

Edgar Filing: ENTREE GOLD INC - Form SC 13D

ENTREE GOLD INC
Form SC 13D
July 08, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D
Under the Securities Exchange Act of 1934

Entree Gold Inc.

(Name of Issuer)

Common Shares, without par value

(Title of Class of Securities)

29383G100

(CUSIP Number)

Rio Tinto plc
c/o Shannon Crompton
Rio Tinto Services Inc.
1343 South 1800 East
Salt Lake City, UT 84108
(801) 583-6707

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications)

Copy to:

Christine A. Spillane
Sullivan & Cromwell LLP
1 New Fetter Lane
London EC4A 1AN
England
011-44-207-959-8554

June 29, 2005

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box .

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1 Name Of Reporting Persons/I.R.S. Identification Nos. of Above Persons
(Entities Only)

Rio Tinto plc

2 Check the Appropriate Box if a Member of a Group (a)
(See Instructions) (b)

3 SEC Use Only

4 SOURCE OF FUNDS (See Instructions)
WC

5 Check if Disclosure of Legal Proceedings is Required Pursuant
to Item 2(d) or 2(e)

6 Citizenship or Place of Organization
England

7 Sole Voting Power
0
NUMBER OF
SHARES 8 Shared Voting Power
12,613,841
BENEFICIALLY
OWNED BY 9 Sole Dispositive Power
0
EACH REPORTING
PERSON WITH 10 Shared Dispositive Power
12,613,841

11 Aggregate Amount Beneficially Owned by Each Reporting Person
12,613,841

12 Check if the Aggregate Amount In Row (11) Excludes Certain Shares
(See Instructions)

13 Percent of Class Represented by Amount In Row (11)
18.0%

14 Type of Reporting Person (See Instructions)
HC, CO

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1 Name Of Reporting Persons/I.R.S. Identification Nos. of Above Persons
(Entities Only)

Kennecott Canada Exploration Inc.

2 Check the Appropriate Box if a Member of a Group (a)
(See Instructions) (b)

3 SEC Use Only

4 SOURCE OF FUNDS (See Instructions)
AF

5 Check if Disclosure of Legal Proceedings is Required Pursuant
to Item 2(d) or 2(e)

6 Citizenship or Place of Organization
Canada

| | | |
|----------------|----|--------------------------|
| | 7 | Sole Voting Power |
| | | 0 |
| NUMBER OF | | |
| SHARES | 8 | Shared Voting Power |
| BENEFICIALLY | | 12,613,841 |
| OWNED BY | 9 | Sole Dispositive Power |
| EACH REPORTING | | 0 |
| PERSON WITH | 10 | Shared Dispositive Power |
| | | 12,613,841 |

11 Aggregate Amount Beneficially Owned by Each Reporting Person
12,613,841

12 Check if the Aggregate Amount In Row (11) Excludes Certain Shares
(See Instructions)

13 Percent of Class Represented by Amount In Row (11)
18.0%

14 Type of Reporting Person (See Instructions)
CO

Item 1. Security and Issuer

This statement on Schedule 13D ("Schedule 13D") relates to the common shares, without par value ("Common Shares"), of Entree Gold Inc., a corporation continued under the laws of British Columbia (the "Company"). The Company's principal offices are located at Suite 1201, 1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3, Canada.

Item 2. Identity and Background.

This Schedule 13D is filed by the following entities (collectively referred to herein as the "Reporting Persons", and each as a "Reporting Person"):

Rio Tinto plc, a public limited company incorporated under the laws of England and Wales ("Rio Tinto"), is an international mining company with operations around the world. Rio Tinto's principal executive offices are located at 6 St. James's Square, London, SW1Y 4LD, England.

Kennecott Canada Exploration Inc., a corporation incorporated under the laws of Canada and an indirect wholly owned subsidiary of Rio Tinto ("Kennecott"), is a mining company the principal business of which is the discovery and acquisition of mineral resources in North and Central America. Kennecott's principal offices are located at 200 Granville Street, Suite 354, Vancouver, British Columbia, V6C 1S4, Canada.

The name, business address, present principal occupation or employment and citizenship of each of the executive officers and directors of the Reporting Persons are set forth in Schedule I hereto and are incorporated by reference herein.

