



**Rio Tinto**

*Unifying the DLC Structure to Release Value and Enhance Capital Allocation*

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# **I. Executive Summary**

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## A First-Class Asset Portfolio Trapped Inside an Outdated Structure

Despite its world-class portfolio of diversified mining assets, Rio's outdated dual-listed company (DLC) structure remains a governance concern, strategic impediment and value roadblock

2

## The DLC Has Destroyed US\$50 Billion of Shareholder Value since Inception...

Rio's inability to issue stock for M&A has cost shareholders an unnecessary c.US\$35.6 billion in book value  
Legacy structure has wasted c.US\$14.7 billion in valuable franking credits

3

## ...and is the Root Cause of Rio Tinto's Undervaluation Today

US\$24 billion structural value gap between Rio Tinto Plc (LSE/NYSE) and Rio Tinto Ltd (ASX) shares  
Rio trades at a significant discount to underlying value and at a steep discount to global mining peers

4

## This Archaic Structure is Not Fit for the Corporate World of Today

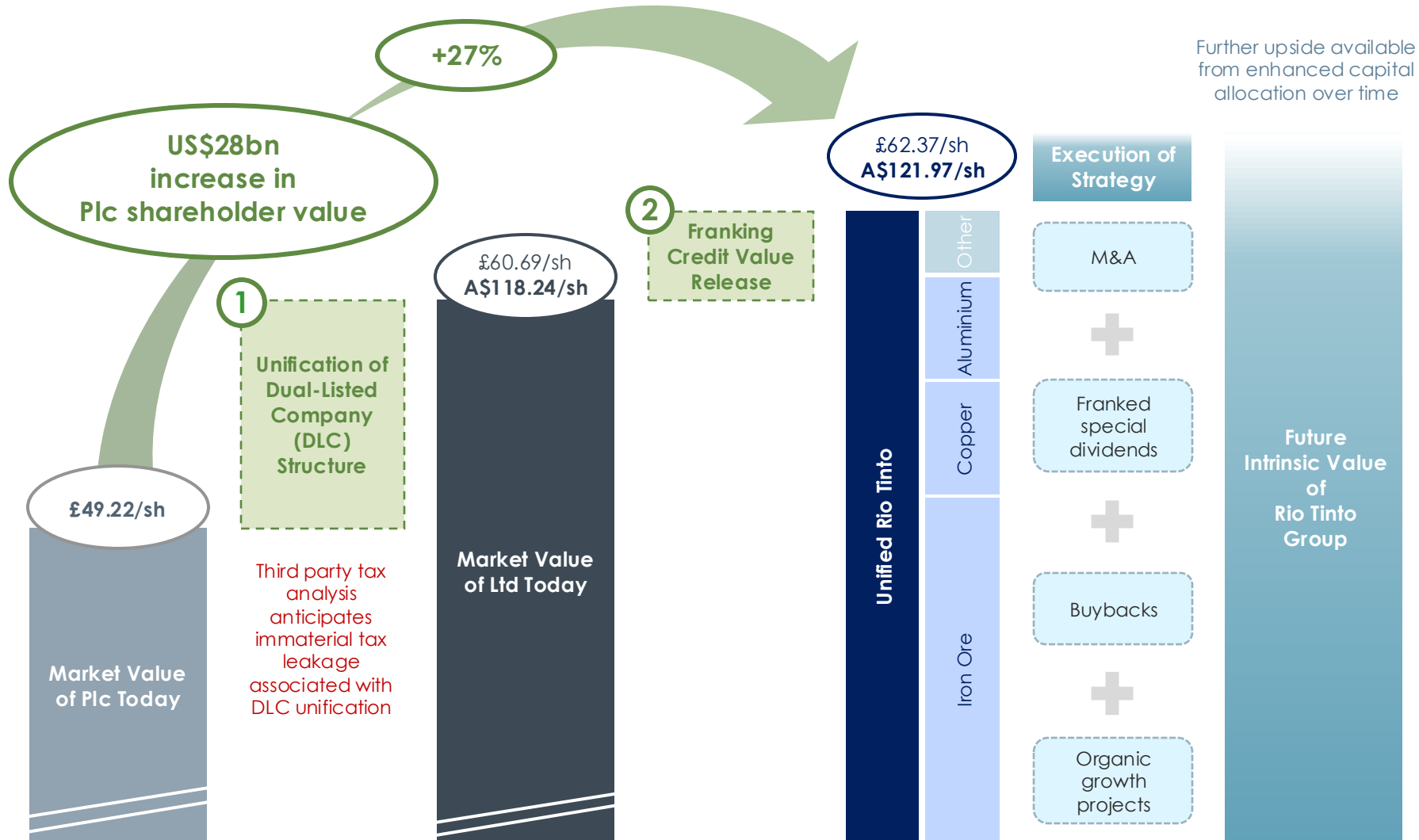
Management's arguments against unification do not stack up  
Every other large cap DLC has already unified – BHP is a clear blueprint for success

## Unification

Resolves fundamental structural issues impeding Rio Tinto and presents a path to +27% upside in the near term and further upside over the medium term

- ✓ **Simplicity** – removes duplication, eradicates DLC constraints and promotes an effective regime for shareholders
- ✓ **Capital Efficiency** – resolves US\$24bn structural value gap and achieves single fungible ASX, LSE and NYSE (ADR) listed share capital with >300% S&P/ASX upweighting<sup>(1)</sup>
- ✓ **Strategic Flexibility** – enables scrip-for-scrip M&A, simplifies demergers and provides platform for enhanced shareholder returns
- ✓ **Tax Optimisation** – removes cross-DLC value leakage and improves franking credit utilisation
- ✓ **Low Cost** – anticipated one-off cash tax cost of c.US\$400m plus additional c.US\$140m per year of incremental tax leakage associated with PLC's Singapore marketing operations<sup>(2)</sup>
- ✓ **Blueprint for Success** – significant similarities with BHP which has outperformed Rio since unification, allaying any unification concerns
- ✓ **Shareholder Support** – average shareholder approval for BHP and across all prior unifications – c.97% and c.99% respectively<sup>(3)</sup>

# Unification Unlocks Value and Positions Rio Tinto for Future Growth





## **II. A First-Class Asset Portfolio Trapped Inside an Outdated Structure**



**Rio operates some of the world's highest quality iron ore, copper and aluminium assets**

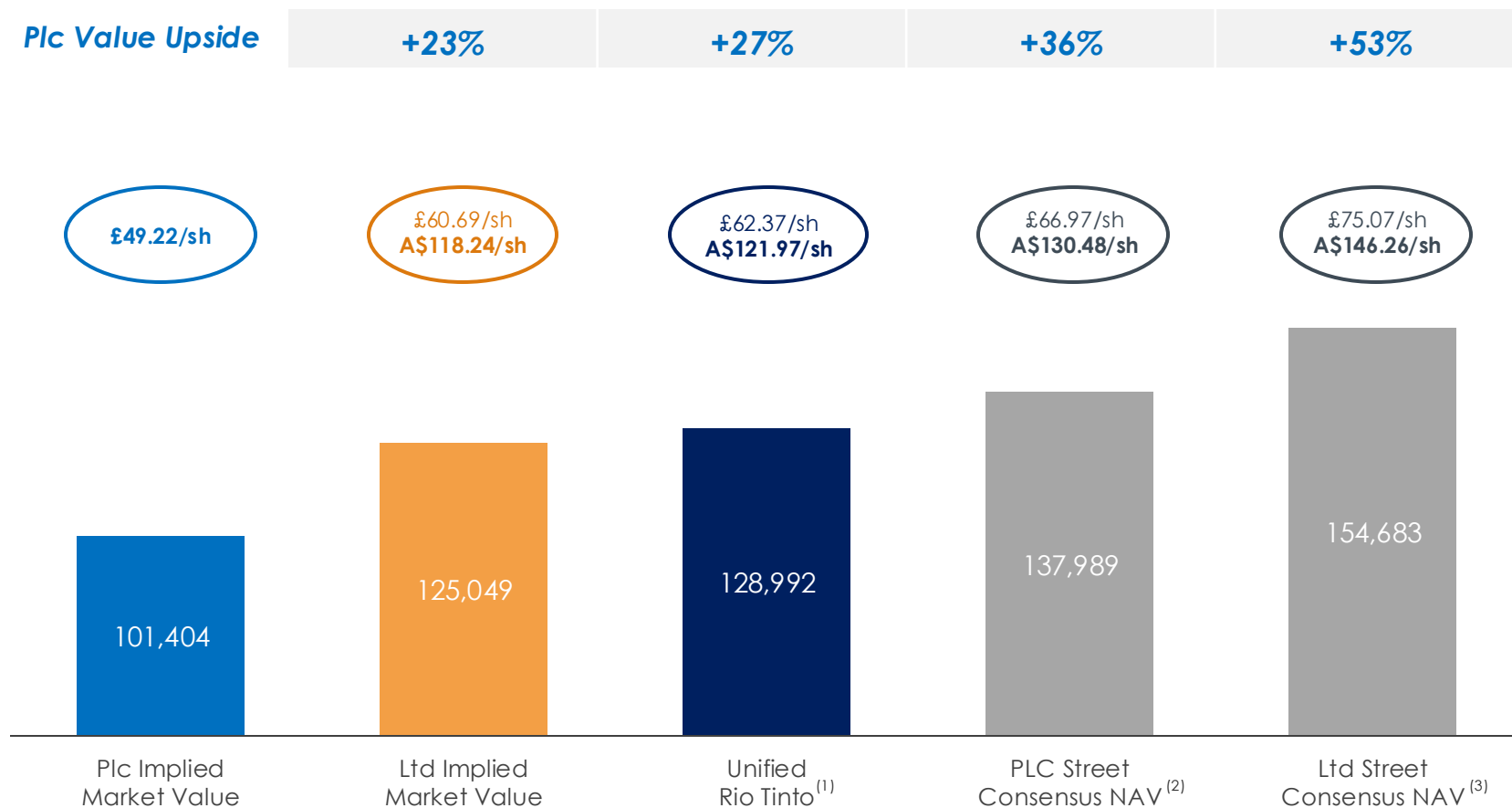
		<b>% '23A EBITDA<sup>(1)</sup></b>
<b>Iron Ore</b>	<ul style="list-style-type: none"> <li>World-leading iron ore business comprising mines in Western Australia (Pilbara), Canada (IOC) and a high-grade development asset in Guinea (Simandou)</li> <li>Pilbara: vertically integrated network of 17 iron ore mines, ~2,000km rail network and 4 independent port terminals. Majority of Pilbara assets are 100% owned by Rio Tinto</li> <li>Simandou: one of the world's largest untapped, high-grade ore bodies. FID in Q1 2024. Development requires significant infrastructure including 650km railway and deep-water port</li> </ul>	<b>80%</b>
<b>Copper</b>	<ul style="list-style-type: none"> <li>Copper division consists of 3 key operating assets across Chile, Mongolia and the U.S.</li> <li>Oyu Tolgoi (Mongolia): 66% operated stake in one of the world's largest producing copper deposits. Rio increased its stake following a buyout of minorities in Turquoise Hill Resources in 2022</li> <li>Escondida (Chile): 30% non-operated stake in world's largest copper mine, accounting for c.5% of global production</li> </ul>	<b>8%</b>
<b>Aluminium</b>	<ul style="list-style-type: none"> <li>High margin, low emission North American business with majority hydro-powered production</li> <li>Key bauxite and alumina mining assets located across Australia, Guinea, Canada and Brazil</li> <li>14 operated aluminium smelters, 4 refineries and 7 hydropower plants</li> </ul>	<b>9%</b>
<b>Minerals</b>	<ul style="list-style-type: none"> <li>Remaining assets: titanium dioxide, lithium, uranium, diamonds, salt and borates</li> <li>Lithium is a key growth focus for Rio. Key organic development projects comprise Rincon (Argentina) and Jadar (Serbia). Announced acquisition of Arcadium Lithium (Oct 2024)</li> </ul>	<b>3%</b>

Source: Company filings

(1) Asset-level EBITDA split includes Rio Tinto's share of earnings from JVs and associates; excludes G&A / corporate costs

