



Notice to Australian Securities Exchange

28 November 2011

Chairman's Address General Meeting 28 November 2011

The meetings of Coal & Allied shareholders to be held today may, subject to the approval of Coal & Allied shareholders of the proposed Scheme of Arrangement resolutions, be the last meetings of Coal & Allied as a listed public company.

Coal & Allied has been listed on the Australian Securities Exchange since 1962.

Our company's proud history traces back even further than this, beginning some 167 years ago with the Brown family.

In more recent times, we have pursued a strategy to maximise the value of our world class resource base.

We have sought to position Coal & Allied as the leading operator and developer of export thermal and semi soft coking coal mines in the Hunter Valley.

The expansions we have underway across our operations and our strong ongoing pipeline of projects will allow Coal & Allied to take advantage of strong markets and increased certainty in the coal chain.

The Board and the management team take great pride in Coal & Allied's strong position, which has generated the proposal before us today.

I would like to now give you some background to the offer we are considering today.

Coal & Allied was first approached by Hunter Valley Resources Pty Limited, a jointly owned bid vehicle of Rio Tinto and Mitsubishi Development, with an Indicative Proposal on 6 August.

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On receipt of the Indicative Proposal, the Board of Coal & Allied appointed a Proposal Response Committee to undertake a detailed assessment of the proposal.

The Proposal Response Committee was comprised of the Recommending Directors, namely, Bryan Davis as the Chair of the Committee, Annabelle Chaplain and me. None of these Directors had any involvement in developing the original Proposal.

As part of the review process, the Committee engaged in negotiations with Hunter Valley Resources. The Proposal Response Committee negotiated an enhanced proposal which it believes represents a favourable outcome for Coal & Allied shareholders.

The enhanced proposal negotiated by the Proposal Response Committee is for \$117 per share plus an intended fully franked special dividend of \$8 per share, constituting an improvement of 5.3% compared to the Indicative Proposal price of \$122 per share.

On that basis the Proposal Response Committee decided to agree a Scheme Implementation Agreement with Hunter Valley Resources.

Summary of the transaction

On 26 August 2011, Coal & Allied announced that it had signed a Scheme Implementation Agreement with Hunter Valley Resources Pty Limited relating to a proposal for Hunter Valley Resources to acquire all Coal & Allied Shares that Rio Tinto, through its subsidiary Australian Coal Holdings Pty Limited, which I shall call ACH, and Mitsubishi Development do not already own.

I shall from this point onwards simply refer to Hunter Valley Resources' offer to acquire these Coal & Allied Shares as the Offer.

The Scheme Implementation Agreement proposed to conduct the Offer by way of scheme of arrangement under section 411 of the Corporations Act. I will refer to this from now on as the Scheme.

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Under the Scheme, Hunter Valley Resources is to acquire the Coal & Allied Shares for \$125.00 per share less the amount of any Special Dividend that Coal & Allied announces today it will pay if the Scheme is approved and later becomes Effective.

The Special Dividend that will be announced, if the Scheme is approved at the Scheme Meeting, will be \$8.00 per share, fully franked.

It will be paid to all Coal & Allied Shareholders who hold Coal & Allied Shares on 8 December 2011.

If the Scheme is approved then Coal & Allied will request that its shares be suspended from trading on ASX at the close of trading on the Effective Date of 1 December 2011. This will mean that Coal & Allied Shares will only trade on a "cum" basis for both the Special Dividend and Scheme.

Proposal to be considered today

The proposal before Coal & Allied shareholders today is one that involves the privatisation of Coal & Allied by its two major shareholders, Rio Tinto and Mitsubishi Development.

Rio Tinto owns 75.7% and Mitsubishi Development owns 10.2% of all Coal & Allied shares, a combined ownership of 85.9% of all shares.

Rio Tinto and Mitsubishi propose that, subject to the approval of Coal & Allied Shareholders and the Federal Court of Australia, Hunter Valley Resources, a company jointly owned by them, will acquire all of the remaining Coal & Allied shares not already held by them or companies associated with them.

Scheme Consideration and Special Dividend

Coal & Allied shareholders are being offered \$125.00 cash for each Coal & Allied share they hold on the Scheme Record Date, less the amount of any special dividend.

Assuming shareholders approve the resolutions at the two meetings today, the Board will announce to the Australian Securities Exchange the payment of a fully franked special dividend of \$8.00 per share.

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The payment of this special dividend is subject to the Federal Court of Australia approving the Scheme, the application for which is scheduled to be heard on 30 November, and the Scheme becoming Effective upon the lodgement of the Court Order approving the Scheme with the Australian Securities and Investment Commission.

That means if the Scheme is approved, both by shareholders and the Court, and becomes effective then all Coal & Allied shareholders who are on the register on the Special Dividend Record Date (proposed to be 8 December 2011) will receive a fully franked special dividend of \$8.00 per share from Coal & Allied and all Coal & Allied shareholders (other than Rio Tinto and Mitsubishi Development) who are also on the register on the Scheme Record Date (proposed to be 12 December 2011) will also receive cash consideration of \$117.00 per share from Hunter Valley Resources.

It is anticipated that shareholders will receive these payments by cheque or direct deposit on or about 16 December 2011.

If either resolution is not approved today, then the Scheme will not proceed and the Special Dividend will not be announced or paid.

Also, if the Special Dividend is announced but the Scheme does not become effective, for instance because the Federal Court of Australia does not approve the Scheme, then the Special Dividend will not be paid.

In either of these events, Coal & Allied will remain a public company traded on the Australian Securities Exchange and it will continue its business as usual.

Director's Recommendation

Bryan Davis, Annabelle Chaplain and I have provided a recommendation in the Scheme Booklet that was sent to shareholders some time ago.

We are unanimous in our recommendation that you should approve the Scheme resolutions by voting in favour of them, in the absence of a superior proposal.

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No superior proposal has emerged since the Hunter Valley Resources proposal was made public in early August this year. We do not expect a superior proposal to emerge.

Detailed reasons for our recommendations are included in the Scheme Booklet that you received.

These reasons include why shareholders may consider voting in favour of the Scheme and possible reasons why shareholders may consider not approving the Scheme.

The slide that is on the screen now includes some of our reasons for recommending shareholders to approve the Scheme.

Premium

The Scheme Consideration, totalling \$125.00 per share which includes the Special Dividend, represents:

- a 39% premium to the closing price of Coal & Allied Shares on 5 August 2011, being the last trading day prior to the announcement of the indicative proposal from Rio Tinto;
- and
- a 25% premium to the one-month volume weighted average price of Coal & Allied Shares as at 5 August 2011.

Independent Expert Report

The Scheme Booklet also includes a report from Lonergan Edwards, the Independent Expert, which contains an opinion that the Scheme is fair and reasonable and in the best interests of Coal & Allied shareholders (other than Rio Tinto and Mitsubishi Development), in the absence of a superior proposal.

Some of the reasons why Lonergan Edwards formed that opinion are shown on the slide behind me.

I will now move to the formal business of this General Meeting.

Chris Renwick
Chairman

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