During the last five years, neither of the Reporting Persons and, to the knowledge of each of the Reporting Persons, none of the persons listed in Schedule I hereto has been: (i) convicted of a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On June 19, 2005, Kennecott and the Company entered into an Equity Participation Agreement, dated as of June 17, 2005 (the "EPA"). Pursuant to the EPA, on June 29, 2005 and July 6, 2005, Kennecott and the Company executed two Subscription Agreements (the "Subscription Agreements"). A copy

of the EPA is included as Exhibit A hereto, and copies of the Subscription Agreements are included as Exhibits B and C hereto. The descriptions of the EPA and Subscription Agreements contained herein are qualified in their entirety by

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reference to Exhibits A, B and C, which are incorporated herein by reference.

Pursuant to the EPA and the Subscription Agreements, Kennecott has acquired 6,306,921 units (each, a "Unit") of the Company at a price of C\$2.20 per unit, for a total consideration of C\$13,875,226, which was funded from intergroup loans. Each Unit consists of one Common Share, one common share purchase A warrant and one common share purchase B warrant. Two A warrants will entitle the holder to purchase one Common Share at a price of C\$2.75 for a period of two years. Two B warrants will entitle the holder to purchase one Common Share at a price of C\$3.00 for a period of two years.

Following the acquisition of the Units, the Reporting Persons own 6,306,921 Common Shares (representing approximately 9.9% of the issued and outstanding Common Shares) and 12,613,842 warrants, exercisable for an aggregate of 6,306,920 Common Shares. If the warrants were to be exercised, the Reporting Persons would own approximately 18.0% of the Company's Common Shares.

Under the EPA, Kennecott also has the right to participate in future financings by the Company so as to maintain its proportional equity interest in the Company.

Under the EPA, the Company has granted to Kennecott a right of first refusal over its mining license for the Ulziit Uul concession in Southern Mongolia and over the geographical area covered by such license for a period of up to four years (the "Ulziit Uul ROFR").

Item 4. Purpose of the Transaction

The information set forth in Item 3 is hereby incorporated by reference in this Item 4.

Under the EPA, Kennecott has agreed to vote its Common Shares in the manner specified by the board of directors of the Company with respect to:

- (a) fixing the number of directors to be elected;
- (b) the election of the directors of the Company;
- (c) the appointment and remuneration of the auditors of the Company; and

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- (d) the approval of any corporate incentive compensation plan or any amendment thereof, provided the compensation plan does not result at any time in the number of Common Shares reserved for issuance under the plan exceeding 20% of the issued and outstanding Common Shares.

Voting instructions given by the board of directors of the Company will be based on a resolution passed by a majority of the directors. Kennecott's voting obligations do not apply if the number of Common Shares held by Kennecott and its affiliates represents (a) less than 10% of the Company's issued and outstanding Common Shares or (b) 40% or more of the Company's issued and outstanding Common Shares (excluding in each case Common Shares issuable on the exercise of any securities held by Kennecott and its affiliates which are convertible into or exchangeable for Common Shares but which have not actually been issued) at such time, and terminate on the fourth anniversary of the date on which Kennecott acquires the Units.

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Under the EPA, Kennecott has also agreed to restrictions on its ability to dispose of any of its Common Shares or any of its securities convertible into or exchangeable for Common Shares (collectively, the "Entree Securities"), subject to certain agreed exceptions including dispositions to affiliates of Kennecott or pursuant to a take over bid in respect of the Company. The restrictions also do not apply if at the time of the disposition the number of Common Shares held by Kennecott and its affiliates represents (a) less than 10% of the issued and outstanding Common Shares (assuming the exercise of all securities held by Kennecott and its affiliates which are convertible into or exchangeable for Common Shares but which have not actually been issued, other than any such securities which are non-transferable) at such time, or (b) 40% or more of the Company's issued and outstanding Common Shares (excluding any Common Shares issuable on the exercise of any securities held by Kennecott and its affiliates which are convertible into or exchangeable for Common Shares but which have not actually been issued) at such time. The restrictions terminate on the fourth anniversary of the date on which Kennecott acquires the Units. Under the restrictions, Kennecott has agreed to give the Company prior notice (the "Disposition Notice") of any proposed disposition. Upon such notice, the Company may notify Kennecott of the identity of one or more persons who will purchase the Entree Securities. If the Company does not notify Kennecott of the identity of such purchasers or if the disposition is not completed within 45 days of the Company's receipt of the Disposition Notice, then Kennecott may dispose of the Entree Securities to any third party purchaser provided the disposition occurs within 105 days of the Company's receipt of the Disposition Notice.