# ...But Trades at a Steep Discount to Underlying Value...

## Rio Tinto: Implied Equity Value (US\$ million)



Source: Bloomberg as of 29-Nov-2024, Broker estimates, Palliser analysis

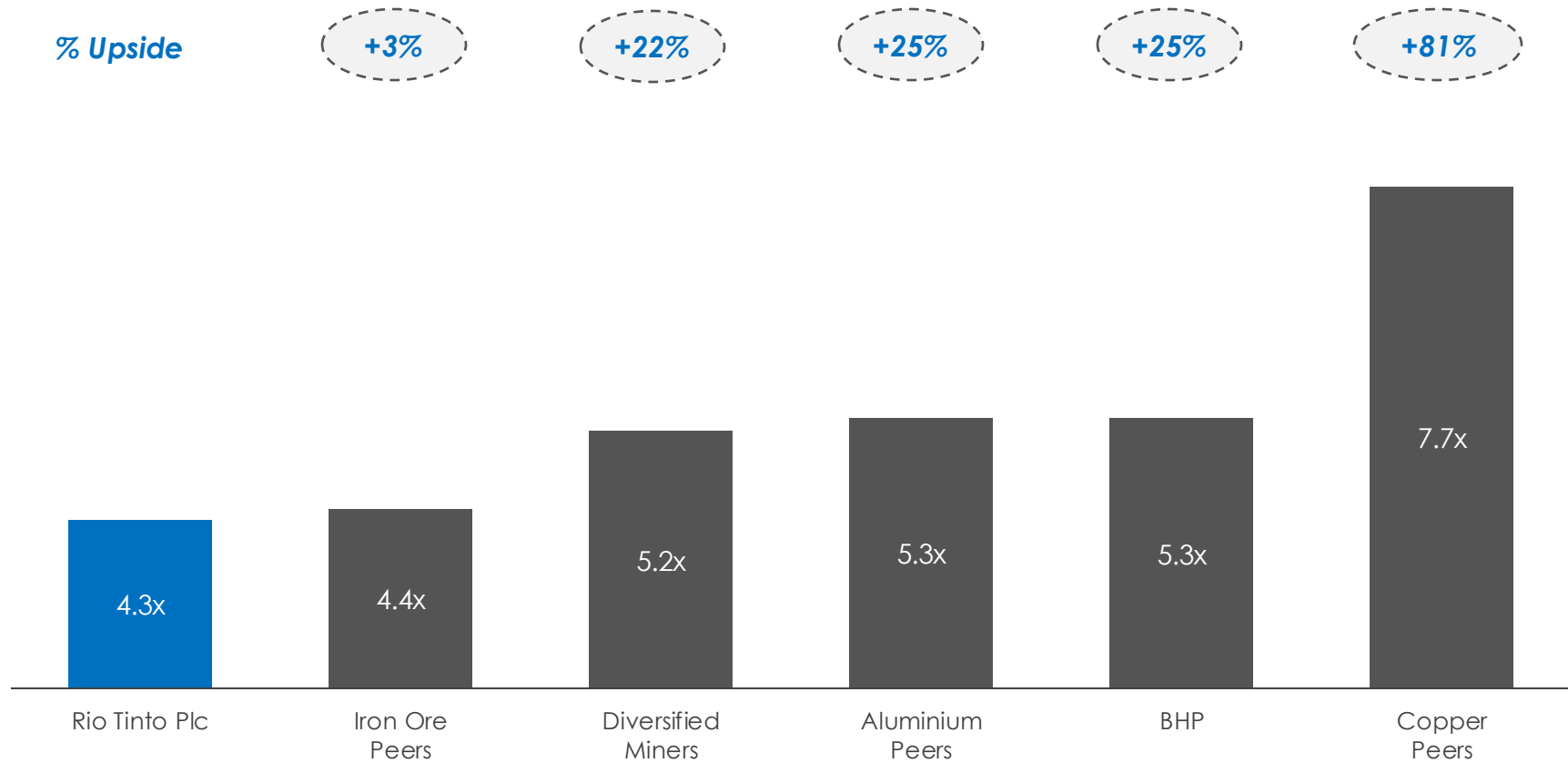
(1) Unified Rio Tinto includes net present value of franking credits value release

(2) Plc consensus NAV comprised of average from Citi (16-Oct-2024), Goldman Sachs (17-Oct-2024), Berenberg (18-Oct-2024), Barclays (12-Nov-2024), BofA Securities (24-Nov-2024) and Morgan Stanley (27-Nov-2024)

(3) Ltd consensus NAV comprised of average from Goldman Sachs (16-Oct-2024), Citi (16-Oct-2024), Morgan Stanley (04-Nov-2024), JP Morgan (12-Nov-2024) and BofA Securities (24-Nov-2024)

# ...A Meaningful Discount to Global Mining Peers...

## Plc: Upside to Peers (2025E EV/EBITDA Basis)



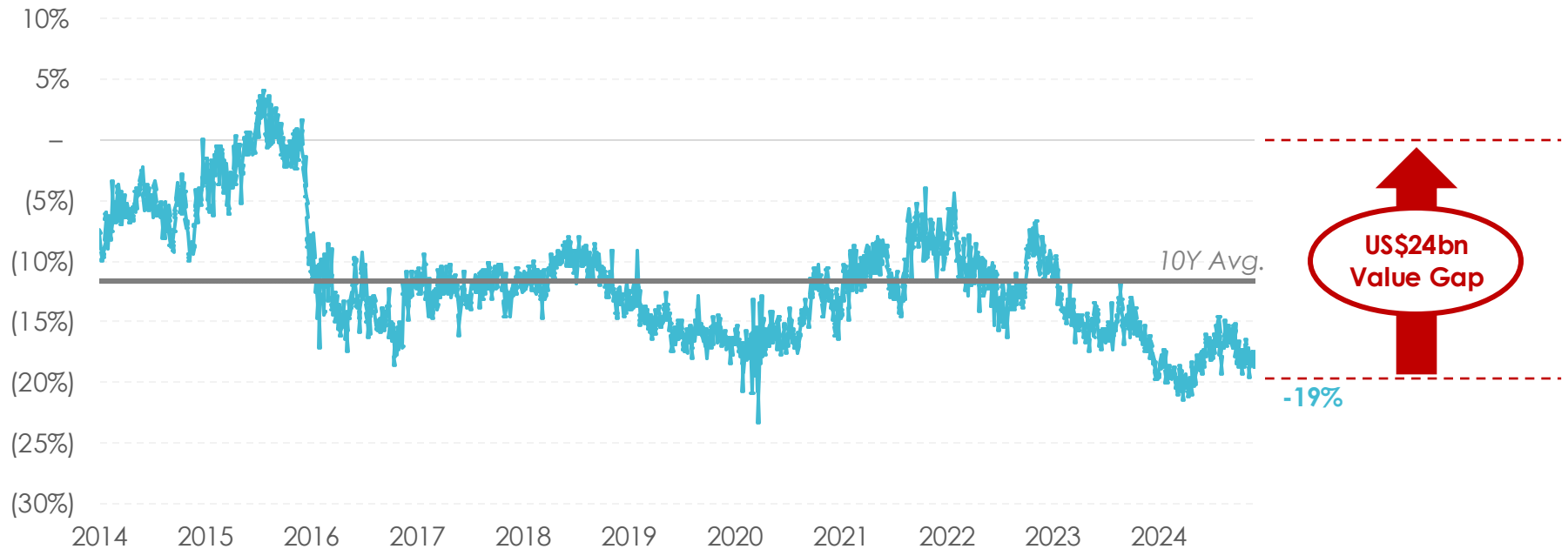
Source: Bloomberg as of 29-Nov-2024, Palliser analysis

Note: Iron Ore peers include Vale and Fortescue; Diversified Miners include BHP, Rio Tinto Ltd, Glencore and Anglo American; Aluminium peers include Norsk Hydro and Alcoa; Copper peers include Southern Copper, Freeport-McMoRan, Teck Resources and Antofagasta

# ...And Suffers Long-Standing Share Price Distortion

The material share price disconnect between Plc and Ltd results in US\$24 billion of unrealised value as a result of the DLC structure alone

### Plc Discount vs. Ltd (Last 10 Years)



Share classes of Ltd and Plc are not fungible nor convertible into one another



### **III. The DLC Structure is the Root Cause of Rio Tinto's Persistent Undervaluation**

# Rio Tinto's Complex DLC Structure Explained

**Two Separate Companies:** Rio has an unusual dual-listed company (DLC) structure comprised of two separate legal entities:

- 1 Rio Tinto Plc (Plc):** incorporated in the UK and listed on the LSE with a NYSE ADR
- 2 Rio Tinto Limited (Ltd):** incorporated in Australia and listed on the ASX

**Shareholders:** 77% of Rio's shareholders hold Plc and 23% hold Ltd shares

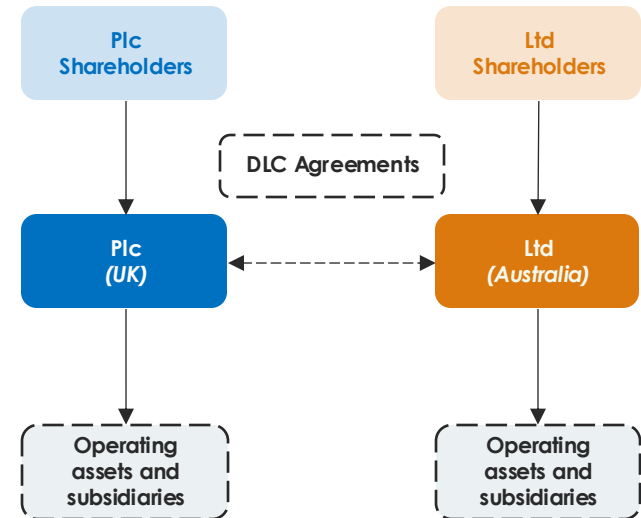
**EBITDA:** Plc contributed only 17% Rio's FY23 EBITDA; Ltd share was 83%

**DLC Agreements:** Various complex contractual arrangements between Plc and Ltd are intended to ensure the two companies operate as a single economic entity:

- Common board of directors split across Australia and the UK
- Matching dividends to Plc and Ltd shareholders
- Voting on a "combined" basis on certain key matters across two AGMs held a month apart

**Temporary Structure:** DLC structures have proven to be short-lived (lasting only 9 years on average when excluding the Unilever and Shell DLC anomalies, or 23 years when including those two legacy DLCs) to economically combine two companies without either company needing to acquire or merge with the other

**Inhibiting Value:** Rio's 29-year-old DLC structure has outlived its use and is no longer fit-for-purpose – causing Plc to underperform and inhibit Rio's shareholder value



Current DLC Structure		Unified Structure	
<b>Market Inefficiency</b> x	<ul style="list-style-type: none"> <li>Substantial share price distortion between Ltd and Plc</li> <li>Massive US\$24bn value gap present today</li> <li>Restricted index weighting and liquidity</li> <li>Deters takeover offers</li> </ul>	<b>Efficient Capital Structure</b> ✓	<ul style="list-style-type: none"> <li>Single fungible ASX, LSE and NYSE (ADR) listed shares with a single global share price</li> <li>Increased S&amp;P/ASX index weighting (+c.300% in ASX 200)<sup>(1)</sup></li> <li>Eradicates share price mismatch and value gap - all Rio shareholders will be on equal footing</li> </ul>
<b>Strategic Inhibitors</b> x	<ul style="list-style-type: none"> <li>Inhibits scrip-for-scrip M&amp;A – stifling inorganic growth</li> <li>Restricts buybacks</li> <li>Adds significant complexity to corporate actions – including demergers and capital raising</li> </ul>	<b>Strategic Flexibility</b> ✓	<ul style="list-style-type: none"> <li>Unlocks all capital allocation tools</li> <li>Unrestricted M&amp;A flexibility</li> <li>Simplified and more efficient demergers and equity raises</li> <li>Increased buyback capability</li> </ul>
<b>Tax Inefficiency</b> x	<ul style="list-style-type: none"> <li>Constrains franking credit utilisation</li> <li>Destruction of franking credit value through the DSM</li> <li>&gt;US\$8.7bn pool of trapped franking credits</li> </ul>	<b>Tax Optimisation</b> ✓	<ul style="list-style-type: none"> <li>Enhanced access to US\$8.7bn franking credit balance and future franking credits</li> <li>Prevents DSM value leakage - all dividends and associated franking credits to be paid directly to all shareholders</li> <li>Optimised franking credit utilisation</li> </ul>
<b>Governance Complexity</b> x	<ul style="list-style-type: none"> <li>Opaque and overly complex voting structures and governance framework</li> <li>Questionable conduct to accommodate largest Plc shareholder at the expense of Rio shareholders as a whole</li> </ul>	<b>Simplicity</b> ✓	<ul style="list-style-type: none"> <li>Single entity - equal economic and voting rights</li> <li>Improved shareholder protections</li> </ul>
<b>Unnecessary Costs &amp; Distraction</b> x	<ul style="list-style-type: none"> <li>Duplication of costs and administrative burden: two sets of registrars, company secretaries, AGMs and additional regulatory and legal regimes</li> <li>Wastes group resources and management time</li> </ul>	<b>Streamlined Costs &amp; Focus</b> ✓	<ul style="list-style-type: none"> <li>No duplication / additional regulatory costs</li> <li>Simplified regulatory requirements and compliance rules</li> </ul>

Note:

(1) Based on estimated market capitalisation of a unified Rio Tinto under the Ltd-acquires-Plc unification structure as of 30 October 2024 (date of most recent disclosure of S&P/ASX constituent weightings)

# The DLC Structure Limits Management's Capital Allocation Choices...



	Method	Availability	Utilisation	Limitations
Growth	Organic	Suboptimal	<ul style="list-style-type: none"> <li>Simandou (iron ore) FID in Q1 2024</li> <li>Brownfield life-extensions: Oyu Tolgoi underground (copper) and Gudai-Derri (iron ore)</li> <li>Jadar, Rincon (lithium) and Resolution (copper) greenfield projects face political &amp; technological roadblocks</li> </ul>	<ul style="list-style-type: none"> <li>Structural capex inflation drives increasing capital intensity of building new mines</li> <li>15.7-year<sup>(2)</sup> average lead time from resource discovery to production</li> <li>Key growth projects held by Plc but dependent on Ltd for capex funding support – DSM required which destroys franking credits</li> </ul>
	Inorganic/ M&A	Inhibited	<ul style="list-style-type: none"> <li>Cash M&amp;A bolt-ons / subsidiary clean-ups (e.g. Turquoise Hill)</li> <li>Demergers too complex</li> </ul>	<ul style="list-style-type: none"> <li>Inability to pursue stock-based M&amp;A limits growth options</li> <li>Mining sector is heavily consolidating – Rio risks being left behind</li> </ul>
Capital Return	Dividends	Suboptimal	<ul style="list-style-type: none"> <li>Dividend policy: 40-60% cash return of underlying earnings through the cycle</li> <li>Equalised dividends to Plc and Ltd shareholders at a ratio of 1:1</li> </ul>	<ul style="list-style-type: none"> <li>Structural/tax inefficiency: Ltd needs to support dividends to Plc shareholders. DSM destroys franking credits – exacerbated by any special dividend</li> </ul>
	Buybacks	Inhibited	<ul style="list-style-type: none"> <li>No buyback programme since 2018<sup>(1)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Most accretive form of shareholder return given Plc stock undervaluation</li> <li>Potential for Plc buybacks capped by FIRB<sup>(3)</sup> 15% concentration limit</li> </ul>

