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HD Rio says coal assets staying

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[Rio Tinto](#) says it has no plans to sell its remaining Australian coal mines and argues the world will rely on coal for a "long time", despite the woes of US giant [Peabody](#) and more divestments by Norway's sovereign wealth fund further eroding confidence in the sector.

TD Fronting Rio's annual meeting in London on Thursday, chairman [Jan du Plessis](#) was asked whether the decision by [Peabody](#) to file for Chapter 11 bankruptcy protection earlier this week would prompt the Anglo-Australian mining giant to reconsider its coal operations in Hunter Valley, NSW and Queensland.

Mr du Plessis told shareholders the company's remaining operations were low-cost "tier 1" assets and remained a "key part" of the miner's portfolio of operations.

Rio's Australian coal division produces thermal coal used for electricity generation as well as coking coal used to make steel at mines such as Hail Creek near Mackay and Mount Thorley Warkworth near Singleton.

However, the business has shrunk in recent years as Rio offloaded less profitable and more environmentally sensitive operations. These included the \$US224 million sale of the undeveloped Mount Pleasant thermal coal project in the Hunter Valley in January, the sale of its \$US606 million stake in the neighbouring Bengalla mine in September and the divestment of its 50 per cent stake in the Clermont thermal coal mine in central Queensland for \$US1.3 billion in 2013.

"The coal assets we have today in Australia are high class. Certainly what I would say if we ever sell them, we are not going to give them away. We will sell them at good value," Mr du Plessis said.

"But much more importantly, let me say this. Yes, coal is a fossil fuel with all the carbon consequences that we all acknowledge. But one has to recognise that for many, many years to come - in particular in poor, developing economies - coal will be the energy source of choice because it [is the] cheapest and because it is readily available.

"And therefore, in some way, the world, whether we like it or not, we'll be coal-dependent for a long time. They are not for sale. We think they are good assets."

Speaking after the annual meeting, Mr Walsh said there was also a pragmatic rationale for Rio's position in Australia and hinted Rio would still be open to attractive offers for its coal assets. Mr Walsh, who will be replaced by [Jean-Sebastien Jacques](#) in July, said his chairman's words partly reflected "the fact that there's no one out there with a big chequebook".

"I think that was really what was behind his comments," Mr Walsh said. "The proof is in the pudding. The proof is in putting an attractive offer on the table and nobody has come forward."

On Friday Rio also announced it will pump more iron ore into its Channar joint venture with China's Sinosteel, ending 17 months of negotiations.

The joint venture will now share 280 million tonnes of iron ore over its 29-year life, after the new agreement allowed for an extra 30 million tonnes per year to be added to the partnership.

Sinosteel will pay \$US45 million to Rio for the privilege and will also pay royalties of up to \$US500 million over the five-year extension period.

Key points

The miner says its remaining Australian coal operations are "tier 1" and not for sale.

However, a good unsolicited offer may be considered.

CO craaus : Rio Tinto Ltd | pbdy : Peabody Energy Corp | rtz : Rio Tinto PLC | rtzcra : Rio Tinto Group

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