Under the EPA, Kennecott also obtains the Ulziit Uul ROFR.

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Although the Reporting Persons have no present intention to acquire securities of the Company other than pursuant to the EPA, the Reporting Persons will consider from time to time acquiring additional securities of the Company as and when market conditions permit. As a result, the Reporting Persons expect to evaluate on an ongoing basis the Company's financial condition, business, operations and prospects, the market price of the Company's securities, conditions in the securities markets generally, general economic and industry conditions and other factors. The Reporting Persons reserve the right to change their plans and intentions at any time.

Except as set forth in this Item 4 of this Schedule 13D, none of the Reporting Persons has any current plans or proposals that relate to or would result in any transaction, event or action enumerated in paragraphs (a) through (j) of Item 4 of schedule 13D promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Item 5. Interest in Securities of the Issuer.

Pursuant to the EPA and the Subscription Agreements, the Reporting Persons acquired Units comprising 6,306,921 Common Shares (representing approximately 9.9% of the issued and outstanding Common Shares) and 12,613,842 warrants exercisable for 6,306,920 Common Shares. If the warrants were to be exercised, the Reporting Persons would own approximately 18.0% of the Company's Common Shares. Each of the Reporting Persons is deemed to beneficially own the Common Shares and the percentage of outstanding Common Shares listed on the responses to Items 11 and 13, respectively, of the cover page of this Schedule

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13D relating to such Reporting Person. In addition, the Common Shares deemed beneficially owned by each Reporting Person with respect to which such Reporting Person (i) has sole voting power, (ii) shares voting power, (iii) has sole dispositive power and (iv) shares dispositive power are listed in the responses to Items 7, 8, 9 and 10, respectively, of the cover page of this Schedule 13D relating to such Reporting Person.

Except as set forth in this Schedule 13D, none of the Reporting Persons, and to the knowledge of the Reporting Persons, none of the persons listed in Schedule I, beneficially owns any Common Shares of the Company.

Except as set forth in this Schedule 13D, to the knowledge of the Reporting Persons, no person other than the Reporting Persons has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, securities covered by this Schedule 13D.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

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The information set forth in Item 4 is hereby incorporated by reference in this Item 6.

Item 7. Material to be Filed as Exhibits

| Description ----- | Exhibit ----- |
|---|------------------|
| Equity Participation Agreement between Entree Gold Inc. and Kennecott Canada Exploration Inc. | A |
| Subscription Agreement between Entree Gold Inc. and Kennecott Canada Exploration Inc. | B |
| Subscription Agreement between Entree Gold Inc. and Kennecott Canada Exploration Inc. | C |
| Joint Filing Agreement between Rio Tinto plc and Kennecott Canada Exploration Inc. | D |

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SIGNATURE

After reasonable inquiry and to the best of our knowledge and belief, we certify that the information set forth in this statement is true, complete and correct.

Dated: July 8, 2005

Rio Tinto plc

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By: /s/ Anette Lawless

 Name: Anette Lawless
 Title: Secretary

Kennecott Canada Exploration Inc.

By: /s/ Shannon Crompton

 Name: Shannon Crompton
 Title: Assistant Secretary

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 Schedule I

Rio Tinto plc

Directors and Executive Officers

| Name ----- | Present Business Address ----- | Present Principal Occupation ----- | Citizenship ----- |
|--------------------|---|--|----------------------|
| Directors ----- | | | |
| Paul Skinner | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chairman of Rio Tinto | British |
| Leigh Clifford | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chief Executive of Rio Tinto | Australian |
| Guy Elliott | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Finance Director of Rio Tinto | British |
| Ashton Calvert | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Non-executive director of Rio Tinto | Australian |
| Sir David Clementi | 6 St. James's Sq. London | Chairman of Prudential plc | British |