Source: Company filings, S&P Global Market Intelligence

(1) Most recent share buyback was in 2020 as part of the buyback programme announced by Rio Tinto on 20 September 2018

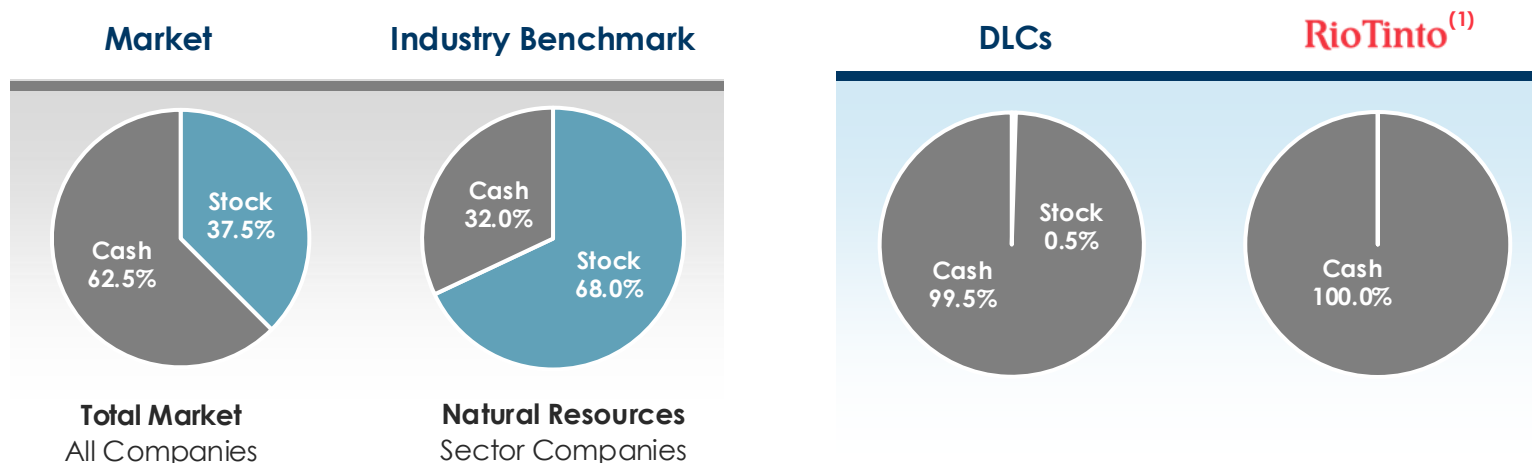
(2) S&P Global Market Intelligence (6-Jun-2023): average lead time calculated for 127 base and precious metal mines that began production between 2002-2023 and were discovered from 1980 onwards

(3) Australian Foreign Investment Review Board (FIRB): government agency responsible for examining foreign investment proposals and advising the government on foreign investment policy



# ...And Significantly Impedes Rio Tinto's M&A Options

Rio risks trailing industry peers due to practical DLC restrictions on issuing stock as M&A currency



**"Another issue is the complexity the DLC structure can add to M&A. In particular, scrip transactions; that's partly a function of the valuation gap between the two companies. Another challenge is that each jurisdiction has parameters about how much stock can be issued in each country."**

- AFR, May 2024

**"...[Rio] needs to build a dynamic growth acquisition partnership model to attract many agreed acquisitions to rapidly diversify their iron ore exposure... The current wave of acquisitions would shape the next quarter of a century... not a time for major mining companies to be idle."**

- Janus Henderson Investors, May 2024

**"...remaining on the sidelines of sector consolidation would leave [Rio] open to suffering the same fate as Barrick Gold, which has seen its traditional rival, Newmont Corporation, open up a significant valuation gap..."**

- AFR, May 2024

Source: Company filings, Bloomberg, S&P Capital IQ, FTI Consulting – "Value Release from Unification at BHP" (February 2018)  
 (1) Excludes tender offers for minority shareholders in existing listed subsidiaries which included a cash or scrip alternative



## Heightened Risks of Cash-Only M&A for Rio Tinto

### Overpayment at Cycle Peaks

- Requires precise, up-front and fixed long-term pricing of **volatile underlying commodities**
- Acquiring at market highs can lead to overpayment if commodity prices drop
- Rio Tinto's acquisition of Alcan preceded a nearly 40% decline in aluminium prices between 2008-09
- Long-term impact on balance sheet and shareholder returns
- Arcadium acquisition at 109% premium raises similar concerns

### Unhedged Exposure

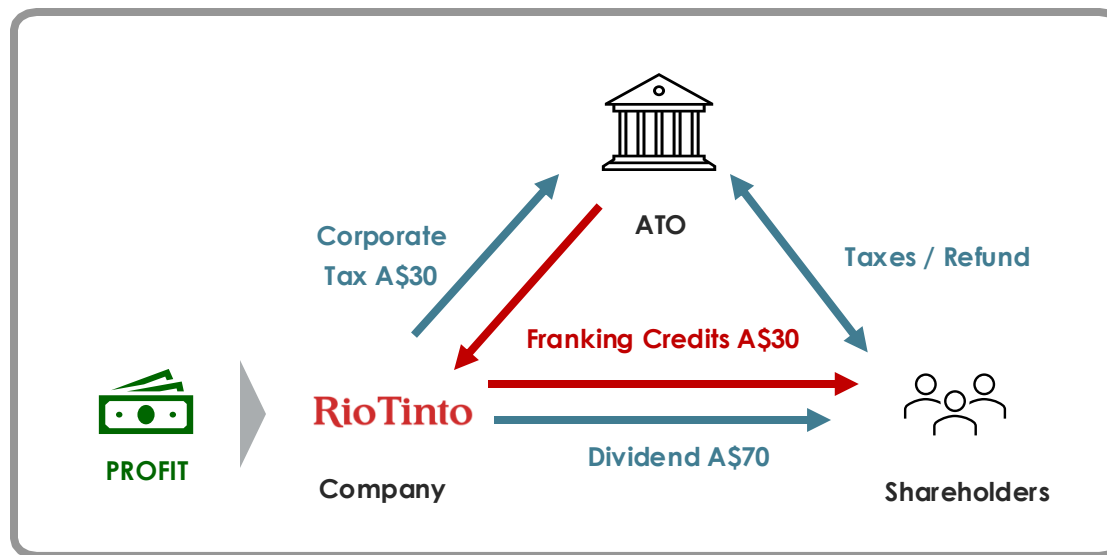
- Concentrates **all risk on Rio Tinto**
- Use of stock provides a natural hedge by linking deal value to acquiror's own performance in the same commodity cycle
- Cash-only deals leave Rio Tinto **unprotected** against adverse commodity price volatility, project delays, cost overruns and political risks
- Clear trend towards stock M&A in natural resources sector in post-2008 period

### Valuation Impact

- Reduced financial flexibility from increased leverage and higher burden of interest costs
- Forces heavily-discounted rights issue and dilution of shareholders
- **Erodes book value per share** – reduced book equity without offsetting issuance of stock
- Negatively impacts key market valuation metrics
- Limits ability to weather cyclical downturns effectively

**Rio Tinto's ability to pursue stock-based M&A is critical for long-term resilience and shareholder value**

- Franking credits prevent double taxation in Australia
- Australian corporates can “frank” dividends paid to shareholders by attaching a credit (generated at a rate of 30%) for tax already paid at the corporate level on Australian income – known as “franking credits”
- Franking credits offset Australian taxpayers’ tax liability on Rio Tinto dividends and other frankable distributions and/or result in a cash refund from the Australian Tax Office (ATO)



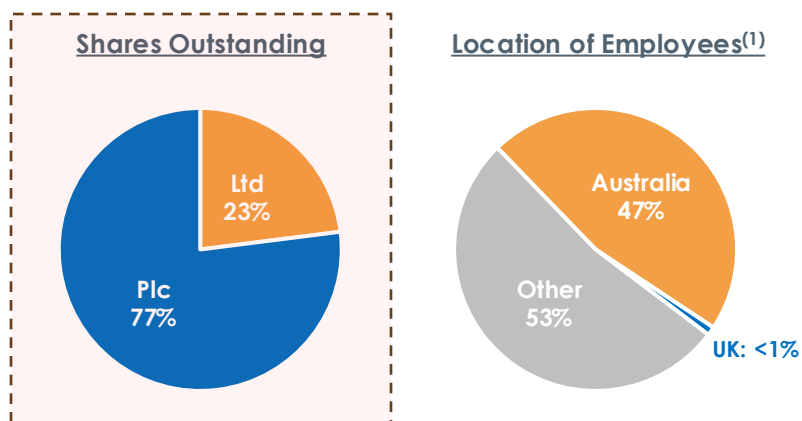
**Grossed-up dividend  
(including A\$30 franking  
credits) = A\$100**

**Franking credits are locked up at Rio Tinto until their value is released through dividends**

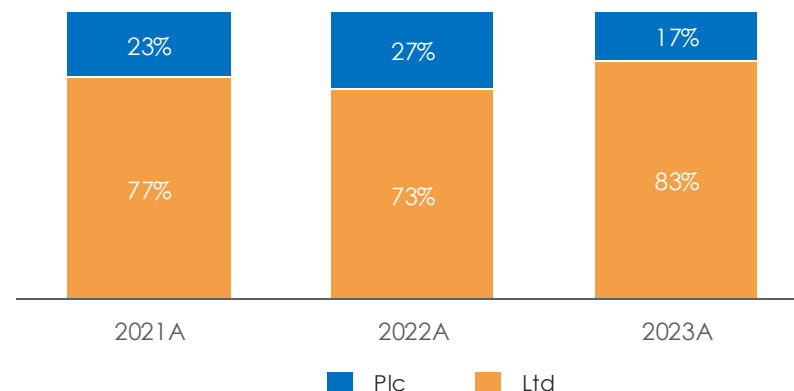
# Plc Generates Insufficient Profits to Support its Own Dividends...

Plc accounts for **77%** of Rio's shareholder base but generates **<20%** of group EBITDA, meaning Ltd is required to support Plc by transferring cash and profit reserves to Plc to fund distributions to Plc shareholders

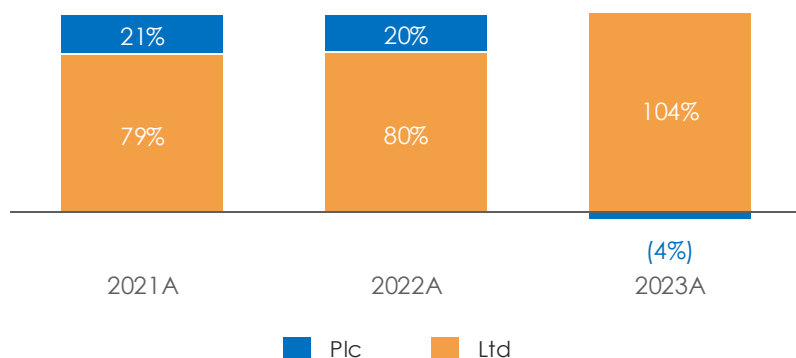
## Plc vs. Ltd: Share Capital & Employee Split



