**Dominic Barton**
Chair of the Board of Directors (the "**Board**")

Rio Tinto plc ("**Plc**")
6 St James's Square
London SW1Y 4AD
United Kingdom

Rio Tinto Limited ("**Ltd**") (together with Plc, "**Rio Tinto**")
Level 43
120 Collins Street
Melbourne VIC 3000
Australia

Dear Mr. Barton,

*We draw your attention to the enclosed Grant Thornton Australia report and other important materials publicly available at* ***www.UnifyRio.com***

We write on behalf of Palliser Capital (UK) Limited and its affiliates (together, "**Palliser**", "**we**", "**us**" or **"our**").

We thank you and your team for inviting us to your offices to meet with you on 27 February 2025, to discuss our different perspectives on whether unifying Rio Tinto's dual listed companies ("**DLC**") structure warrants an independent, comprehensive and fully transparent review.

As mentioned in that meeting, we are deeply disappointed that the Board has outright rejected our request for a "best-in-class" review which would present a fair and reasonable pathway to resolving the issues between us.

Nevertheless, we remain committed to moving the unification debate forward in an effort to reconcile our diverging opinions. To this end, we commissioned Grant Thornton Australia[1] to prepare an independent appraisal report on the unification of Rio Tinto's DLC structure into a single Australian-domiciled holding company.

**Grant Thornton Australia has concluded, based on publicly available information, that the advantages of unification outweigh the disadvantages for both Plc shareholders and Ltd shareholders.**

We enclose their report (the "**Appraisal Report**") with this letter, which sheds important light on the pertinent issues relating to unification.[2]

[1] Grant Thornton Australia refers to both Grant Thornton Australia Limited and Grant Thornton Corporate Finance Pty Ltd, a wholly owned subsidiary of Grant Thornton Australia Limited and holder of the AFSL.
[2] The Appraisal Report does not constitute an independent expert report in accordance with ASIC Regulatory Guide 111. Please see the Appraisal Report for assumptions and limitations.

**Palliser's Summary of the Appraisal Report**

The Appraisal Report provides an important independent perspective on the key topics relating to unification, which we have summarised below.

*The overview below has been prepared by Palliser to summarise the potential advantages of the proposed unification of Rio Tinto as set out in the Appraisal Report. Grant Thornton Australia has prepared the Appraisal Report on instructions from Palliser based on publicly available information. This summary must be read in conjunction with the Appraisal Report, both of which cannot be relied upon by any third parties.*

***1) Capital market dynamics***

Grant Thornton Australia's independent analysis comprehensively examines: (i) the relative liquidity of Plc vs. Ltd shares; (ii) the strength and depth of the Australian capital markets; and (iii) greater relative economic importance of the resources sector to the Australian capital markets.

Grant Thornton Australia's findings are that both Plc and Ltd shares are highly liquid – although **the liquidity of Plc shares is relatively lower than that of the ADRs and Ltd shares**. For example, the 3-month rolling average daily traded volume of the ADRs has been 1.2x to 2.0x greater than that of the Plc shares on the LSE, despite ADRs only representing 14.93% of Plc shares.

The ASX boasts a significantly larger presence in the mining sector compared to the LSE. Specifically, in excess of 700 metals and mining companies are listed on the ASX, representing approximately 39% of the total companies listed on the ASX, with an aggregate market capitalisation in excess of c.US$300 billion at the beginning of February 2025. In contrast, the LSE lists 48 metals and mining companies, which account for approximately 5.5% of the total companies listed on the LSE, with an aggregate market capitalisation of approximately US$205 billion.

Furthermore, ASX listed metals and mining companies have raised an aggregate of c.US$28 billion since 1 January 2020, compared with c.US$830 million raised by metals and mining companies listed on the LSE over the same period.

In summary, Grant Thornton Australia is of the opinion that market evidence indicates that the **Australian capital markets are capable of absorbing the incremental supply of Ltd shares upon unification in the long term and, therefore, supporting Rio Tinto as a unified company**.

***2) Strategic flexibility and shareholder returns***

Grant Thornton Australia's view is that **the share price differential between Plc and Ltd reduces the flexibility for Rio Tinto to execute major stock-based M&A transactions and creates complexities to raise equity capital and utilise various other capital return tools.**

**Since the inception of the DLC structure in 1995, Rio Tinto has not issued shares as scrip for any of its approximately c.US$55 billion worth of acquisitions.**[3] In contrast, major M&A transactions in the natural resources sector over the last five years have predominantly utilised scrip as consideration.

The top 10 sector M&A transactions by deal value over the same period have completed with an average consideration mix of approximately 85% scrip and 15% cash, with no transaction completed with 100% cash consideration.

Grant Thornton Australia highlights the significant strategic flexibility that unification would bring to Rio Tinto – particularly at a time of rising capital intensity for new mine development and increasing consolidation in the industry.

[3] Excludes tender offers for minority shareholders in existing listed subsidiaries which included a cash or scrip alternative.