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| | | | |
|--------------------|---|---|-----------------------------|
| | SW1Y 4LD United Kingdom | | |
| Vivienne Cox | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Executive Vice-President of BP plc | British |
| Richard Goodmanson | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Executive Vice-President and Chief Operating Officer of DuPont | United States of America |
| Andrew Gould | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chairman and Chief Executive Officer of Schlumberger Ltd. | British |

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| Name ----- | Present Business Address ----- | Present Principal Occupation ----- | Citizenship ----- |
|-----------------------------|---|--|-----------------------------|
| Lord Kerr | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chairman of the Court and Council of Imperial College, London | British |
| David Mayhew | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chairman of Cazenove Group plc | British |
| Sir Richard Sykes | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Director of Rio Tinto and director of Lonza Group Ltd. | British |
| Executive Officers ----- | | | |
| Tom Albanese | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chief Executive of the Copper group at Rio Tinto | United States of America |
| Preston Chiaro | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chief Executive of the Energy group | United States of America |
| Oscar Groeneveld | Level 33 | Chief Executive of the | Australian |

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| | | | |
|------------------|---|--|------------|
| | 55 Collins Street Melbourne Victoria 3000 | Aluminium group | |
| Keith Johnson | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chief Executive of the Diamonds group | British |
| Andrew Mackenzie | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chief Executive of the Industrial Minerals group | British |
| Karen McLeod | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Head of Human Resources | Australian |

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| Name ----- | Present Business Address ----- | Present Principal Occupation ----- | Citizenship ----- |
|------------------|---|--|----------------------|
| Ian Smith | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Head of Technology | Australian |
| Andrew Vickerman | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Head of Communications and Sustainable Development | British |
| Sam Walsh | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Chief Executive of the Iron Ore Group | Australian |
| Charles Lenegan | 6 St. James's Sq. London SW1Y 4LD United Kingdom | Managing Director of Rio Tinto Australia | Australian |

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Kennecott Canada Exploration Inc.

Directors and Executive Officers

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| Name ----- | Present Business Address ----- | Present Principal Occupation ----- | Citizenship ----- |
|-----------------------------|---|---|-----------------------------|
| Directors ----- | | | |
| C. G. Baldwin | 1600 Cathedral Place 925 West Georgia St. Vancouver, B.C. V6C 3L2 CANADA | Attorney Lawson Lundell | Canadian |
| I. Graham | 200 Granville Street Suite 354 Vancouver, B.C. V6C 1S4 CANADA | Vice President Kennecott Canada Exploration Inc. | Canadian |
| M. L. Jutras | 770 Sherbrooke Street West, Suite 1800 Montreal, Quebec H3A 1G1 CANADA | General Counsel and Secretary Rio Tinto Iron & Titanium Inc. | Canadian |
| J. V. Main | 224 North 2200 West Salt Lake City, UT 84116 USA | President Kennecott Exploration Company | New Zealand |
| P. L. Webster | 224 North 2200 West Salt Lake City, UT 84116 USA | Vice President and General Counsel Kennecott Exploration Company | United States of America |
| Executive Officers ----- | | | |
| J.V. Main | 224 North 2200 West Salt Lake City, UT 84116 USA | President | New Zealand |
| I. Graham | 200 Granville Street Suite 354 Vancouver, B.C. V6C 1S4 CANADA | Vice President | Canadian |
| D. Simpson | 200 Granville Street Suite 354 Vancouver, B.C. V6C 1S4 CANADA | Vice President | United States of America |
| P.L. Webster | 224 North 2200 West Salt Lake City, UT 84116 USA | General Counsel and Assistant Secretary | United States of America |

| Name ----- | Present Business Address ----- | Present Principal Occupation ----- | Citizenship ----- |
|----------------|---|--|-----------------------------|
| W. D. Hofeling | 2525 East Arizona Biltmore Circle Suite C-135 Phoenix, AZ 85016 USA | Chief Financial Officer and Treasurer | United States of America |
| C.G. Baldwin | 1600 Cathedral Place 925 West Georgia St. Vancouver, B.C. V6C 3L2 CANADA | Secretary | Canadian |
| S. S. Crompton | 1343 South 1800 East Salt Lake City, UT 84108 USA | Assistant Secretary | United States of America |
| J. R. Welch | 8309 West 3595 South Magna, UT 84044 USA | Assistant Treasurer | United States of America |

EXHIBIT INDEX

| Description ----- | Exhibit ----- |
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