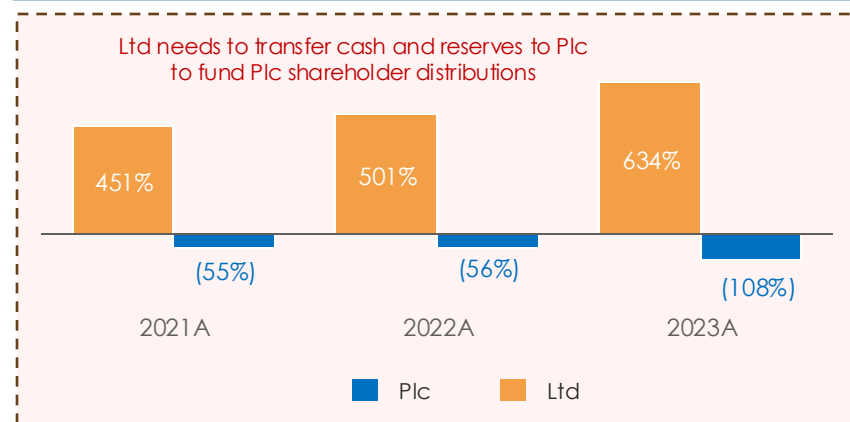
## Plc vs. Ltd: EBITDA Split



## Plc vs. Ltd: Unlevered Free Cash Flow Split



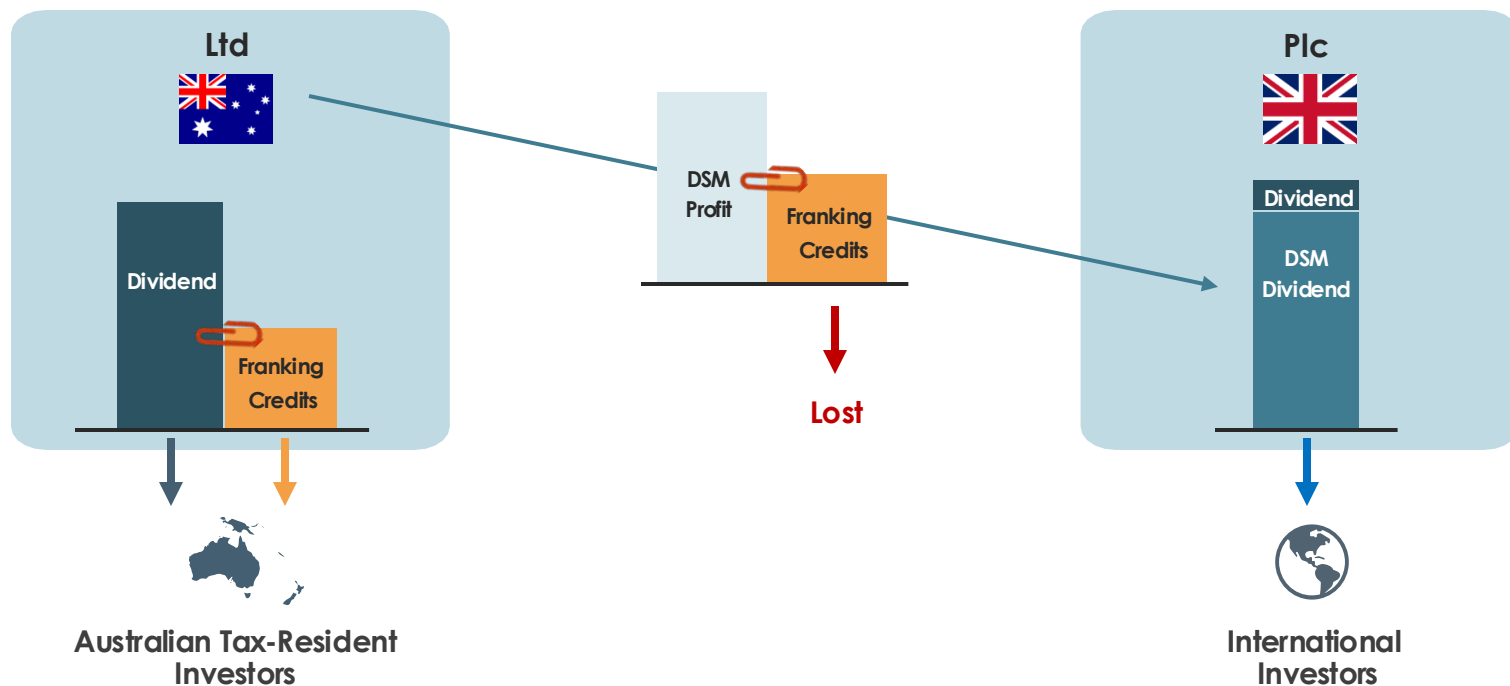
## Plc vs. Ltd: Ordinary Dividend Coverage / (Shortfall)<sup>(2)</sup>



Source: Company filings, Palliser analysis; Note: Pilbara, Pacific Aluminium, Gove bauxite mine and Dampier Salt cash flows and operating assets attributed to Ltd; Iron Ore Company of Canada (IOC), Simandou, Kennecott, Escondida, Oyu Tolgoi, remaining bauxite assets, Alcan alumina assets, Primary Metal, Diamonds, Rio Tinto Iron & Titanium, Borates and Lithium projects attributed to Plc; central costs allocated to Ltd and Plc based on share capital split; (1) Based on FY23 reported average number of employees across Rio Tinto subsidiaries and joint operations; (2) Dividend coverage / (shortfall) calculated as difference between underlying unlevered free cash flow of Ltd and Plc respectively and cumulative ordinary dividends paid out by each entity in given fiscal year

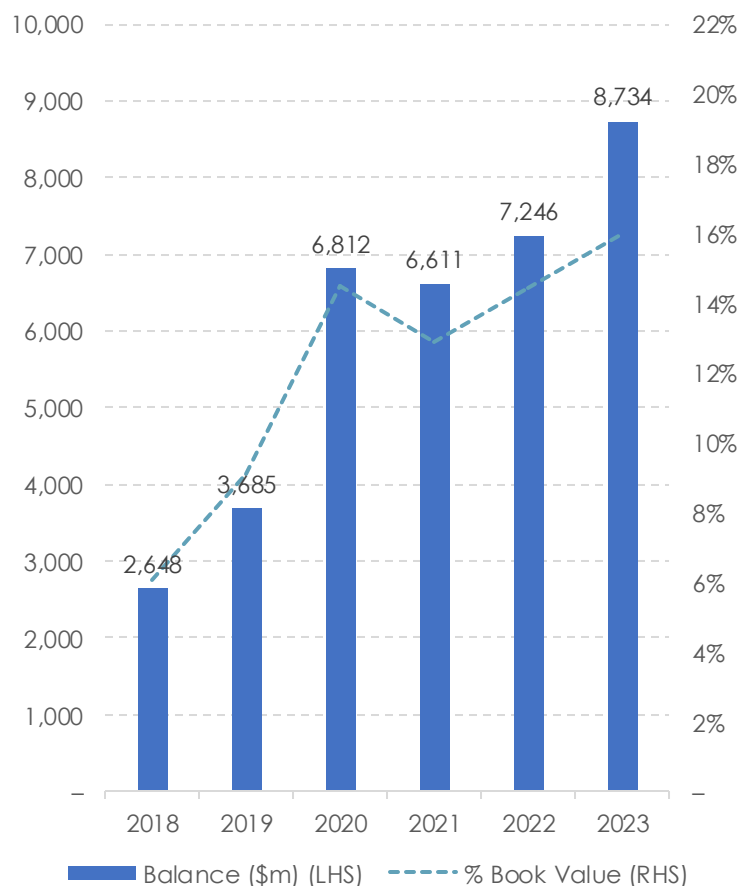
Rio Tinto's DLC structure has led to tens of billions of dollars in wasted franking credits since inception

- Plc and Ltd are required to pay matching dividends to all Rio Tinto shareholders – requiring both companies to have adequate distributable profits
- The NOSH vs. EBITDA imbalance of **Rio's DLC structure requires Ltd to transfer distributable profits to Plc using a Dividend Share Mechanism (DSM) which results in significant losses of valuable franking credits**



## Accumulated franking credits remain unutilised and present a meaningful source of trapped value

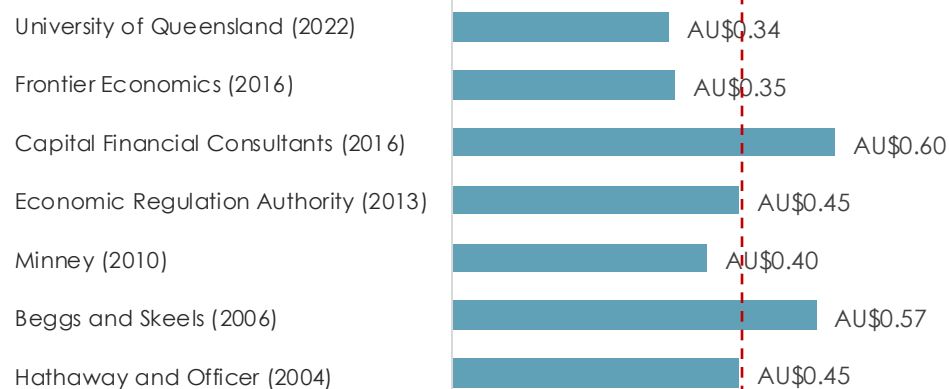
### Franking Credit Balance (US\$ million)



### Implications for Shareholders

- Franking credits continue to accumulate at Ltd due to the mismatch of profits vs. shareholder base in the DLC structure
- FY2023 reported franking credit balance: **>US\$8.7bn (~16% of shareholders' equity)**
- Multiple expert reports provide reliable third-party estimates of the market value of franking credits - indicating an **average value of AU\$0.45 on the dollar of distributed franking credits**

### Market Value of Franking Credits by Expert Third Party Studies



**Average: AU\$0.45**

## ***Complex contractual rights***

The DLC businesses are artificially combined through complex contractual rights

## ***Directors' duties***

Director duties become complicated when PLC/LTD's interests diverge

## **Multiple Governance Problems**



## ***Obfuscated shareholder voting***

Shareholder voting levels are complicated and unclear

## ***Application of 2 sets of rules***

2 sets of (sometimes conflicting) legal, tax and accounting rules must be reconciled

## ***Inefficient voting process***

Shareholder voting is inefficient and slow, with two separate meetings on the same matter

**All these problems disappear in a simpler, more agile single holding company**



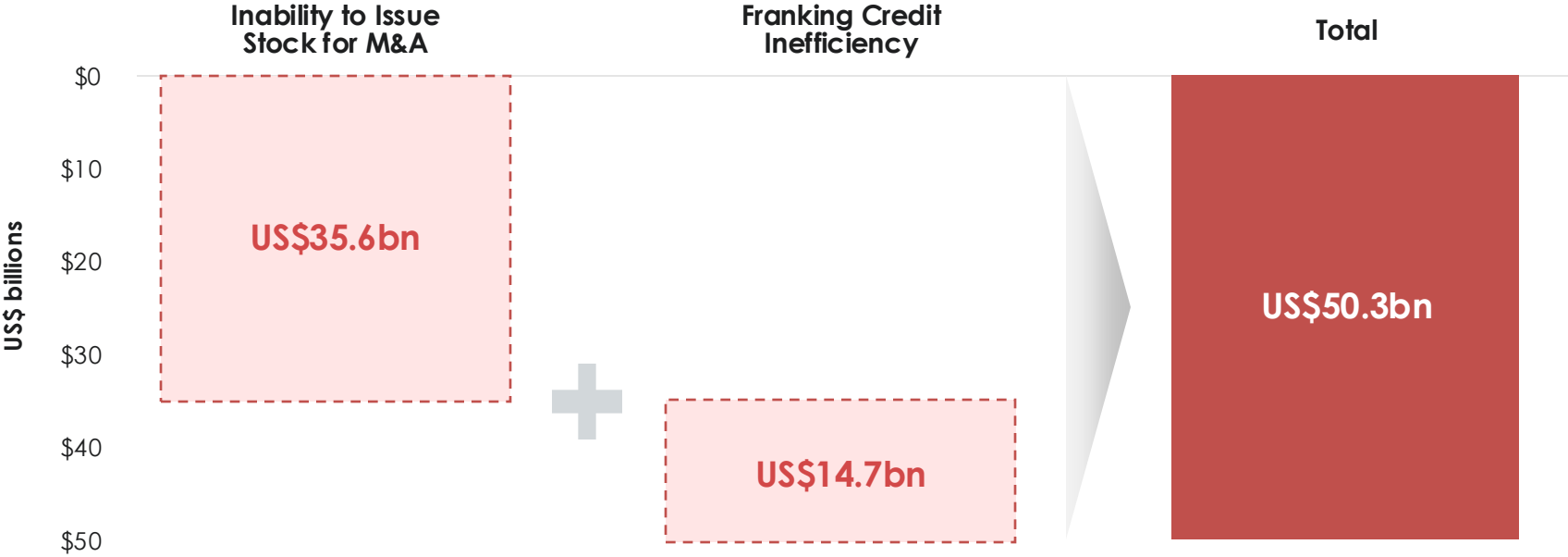
**IV. The DLC Structure Has Destroyed US\$50  
Billion of Value for Shareholders**



# The DLC Structure Has Caused US\$50 Billion of Value Destruction Since Inception

*"It's very clear that it does not make economic sense to unify Rio Tinto."*  
- Jakob Stausholm, CEO, 30 July 2024

Estimated Rio Tinto DLC-Related Value Destruction since 1995 (US\$ Billion)

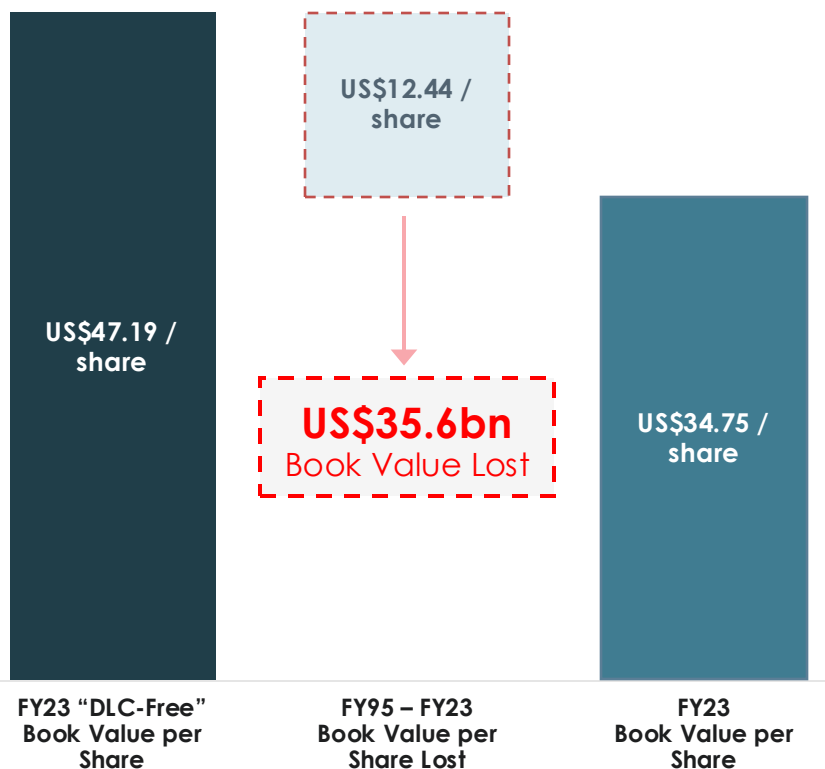


The DLC has cost Rio Tinto shareholders an estimated US\$50 billion in foregone value since inception