The Appraisal Report also highlights that **Rio Tinto's ability to conduct share buybacks in Plc is indirectly constrained by the DLC** as those buybacks would breach Chinalco's regulatory ownership limit, if Chinalco does not participate in them.

Grant Thornton Australia notes that Chinalco's shareholding in the unified Ltd stock would be lower than their current percentage in the Plc line only. This – along with Rio Tinto's enhanced ability to utilise equity for M&A under a unified structure – would provide Rio Tinto with greater flexibility to engage in share buybacks without causing Chinalco to exceed its ownership limits, provided that the same limit is transferred to the unified Ltd stock.

***3) Utilization of franking credits***

Since the formation of the DLC structure in 1995, Rio Tinto has always paid fully franked dividends to its shareholders.

Grant Thornton Australia's analysis suggests that:

- In the short to medium term, the majority of the group's earnings are expected to continue to be derived from Australian operations.
- In the long term, Rio Tinto is expected to derive c.50% of underlying profits from Ltd's Australian assets.
- While the less mature/under-development copper and lithium projects are expected to boost non-Australian earnings over time, they exhibit higher volatility and risk compared to the more stable cash flows from Rio Tinto's Pilbara iron ore assets, which underpin the profits for generating Rio Tinto's franking credits.

Given the expected continued earnings from the Australian operations, combined with the fact that Rio Tinto can draw down on its accumulated franking credit balance which stood at US$9.2 billion as of 31 December 2024, Grant Thornton Australia concludes that:

- **In the short to medium term, Rio Tinto should be able to fully frank its dividends at the high-end of its target payout ratio of 40-60%.**
- **In the longer term, Rio Tinto should be able to fully frank its dividends at the mid-point of its dividend payout range.**

Moreover, Grant Thornton Australia anticipates a significant increase in the proportion of Australian shareholders in Ltd post-unification – **allowing for a meaningfully greater dollar amount of franking credits to be utilised by Australian-domiciled shareholders.**

***4) Tax costs***

Based on the limitations discussed in the Appraisal Report, Grant Thornton Australia has confirmed that under the base case adopted by Palliser, **unification may trigger one-off transactional costs of c.US$450 million and additional ongoing tax costs of c.US$145 million[4] per annum.**

Grant Thornton Australia has reviewed Palliser's position, considering publicly available information on the tax consequences of unification and the process undertaken by Palliser in reaching that conclusion.

[4] Which is based on a number of assumptions, caveats and limitations on available information.

### *5) Impact on share price*

In line with precedent DLC unifications, Grant Thornton Australia expects Rio Tinto's unification to close the discount between Plc and Ltd trading prices, delivering a **near-term value benefit to Plc shareholders**. Once any potential short term volatility in the trading price of Ltd settles, an unwind of the DLC structure is expected to be largely **neutral or value accretive for Ltd shareholders in the medium to long term**.

The report also indicates that sufficient Australian flow-forward in the medium to long run is expected to offset any flow-back concerns associated with unification. In other words, the "*77% of Rio Tinto's issued share capital in the form of Rio Tinto plc shares being exchanged for Rio Tinto Limited shares*"[5] should not adversely impact trading in Ltd share price in the long term.

Grant Thornton Australia notes that the premium of Ltd shares compared with Plc shares largely reflects the value of the franking credits attributed by Australian shareholders to Rio Tinto's franked dividends. **They anticipate a significant increase in the proportion of Australian shareholders in Ltd after unification, implying that the Ltd share price will continue to reflect the franking credit-associated value for the larger cohort of Australian shareholders under the unified structure.**

### *6) Shareholder support*

Grant Thornton Australia has confirmed the **overwhelming shareholder support for prior DLC unifications**. Their analysis of the shareholder registers suggests significant overlapping ownership between the shareholders of Ltd and Plc with the shareholders of recently unified DLCs – indicating potential for broad-based support for Rio Tinto's unification.

## Next steps

Since our engagement with Rio Tinto last year, we have continually presented overwhelming empirical evidence – backed by the case studies of no less than 12 precedent unifications – to prove exactly why a proper examination of unification is so critical.

Yet, the Board has remained steadfast in its **refusal** to recommend in favour of our resolution because "*an additional review including an independent expert report would lead to the same conclusion [as the Board]*".[6]

Now, with the Appraisal Report providing an independent perspective on the pertinent issues, the Board's belief that an enhanced review would only support its conclusions is **clearly unwarranted**. There is no room for further excuses to resist our straight-forward request. Indeed, the Board's fiduciary duties dictate that it reconsiders its position relating to our resolution and presses ahead with an independent, comprehensive and fully transparent review of unification without further delay.

Yours faithfully

For and on behalf of
**Palliser Capital (UK) Limited**

By: James Smith, Chief Investment Officer

[5] Page 16, Plc 2025 AGM Notice; page 17, Ltd 2025 AGM Notice.
[6] Page 15, Plc 2025 AGM Notice; page 16, Ltd 2025 AGM Notice.