

# GLENCORE

**Baar, Switzerland**  
**27 July 2017**

## **Glencore agrees to acquire 49% interest in Hunter Valley Operations**

Glencore has signed agreements with Yancoal Australia Limited (**Yancoal**) regarding the acquisition of a 49% interest in the Hunter Valley Operations (**HVO**) coal mine in NSW and form a Joint Venture (JV) following Yancoal's acquisition of Coal & Allied (**C&A**) from Rio Tinto.

Glencore will pay cash consideration of US\$1,139 million plus a 27.9% share of US\$240m non-contingent royalties over five years and 49% of price contingent royalties payable by Yancoal to Rio Tinto on production from HVO in respect of the C&A acquisition.

Glencore will acquire a 16.6% interest in HVO directly from Yancoal and the companies will work together to acquire Mitsubishi Development Pty Ltd's 32.4% interest in HVO to achieve Glencore's 49% stake. Glencore will be entitled to its share of the profits of HVO from the date that Yancoal completes its acquisition of C&A.

Glencore has also agreed to subscribe for US\$300m worth of shares in Yancoal's equity raising.

The transaction will be funded from Glencore's existing cash resources and committed facilities and is subject to Glencore obtaining the necessary regulatory approvals. Glencore expects the transaction to close within six months.

### **Joint venture:**

The HVO JV will be jointly controlled by Glencore and Yancoal through a joint venture management committee comprising three representatives of both JV participants. An independent management team will run the operations on a day-to-day basis and will report to the committee.

In order to deliver maximum operational synergies, Glencore will nominate the candidates for HVO General Manager while Yancoal will nominate the candidates for HVO Financial Controller. Glencore will provide operational and support services to the HVO JV.

### **Marketing Agreements:**

Glencore will be the exclusive marketing agent for HVO coal sales into Japan, South Korea and all other countries excluding China, Taiwan (with certain exclusions), Thailand and Malaysia.

### **Strategic rationale:**

HVO is a large-scale, long-life and low-cost coal mine producing premium quality export thermal coal and semi-soft coking coal. HVO lies adjacent to a number of existing Glencore mines in the Hunter Valley.

The addition of 49% of HVO to our existing portfolio in the Hunter Valley will unlock mining and operating synergies. Glencore's combined portfolio of mines in the Hunter Valley, including HVO, will have production capacity of 69 million tonnes per annum of high quality energy coal to meet increasing Asian demand.

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