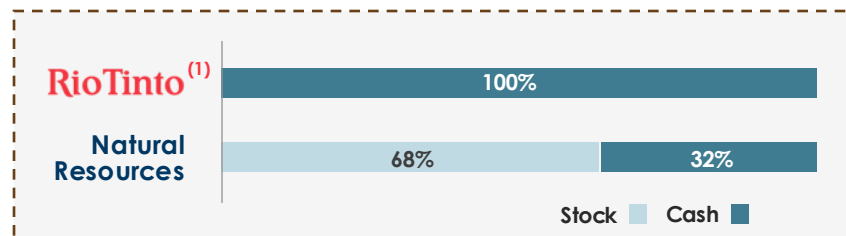
Rio's inability to share risks with targets has cost shareholders an estimated **c.US\$35.6 billion** in book value

## Rio Tinto: Book Value Per Share Evolution

Based on our analysis, had Rio Tinto structured its acquisitions in line with industry norms, FY23 book value would have been **US\$35.6 billion higher**



## M&A Consideration Split: Rolling Average since 1995



## Our Approach

- Analysed 95% of Rio Tinto's acquisitions by value since inception of the DLC together with independent financial advisors
- Evaluated the book value per share impact for each deal, comparing: 1) Rio funding 100% of its acquisitions with cash versus; 2) industry standard mix of cash and stock over the period <sup>(2)</sup>
- Conducted a comprehensive reconstruction of Rio Tinto's financial statements with key variables adjusted:
  - Number of shares outstanding over time
  - Cash preserved on balance sheet
  - Return on capital based on foregone finance income (tax adjusted) assuming historical realised interest rates
- No excess returns were assumed from high return capex projects, incremental buybacks, alternative M&A or other investments

Source: Palliser analysis

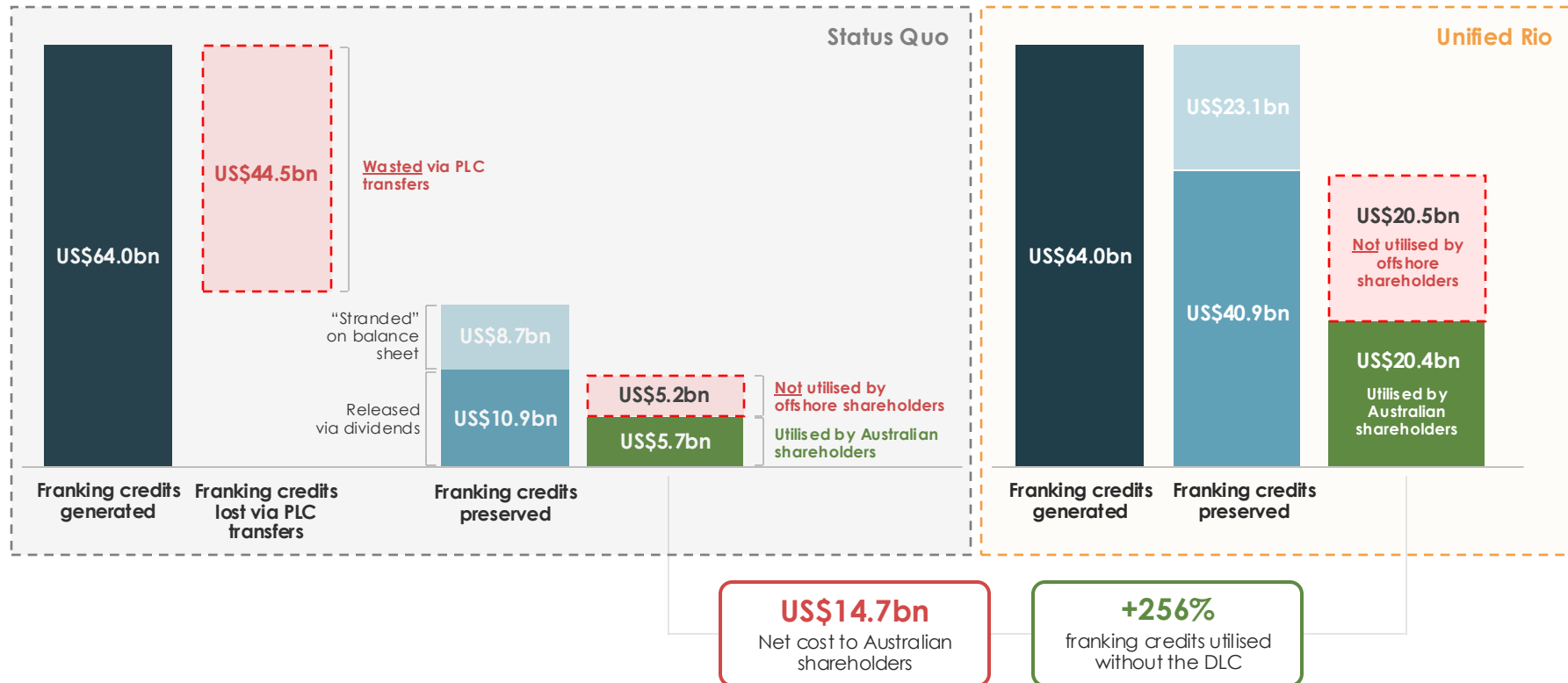
(1) Excludes tender offers for minority shareholders in existing listed subsidiaries which included a cash or scrip alternative

(2) Assumed 68:32 stock to cash split for Rio Tinto completed M&A transactions; Alcan acquisition assumed to be 30:70 stock to cash split to account for higher industry average cash mix in pre-2008 period; subsequent 2009 rights issue downsized proportionally with reduced Alcan cash consideration

Third-party expert analysis indicates that Rio's DLC structure has led to **US\$14.7 billion** in wasted franking credits

- With the DSM terminated and given the natural rotation of Australian shareholders into the unified stock – our tax and accounting advice demonstrates that c. **US\$14.7 billion (+256%) in additional franking credits would have been utilised without the DLC**

## Franking Credits Generated vs. Wasted (since 1995)



Source: Palliser analysis  
 Note: Analysis assumes increased weighting of Australian shareholders in unified Rio Tinto based on detailed register analysis (see slide 33)



**V. Management's Arguments Against  
Unification Don't Stack Up**

# Management's Arguments Against Unification Don't Stack Up

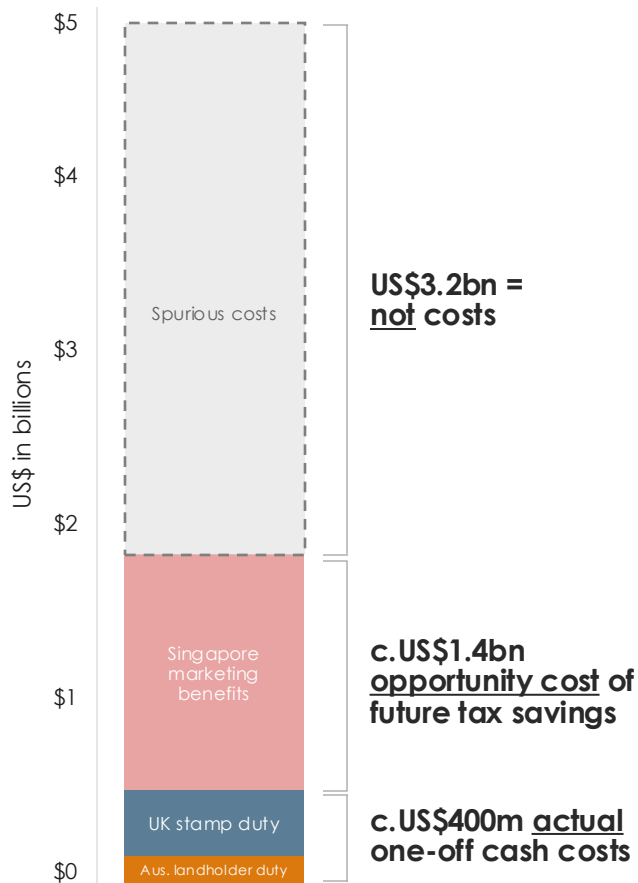
Subject	Argument Against	Reality
1 Taxes	<i>"Tax costs would be in the mid-single digit billions of dollars"</i>	<ul style="list-style-type: none"> <li>Currently anticipated <b>one-off cash tax costs of c.US\$400 million</b> (including UK stamp and Australian landholder duty)</li> <li>Estimated <b>additional US\$140 million per year</b> of incremental tax leakage from Australian tax attribution of PLC's Singapore marketing operations<sup>(1)</sup></li> <li>UK and Australian CGT rollover relief available for shareholders<sup>(2)</sup></li> <li>Third party tax analysis confirms <b>no material tax issues expected in Chile, Mongolia, Guinea, the U.S. or Canada</b></li> </ul>
2 M&A	<i>"We can absolutely do scrip deals out of the DLC"</i>	<ul style="list-style-type: none"> <li><b>100% of Rio's acquisitions funded with cash since inception of the DLC</b></li> <li>Practical DLC restrictions prevent Rio from issuing stock as M&amp;A currency</li> </ul>
3 Share Price	<i>"[Unification] would take the Ltd price down in a double-digit percent"</i>	<ul style="list-style-type: none"> <li>Upward convergence to Ltd share price as evidenced by BHP unification</li> <li><b>&gt;300% S&amp;P/ASX upweighting<sup>(3)</sup> to create Australian flow-forward to almost entirely outweigh any potential UK flow-back</b></li> <li>Loss of FTSE UK inclusion but continued ASX, LSE and NYSE listings</li> </ul>
4 Franking Credits	<i>"Paying out fully franked dividends in future may not be possible"</i>	<ul style="list-style-type: none"> <li>Unification allows <b>greater quantum of franked dividends to be utilised</b></li> <li><b>US\$8.7 billion of unlocked franking credits</b> + improved monetisation of future franking credits</li> </ul>
5 Shareholder Support	<i>"Getting the necessary shareholder support would "be impossible"</i>	<ul style="list-style-type: none"> <li><b>c.99% of shareholders across all prior unifications have voted in favour<sup>(4)</sup></b></li> </ul>

(1) Palliser estimates based on company filings and third-party analysis from leading international tax and accounting advisors; assumes implementation of restructuring options available to mitigate any further tax leakage  
 (2) As was the case for BHP, unification should be largely tax neutral for shareholders with rollover relief available in the UK and Australia  
 (3) Based on estimated market capitalisation of a unified Rio Tinto under the Ltd-acquires-Plc unification structure as of 30 October 2024 (date of most recent disclosure of S&P/ASX constituent weightings)  
 (4) Percentage of votes in favour of the unification transaction at the relevant shareholder meeting(s)

# 1 Management's Tax Cost Estimate is Opaque

"We've reviewed what the costs would be of unifying the DLC, in particular the DLC into Limited, and the tax costs would be in the **mid-single digit billions of dollars.**"

- Peter Cunningham, CFO, 31 July 2024



## Spurious Unification Tax Costs Claimed by Management

- Unitemised tax costs cited by management with no relevant context or underlying third-party analysis shared with the market
- Independent tax analysis commissioned by Palliser confirms no material tax issues expected in Chile, Mongolia, Guinea, the U.S. or Canada

## Foregone Future Tax Savings

- c.US\$140 million per year of incremental tax leakage due to Australian tax attribution of PLC's Singapore-based marketing activities<sup>(1)</sup>
- NPV of future Singapore tax savings foregone = **c.US\$1.4 billion**
- Through management's careful wording, the market has interpreted this NPV as a one-off cash expense

## One-Off Unification Cash Taxes

- **c.US\$334 million** UK stamp duty (0.5% of Plc market cap)
- **c.US\$73 million** Australian landholder duty related to Rio Tinto Alcan assets held by Plc

Source: Company filings, Palliser analysis

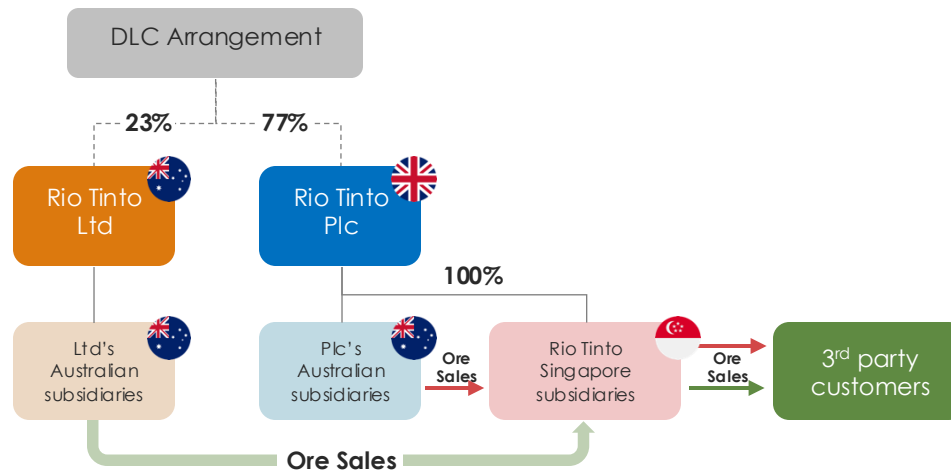
(1) Palliser estimates based on company filings and third-party analysis from leading international tax and accounting advisors; assumes implementation of restructuring options available to mitigate any further tax leakage

# 1 Any Perceived Tax Benefits of Rio's Singapore-Based Marketing Structure are Small and Have Diminished Further Over Time

The true cost of unification – c.US\$140 million per year in additional Singapore-related taxes being attributed to Australia

- Rio Tinto's Singapore-based marketing entity is a wholly owned (100%) subsidiary of Plc
- The structure allows Rio Tinto to benefit from a tax saving related to its sales of Australia-sourced commodities to third-party customers, principally in Asia
- Plc has not been attributing profits derived from its Singaporean operations in the UK, meaning Rio has enjoyed an effective tax rate of 2-4% on ore sales via Singapore
- These tax savings have now reduced substantially**
- Rio now pays tax at 17% in Singapore from FY2024, coinciding with the introduction of the new Pillar Two global minimum tax rules
- Unification would result in certain Singaporean revenue streams being taxed under Australian CFC rules (30%) vs. the headline corporate rate (17%)
- Based on work conducted by our independent tax advisors, the Singapore commercial hub has generated **c.US\$3.2 billion of tax savings to date for Rio Tinto**<sup>(1)</sup>
- By their calculations, unification would result in incremental tax leakage for Rio Tinto in Singapore of c.US\$140 million per year**<sup>(2)</sup> (c.US\$1.4 billion on an NPV basis)

## Structure Overview



## Tax Savings Insignificant Compared to Value Lost from the DLC

US\$1.4bn  
Future tax savings

US\$3.2bn  
Realised tax savings

vs.

