoal has provided to Rio Tinto a written counter proposal to the competing proposal (**Yancoal Counter Proposal**); and
- if a Yancoal Counter Proposal has been provided in accordance with the terms above, the Rio Tinto Board has determined that the terms and conditions of the Yancoal Counter Proposal, taken as a whole, is less favourable than those of the competing proposal and Yancoal has been notified of that determination.

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**MDP tag-along**

Yancoal must make an irrevocable offer to MDP to acquire its 32.4% interest in HVO in accordance with the terms of the HVO joint venture agreement.

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**Warranties and indemnities**

The SPA contains warranties and indemnities that can be considered customary for an agreement such as the SPA.

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**Conduct of  
business  
restrictions**

Prior to completion, except as expressly permitted by the SPA or consented to by Yancoal in writing, Rio Tinto must conduct the business in its ordinary and usual course in accordance with approved budgets and plans and must obtain the prior written approval of Yancoal to enter into certain material transactions.

Rio Tinto must also keep Yancoal informed as to material issues and give reasonable access.

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**Transitional  
Service Agreement**

A transitional service agreement has been prepared by the parties and will be entered into at completion.

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