**US\$50bn**

Value destroyed by the DLC

Source: Company filings, Palliser analysis

(1) Calculated from FY 2005-2023 as Singapore subsidiaries were not material prior

(2) Palliser estimates based on company filings and third-party analysis from leading international tax and accounting advisors; assumes implementation of restructuring options available to mitigate any further tax leakage

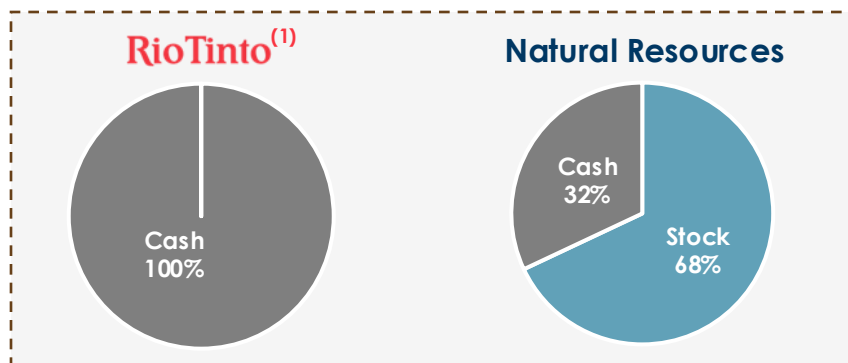
## 2 M&A: “We Can Absolutely Do Scrip Deals Out of the DLC”

**“We can absolutely do scrip deals out of the DLC... We can buy from the DLC, we can buy from the Plc, from the Ltd, we can do a lot. That is absolutely not an excuse for M&A, but M&A, of course, has to make sense in itself.”**

- Jakob Stausholm, CEO, 31 July 2024

- If scrip acquisitions are “entirely doable”, **why have 100% of Rio Tinto’s acquisitions been funded with cash?**
- Why have 99.5% of all acquisitions by all DLCs been funded with cash?
- Which line of stock would even be issued given the level of price disparity between Rio’s Plc and Ltd shares?
- How can any equity issuance be fair and equitable to both Plc and Ltd shareholders, and also attractive for the target?

### M&A Consideration Split: Rolling Average since 1995



### Arcadium: A Case Study (October 2024)

On 9<sup>th</sup> October 2024, Rio Tinto announced the acquisition of Arcadium Lithium for US\$5.85/share, equivalent to US\$6.7 billion on a fully diluted basis, and unanimously approved by the Board...



**100%**  
Cash  
Acquisition

**109%**  
Premium to  
undistributed

When asked by an analyst if Rio Tinto considered issuing any stock to fund this transaction...

**“I must say we didn’t discuss that much because it just adds a layer of complexity... It’s not going to make a material difference from our point of view. When we became clear about that, the perfect match for us was to get into Arcadium, we focused in on a cash deal... and therefore didn’t choose to open up for further complexity.”**

- Jakob Stausholm, 9 October 2024



### 3 Share Price: Overstated Flow Back Concerns

“[Unification] would take the Ltd price down in a double-digit percent because you're putting 77% of the shareholders into the Ltd structure.”

- Peter Cunningham, CFO, 31 July 2024

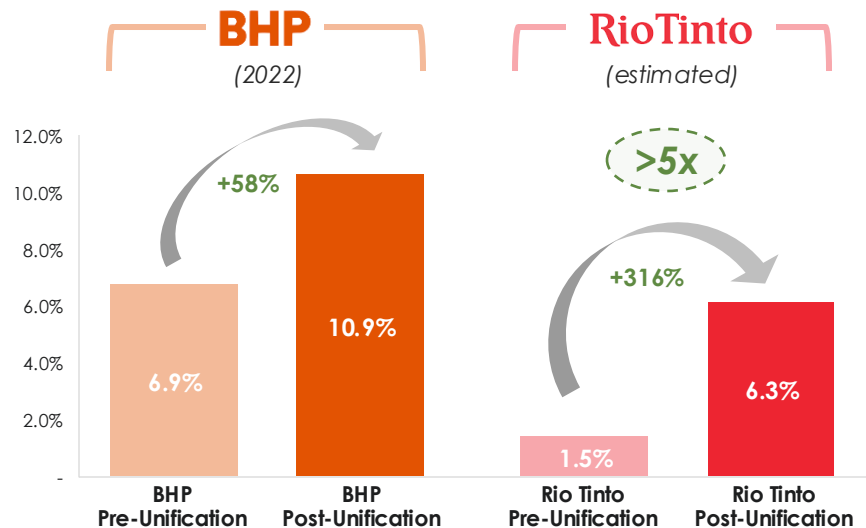
#### Exaggerated Flow-Back Concerns

- Management makes a rudimentary guess that Rio's share price would trade down towards the Plc line, rather than re-rating upwards towards the Ltd line
- Loss of FTSE UK inclusion from shifting Rio's primary listing away from London would create a degree of selling pressure from index tracker funds over several months
- **However, we view that any flowback would be almost entirely offset by inflows from ASX index replicating funds, superannuation funds and other Australian institutions**

#### Estimated Flow Effects

Share flows (millions)	Net Flow	
	Lower bound	Upper bound
Prior to unification	70.7	80.2
% combined share count	4.4%	4.9%
Within 3 months of unification	(64.5)	(74.3)
% combined share count	(4.0%)	(4.6%)
Within 3 years of unification	(26.8)	(57.5)
% combined share count	(1.7%)	(3.5%)
<b>Total</b>	<b>(20.6)</b>	<b>(51.6)</b>
<b>% combined share count</b>	<b>(1.3%)</b>	<b>(3.2%)</b>

#### Flow-Forward from Increased S&P/ASX200 Weighting



- **>300% S&P/ASX upweighting<sup>(1)</sup>** to be underpinned by Australia's US\$3.5 trillion pool of pension fund assets
- Substantial portion of these are mandated for listed equities, most of which are exposed to natural resources in Australia
- Long-term net buying to be driven by Australian retail and institutional investors looking for franked dividends

Source: Company filings, Palliser analysis, Bloomberg

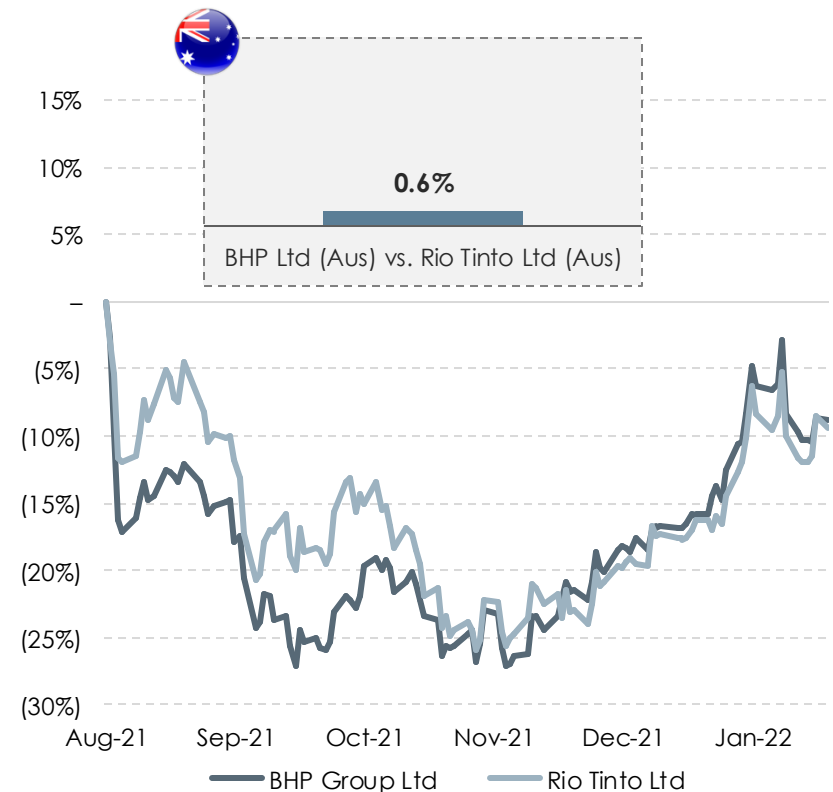
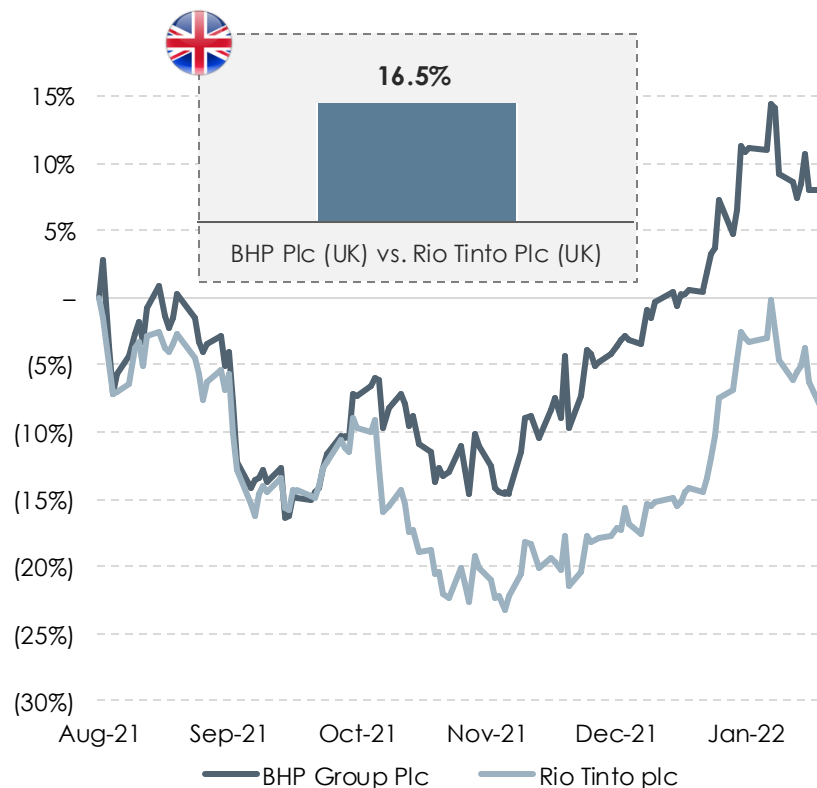
(1) Based on estimated market capitalisation of a unified Rio Tinto under the Ltd-acquires-Plc unification structure as of 30 October 2024 (date of most recent disclosure of S&P/ASX constituent weightings)

## The BHP Precedent Serves as a Clear Example of the Plc Line Trading Up Towards the Ltd Line Through Unification

"In the BHP 2022 Reunification, the valuation gap closed not through the Australian listing de-rating to the lowest UK level, but rather vice versa."

- Morgan Stanley, November 2024

### BHP's Relative Total Shareholder Return vs. Rio Tinto – Between DLC Unification Announcement & Completion<sup>(1)</sup>



Source: Bloomberg

Note: Cumulative daily total shareholder return assumes dividends are reinvested and converted to US\$ at daily foreign exchange rates

(1) Based on closing share price on day prior to BHP's unification announcement (17-Aug-2021) and completion (31-Jan-2022); BHP Plc vs. Rio Tinto Plc returns calculated from price history of ADRs of respective UK issues

## 4 Obfuscating Franking Credit Utilisation

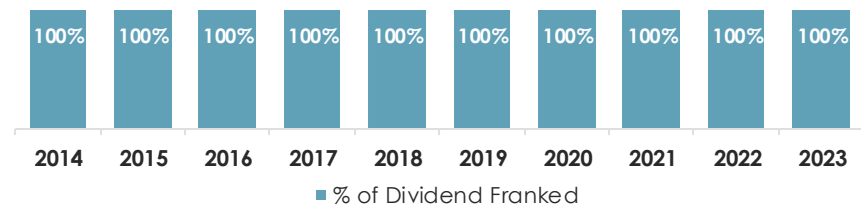
“After unification, 100% of your dividends have to be franked for shareholders to benefit. So, when you think of our shareholder returns policy... paying out at 60% over the last 8 years, that means **60% of our earnings have to be in Australia to have the capacity to keep on fully franking.**”

- Peter Cunningham, CFO, 31 July 2024

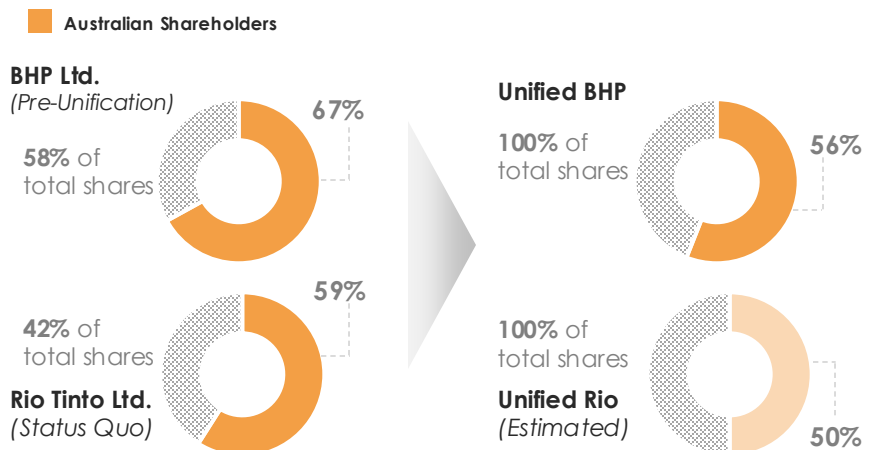
### Management's Flawed Rationale

- Management obfuscates the franking credit benefits of unification by throwing out that Australian-derived profits may be insufficient in future for shareholders to enjoy fully franked dividends
- For more than a decade, 100% of Rio Tinto's dividends have been fully franked**
- We believe the critical element is the total quantum of franked dividends that are paid out to Australian shareholders, not whether they are fully franked or not
- As was the case with BHP, we expect the % of Australian shareholders in Rio Tinto's total shareholder base to increase dramatically post-unification, meaning that a much higher quantum of franking credits in aggregate would be utilised
- All shareholders would benefit from the incremental share demand and price accretion resulting from more franking credits being released**

### Full Frankability of Dividends Has Never Been in Question...






### ...But Unification Would Add More Yield-Hungry Australian Shareholders and Drive Share Price Accretion...



## 5 Precedents Show Overwhelming Support for Unification

*[Stausholm] also said he thinks getting the necessary shareholder support – from at least 75% of shareholders in both London and Sydney – would “be impossible.”*

- Wall Street Journal, 30 July 2024

	Date of Unification	Discount Prior	Shareholder Approval <sup>(1)</sup>	
			Premium Line	Discount Line
<b>ABB</b>	Feb 1999-Jun 1999	11.6%	97.20%	98.00%
<b>DEXIA</b>	Sep 1999-Nov 1999	9.0%	100%	94.01%
<b>Nordea</b>	Sep 1999-Mar 2000	7.2%	100%	95.90%
<b>ZURICH</b>	Apr 2000-Oct 2000	7.3%	n/a	99.64%
<b>FORTIS</b>	Aug 2000-Dec 2001	0.5%	100%	n/a <sup>(2)</sup>
 <b>Shell</b>	Oct 2004-Jul 2005	0.4%	97.40%	96.30%
<b>Brambles</b>	Nov 2005-Dec 2006	7.9%	99.90%	99.94%
<b>THOMSON REUTERS</b>	Jun 2009-Sep 2009	8.3%	99.56%	97.34%
 <b>RELX</b>	Feb 2018-Sep 2018	0.7%	99.99%	99.99%
 <b>moncler</b>	Nov 2018-Jul 2019	n/a	100%	99.95%
<b>Unilever</b>	Jun 2020-Nov 2020	3.5%	99.45%	99.39%
<b>BHP</b>	Aug 2021-Jan 2022	15% – 20%	97.61%	96.12%
<b>Average</b>		<b>6.7%</b>	<b>c.99%</b>	<b>c.98%</b>

Note:

(1) Approval percentages reflect the share of votes in favour of the unification transaction at the relevant shareholder meeting(s) or the tender rates (as applicable) of each company

(2) Not publicly available - despite achieving the necessary majority of votes in favour of unification, details of the voting breakdown were not available

## 5 Significant Overlap in Key BHP and Rio Tinto Shareholders

ISS, Glass Lewis and ~97%<sup>(1)</sup> of BHP shareholders were in favour of BHP's highly comparable unification

### BHP and RioTinto Overlapping Shareholders<sup>(2)</sup>



Source: Bloomberg, Company filings

(1) Calculated by reference to those attending and voting at the relevant scheme meeting and resolutions at associated general meetings

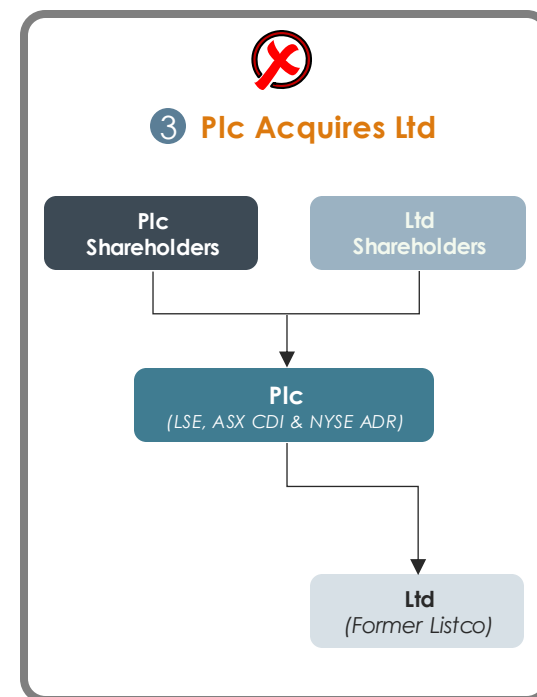
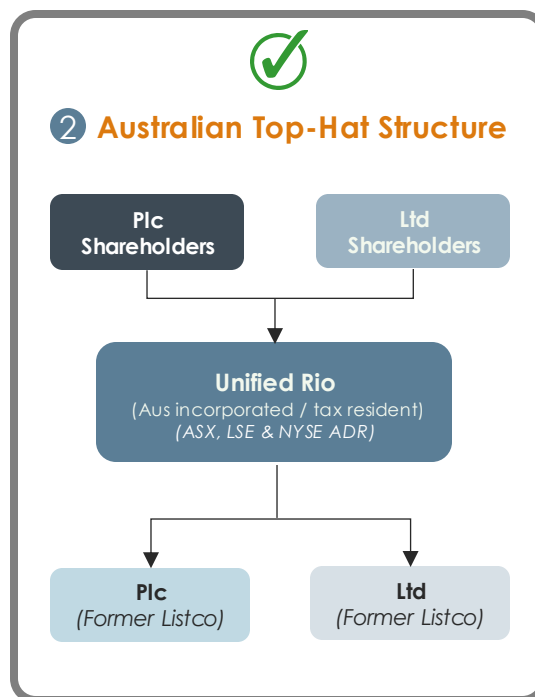
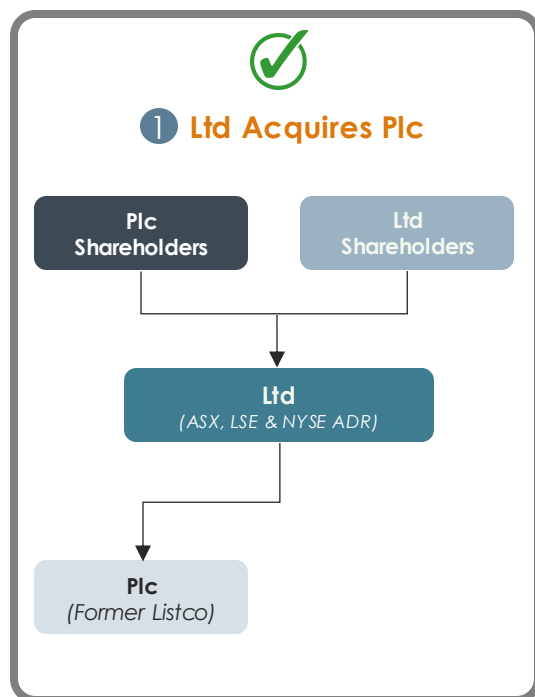
(2) BHP and Rio Tinto shareholders as of December 2021 and November 2024 respectively

## **VI. Unifying Rio Tinto**



# Tried and Tested Pathways to Unification are Available

- 1 Ltd Acquires Plc:** Each Plc shareholder receives one new fully fungible Ltd share listed on the ASX and LSE with a NYSE ADR in exchange for each Plc share pursuant to a Plc scheme of arrangement (same as BHP unification)
- 2 Aus Top-Hat Structure:** Both sets of shareholders receive shares in a new Australian parent holding company listed on the ASX and LSE with a NYSE ADR in exchange for each of their Plc/Ltd shares pursuant to interconditional Plc and Ltd schemes of arrangement
- 3 Plc Acquires Ltd:** Each Ltd shareholder would receive one new share in Plc but this unification structure is **not a viable option** due to high regulatory clearance hurdles, dilution from Plc trading at a significant discount to Ltd and extremely high investor costs – including loss of all franking credits (present and future) and substantial taxes



# History Shows DLC Structures are Temporary

Companies have moved away from the DLC structure – Rio is the only large cap DLC left



1907-2005



1988-1999



1990-2001



1996-2000



1997-2000



1998-2000



2001-2006



2008-2009



1930-2020



1993-2018



2007-2019



2001-2022



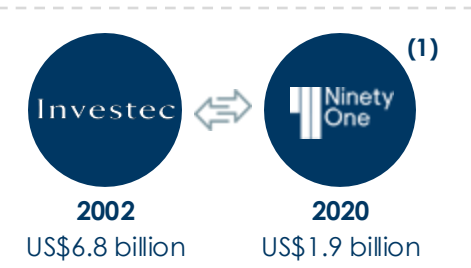
2002

US\$32.7 billion



1995

US\$107.4 billion



**16** companies utilised a DLC structure in the past 25 years

**12** companies have moved away from the DLC structure

**1** is actively moving towards a unified structure

**3** companies remain with a DLC structure today

Source: Bloomberg as of 29-Nov-2024

(1) Investec demerged and separately listed Ninety One in Mar-2020 (formerly known as Investec Asset Management) as a DLC



**BHP's unification blueprint closely mirrors the structure and rationale for Rio**

## BHP's Rationale for Unification

- ✓ Simplification
- ✓ Strategic flexibility (including M&A for stock)
- ✓ Improved franking credit utilisation
- ✓ Elimination of share price differential
- ✓ Increased Australian index weighting

## Unification Outcome

- ✓ 97% approval by Plc shareholders
- ✓ 98% approval by Ltd shareholders
- ✓ +12% TSR outperformance vs. Rio Tinto
- ✓ Enabled scrip-for-scrip M&A
- ✓ Simplified BHP Petroleum merger with Woodside
- ✓ Takeover bid for Anglo American using BHP stock

	<b>BHP</b>	<b>RioTinto</b>
<b>Headquarters</b>	Melbourne, Australia	London, United Kingdom
<b>Industry Sector</b>	Mining	Mining
<b>Market Cap Prior</b>	US\$184bn	US\$107bn
<b>Employees</b>	Aus: 32,352 UK: 74	Aus and NZ: 25,045 UK: 323
<b>Asset Concentration</b>	Australia	Australia
<b>DLC Type</b>	Plc-Ltd separate legal entities	Plc-Ltd separate legal entities
<b>DLC Duration</b>	21 years	29 years
<b>Unification Structure</b>	Ltd acquires Plc	Ltd acquires Plc
<b>Post-Unification Listings</b>	Primary listing – ASX Standard listing – LSE Other listings – JSE / NYSE	Primary listing – ASX LSE listing <sup>(1)</sup> Other listing – NYSE
<b>Plc/Ltd Share Capital</b>	42% Plc / 58% Ltd	77% Plc / 23% Ltd
<b>Ltd % Australian Shareholding Prior</b>	67%	59%
<b>Discount Prior</b>	15-20%	~20%

Source: Company filings, Bloomberg as of 29-Nov-2024

(1) New UK Listing Rules reforms that came into force in H2 2024 have removed the distinction between Premium and Standard listing categories

“We unified our dual listed company structure. In doing so, we **removed a 10-20% discount** on the 40% of the company that was primary listed in London, and it has made us **simpler and leaner**. Now, as flagged at the time, it has also made it more **practical for BHP to pursue scrip-based acquisitions** as we are now doing with our proposal for Anglo American.”

**Mike Henry**

**Chief Executive Officer, BHP Group**

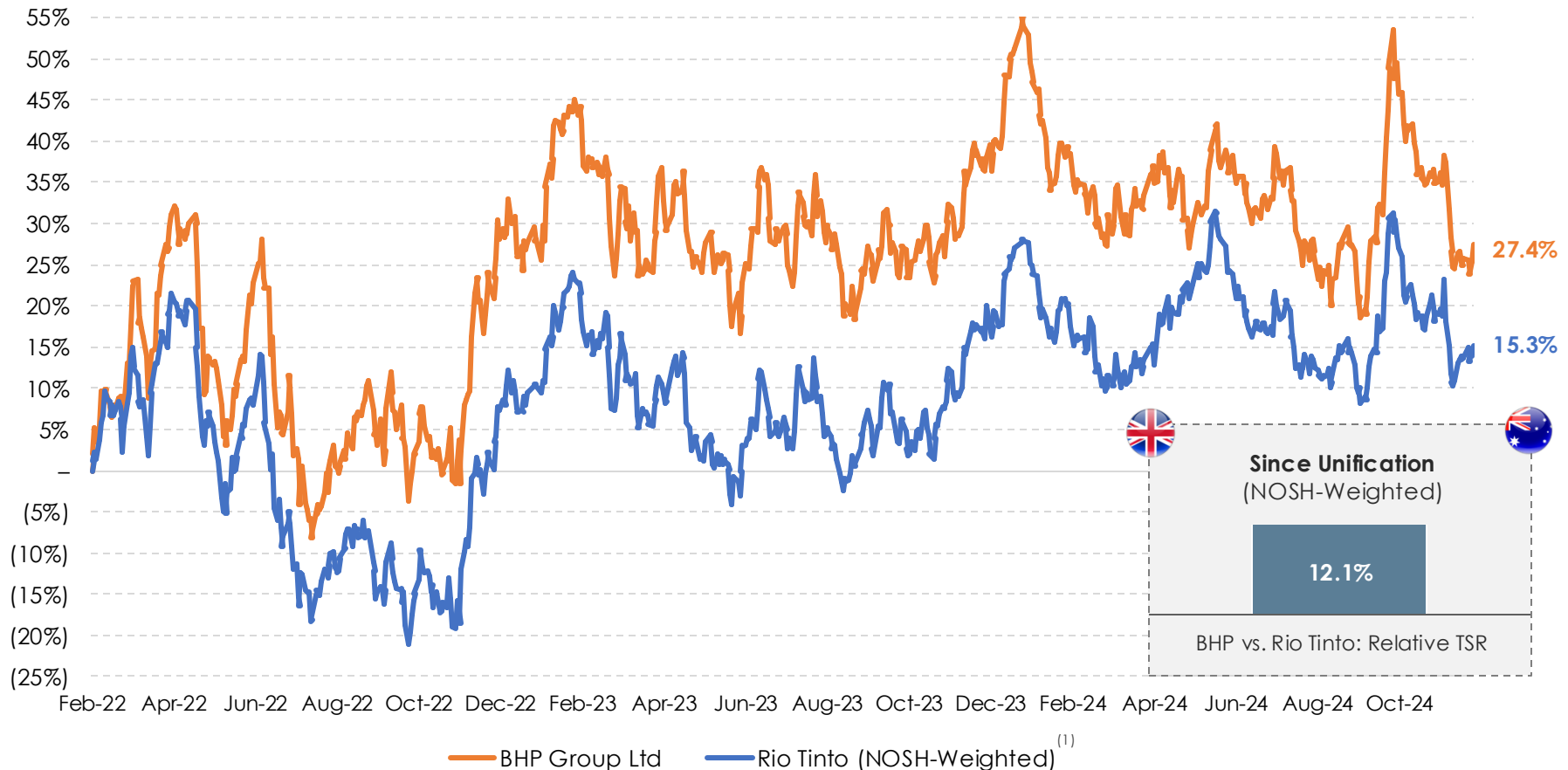
Bank of America Global Metals, Mining & Steel Conference (14<sup>th</sup> May 2024)

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# BHP's Consistent Outperformance Since Unification

BHP's total shareholder return has consistently surpassed Rio's since completion of the BHP unification

## BHP Total Shareholder Return since Unification vs. Rio (%)



Source: Bloomberg as of 29-Nov-2024

Note: Cumulative daily total shareholder return assumes dividends are reinvested and converted to US\$ at daily foreign exchange rates

(1) Rio implied total shareholder return based on weighting of total shares outstanding across Plc and Ltd

	Current DLC Structure		Unified Structure
<b>Market Inefficiency</b> <span style="color: red;">x</span>	<ul style="list-style-type: none"> <li>Substantial share price distortion between Ltd and Plc</li> <li>Massive US\$24bn value gap present today</li> <li>Restricted index weighting and liquidity</li> <li>Deters takeover offers</li> </ul>		<b>Efficient Capital Structure</b> <span style="color: green;">✓</span> <ul style="list-style-type: none"> <li>Single fungible ASX, LSE and NYSE (ADR) listed shares with a single global share price</li> <li>Increased S&amp;P/ASX index weighting (+c.300% in ASX 200)<sup>(1)</sup></li> <li>Eradicates share price mismatch and value gap - all Rio shareholders will be on equal footing</li> </ul>
<b>Strategic Inhibitors</b> <span style="color: red;">x</span>	<ul style="list-style-type: none"> <li>Inhibits scrip-for-scrip M&amp;A – stifling inorganic growth</li> <li>Restricts buybacks</li> <li>Adds significant complexity to corporate actions – including demergers and capital raising</li> </ul>		<b>Strategic Flexibility</b> <span style="color: green;">✓</span> <ul style="list-style-type: none"> <li>Unlocks all capital allocation tools</li> <li>Unrestricted M&amp;A flexibility</li> <li>Simplified and more efficient demergers and equity raises</li> <li>Increased buyback capability</li> </ul>
<b>Tax Inefficiency</b> <span style="color: red;">x</span>	<ul style="list-style-type: none"> <li>Constrains franking credit utilisation</li> <li>Destruction of franking credit value through the DSM</li> <li>&gt;US\$8.7bn pool of trapped franking credits</li> </ul>		<b>Tax Optimisation</b> <span style="color: green;">✓</span> <ul style="list-style-type: none"> <li>Enhanced access to US\$8.7bn franking credit balance and future franking credits</li> <li>Prevents DSM value leakage - all dividends and associated franking credits to be paid directly to all shareholders</li> <li>Optimised franking credit utilisation</li> </ul>
<b>Governance Complexity</b> <span style="color: red;">x</span>	<ul style="list-style-type: none"> <li>Opaque and overly complex voting structures and governance framework</li> <li>Questionable conduct to accommodate largest Plc shareholder at the expense of Rio shareholders as a whole</li> </ul>		<b>Simplicity</b> <span style="color: green;">✓</span> <ul style="list-style-type: none"> <li>Single entity - equal economic and voting rights</li> <li>Improved shareholder protections</li> </ul>
<b>Unnecessary Costs &amp; Distraction</b> <span style="color: red;">x</span>	<ul style="list-style-type: none"> <li>Duplication of costs and administrative burden: two sets of registrars, company secretaries, AGMs and additional regulatory and legal regimes</li> <li>Wastes group resources and management time</li> </ul>		<b>Streamlined Costs &amp; Focus</b> <span style="color: green;">✓</span> <ul style="list-style-type: none"> <li>No duplication / additional regulatory costs</li> <li>Simplified regulatory requirements and compliance rules</li> </ul>

Note:

(1) Based on estimated market capitalisation of a unified Rio Tinto under the Ltd-acquires-Plc unification structure as of 30 October 2024 (date of most recent disclosure of S&P/ASX constituent weightings)

## **VII. Clear Path to Value Unlock**



# Recent Material Challenges Have Been Overcome But Unification Required for Future Success

2020



2021



2022



2023



2024



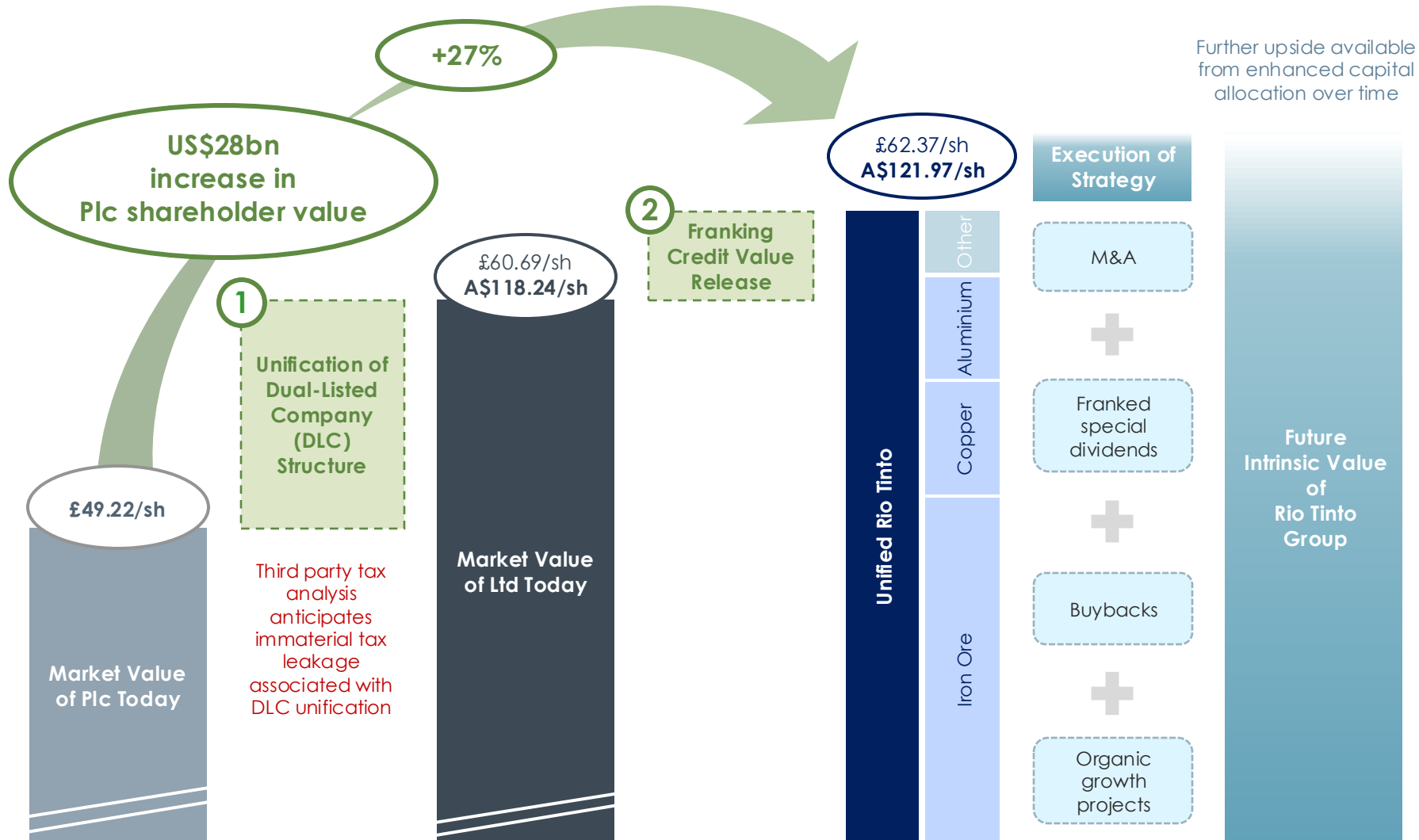
2025



May	Juukan Gorge incident
Jun	Juukan Gorge process review commenced
Dec	Jakub Stausholm appointed CEO
Jan	Rio unveils new Executive team
Mar	Chair Simon Thompson steps down at 2021 AGM
Dec	Dominic Barton appointed new Chairman
Apr	Acquisition of Rincon lithium project completed
Jun	First production from Gudai-Darri iron ore mine
Nov	Restitution agreement reached with Juukan Gorge group
Dec	Acquisition of remaining 49% stake in Turquoise Hill completed
Mar	First production from Oyu Tolgoi underground mine
Aug	Sale of 55% stake in La Granja copper project to First Quantum Minerals
Dec	Board refresh progressed with 8 new independent directors appointed since Juukan Gorge
Feb	Simandou FID
Oct	Acquisition of Arcadium Lithium announced

**DLC Unification**  
 Future growth unlocked via structural simplification and enhanced strategic options

# Unification Unlocks Value and Positions Rio Tinto for Future Growth



Source: Bloomberg as of 29-Nov-2024, Palliser analysis

**Unified Rio Tinto can crystallise c.US\$4bn in latent franking credit value for shareholders with an enhanced capital return through a one-time franked special dividend**

## Quantifying the Market Value of Rio Tinto's Franking Credit Balance

<b>A</b>	Existing Franking Credit Balance (as at 31-Dec-2023)	US\$8,734m	} See slide 22 for detail
	(x) Market Multiple Based on Third Party Studies	0.45x	
	<b>Market Value of Existing Franking Credit Balance</b>	<b>US\$3,943m</b>	

## One-Time Special Dividend to Crystallise Franking Credit Value

	<b>B</b>	Est. % of Unified Rio Tinto Shares Held by Australian Tax Residents	50%	
<b>A</b> ÷	<b>B</b>	<b>Special Dividend for Franking Credit Value Release</b>	<b>US\$17,468m</b>	
	<b>C</b>	Rio Tinto Net Debt (as at 31-Dec-2023)	US\$4,231m	Industry-leading balance sheet strength maintained with ~80% EBITDA headroom to peers' average leverage ratio
		Rio Tinto 2024E EBITDA (Bloomberg consensus)	US\$23,351m	
	<b>D</b>	Rio Tinto Leverage Ratio (Net Debt / 2024E EBITDA)	0.2x	
		(+) Special Dividend Increase in Leverage Ratio	0.7x	
<b>C</b> ÷	<b>D</b>	<b>Pro-Forma Leverage Ratio</b>	<b>0.9x</b>	
		Note: Diversified Mining Peers Average Leverage Ratio <sup>(1)</sup>	1.7x	

Source: Company filings, Palliser analysis, Bloomberg as of 29-Nov-2024  
 (1) Diversified Mining peers include BHP, Glencore and Anglo American