



15 November 2019

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

## **ERA announces \$476 million renounceable entitlement offer to fund its Ranger Project Area rehabilitation obligations**

- Fully underwritten 6.13 for 1 pro rata renounceable entitlement offer to raise approximately \$476 million
- Offer price of \$0.15 per share, which represents a discount of 38% to the 10-day volume weighted average price (VWAP) of \$0.24 per share to 14 November 2019<sup>1</sup>
- Proceeds to fund ERA's rehabilitation obligations for the Ranger Project Area and enable ERA to continue as a going concern
- Expenditure on Ranger Project Area rehabilitation is not expected to generate any direct financial return for ERA. However, ERA believes the successful rehabilitation of the Ranger Project Area is a prerequisite to support future operations and growth beyond Ranger
- Rio Tinto, ERA's largest shareholder with a 68.39% shareholding, will subscribe for its entitlement in full and is acting as underwriter<sup>2</sup> to the offer given the inability of ERA to secure third party underwriting support
- Rio Tinto is supportive of the entitlement offer, with the objective of ensuring that ERA has the funds required to meet its current rehabilitation obligations

Energy Resources of Australia Ltd (**ERA** or the **Company**) today announces a fully underwritten pro rata renounceable entitlement offer of new fully paid ERA ordinary shares (**New Shares**) to raise approximately \$476 million (**Entitlement Offer**). The funds are being raised to meet ERA's rehabilitation obligations for the Ranger Project Area.

The New Shares will be offered to all eligible shareholders at an offer price of \$0.15 per New Share (**Offer Price**). The Offer Price represents a 38% discount to the 10-day VWAP of \$0.24 per share (rounded to 2 decimal places) to 14 November 2019.<sup>1</sup>

<sup>1</sup> The Offer Price represents an 8% discount to the theoretical ex-rights price (**TERP**) of \$0.16 per share (rounded to 2 decimal places) as at 14 November 2019. Note TERP is a theoretical calculation only and the actual price at which shares in ERA trade immediately after the ex date of the Entitlement Offer will depend on many factors and may not be equal to TERP.

<sup>2</sup> Through Rio Tinto's wholly-owned subsidiary, North Limited.

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## Background and purpose of the Entitlement Offer

The Company is committed to fully rehabilitating the Ranger Project Area by January 2026 in accordance with applicable Commonwealth and Northern Territory statutory requirements.

Amongst other requirements, a condition of the authority granted to ERA pursuant to the *Atomic Energy Act 1953* (Cth) is that ERA must "rehabilitate the Ranger Project Area to establish an environment similar to the adjacent areas of Kakadu National Park such that, in the opinion of the Minister with the advice of the [Commonwealth's] Supervising Scientist, the rehabilitated area could be incorporated into the Kakadu National Park."

The scope and schedule of work required to meet the Company's rehabilitation obligations is described in detail in the Company's Mine Closure Plan (first released in June 2018), which is reviewed and updated annually in consultation with Traditional Owner representatives, regulators and key stakeholders.<sup>3</sup>

As noted in various Company announcements from 6 December 2018, following the increase in rehabilitation provision as assessed by the Ranger Project Area closure feasibility study (**Feasibility Study**), ERA requires additional funding to meet its future obligations and business needs.

While the rehabilitation spend occurs progressively over the rehabilitation period, the rehabilitation obligation is definite and must be taken into account by the ERA Board when assessing ERA's present solvency. In addition, ERA has no assurance that Rio Tinto's support for a renounceable entitlement offer will remain available in the future and therefore ERA has concluded that its ability to continue as a going concern is dependent on fully addressing the funding shortfall at this time.

Following a comprehensive assessment of all potential funding alternatives, the Board has determined that the only commercially viable solution is to undertake an entitlement offer.

Proceeds from the Entitlement Offer, together with ERA's existing cash resources and expected future cash flows, will be used primarily for the purposes of funding rehabilitation of the Ranger Project Area. However, expenditure on Ranger Project Area rehabilitation is not expected to generate any direct financial return for the Company.

Rio Tinto,<sup>4</sup> ERA's largest shareholder, is supportive of the Entitlement Offer and has committed to subscribe for its 68.39% entitlement in full. Rio Tinto's wholly-owned subsidiary, North Limited (**North** or **Underwriter**), has agreed to act as underwriter for the balance of any available shortfall in the Entitlement Offer given the inability of ERA to secure third party underwriting support.

ERA's Chairman, Peter Mansell said:

"The entitlement offer we are announcing today will secure ERA's future by funding its rehabilitation obligations for the Ranger Project Area. These long-standing obligations to the Commonwealth and the Northern Territory Governments, as well as the

<sup>3</sup> The 2019 Mine Closure Plan update is available to view on the ERA website <https://www.energyres.com.au/sustainability/closureplan/>.

<sup>4</sup> Rio Tinto holds 68.39 per cent of the issued shares in ERA through two wholly-owned subsidiaries, North Limited and Peko-Wallsend Pty Ltd.

Traditional Owners, aim to return the Ranger Project Area to an environment similar to that in the adjacent Kakadu National Park.

Today's entitlement offer follows a rigorous and extensive assessment of potential funding alternatives for ERA, which has included discussions with Rio Tinto and investigations by ERA for independently-sourced funding solutions. Rio Tinto's support for this entitlement offer demonstrates our shared commitment to an appropriate rehabilitation of the Ranger Project Area. In turn, this will secure a sustainable, positive legacy for ERA by meeting the statutory requirements of the Commonwealth and Northern Territory Governments and reflecting the environmental and cultural significance of the region. Successful rehabilitation is a prerequisite to support the prospect of any future operations and growth beyond Ranger."

### **Rehabilitation of the Ranger Project Area**

The inaugural public release of the Mine Closure Plan in June 2018 was a milestone for ERA and followed a rigorous 18 month stakeholder consultation process including discussions with the Gundjeihmi Aboriginal Corporation and the Northern Land Council, as representatives of the Mirarr Traditional Owners, and Northern Territory and Commonwealth Government agencies.

A feasibility study was conducted on the basis of the Mine Closure Plan and on 8 February 2019, ERA confirmed the approval and implementation of the Feasibility Study, resulting in an increase in the rehabilitation provision from \$526 million as at 31 December 2017 to \$830 million<sup>5,6</sup> as at 31 December 2018.

The Feasibility Study, supported by an experienced external engineering service provider, incorporated a greater level of design and technical understanding regarding the prescribed closure criteria, the progressive rehabilitation activities already undertaken and updated closure forecasts and modelling. The Feasibility Study was subject to both internal and external review.

With both the finalisation of the Feasibility Study and completion of this Entitlement Offer, ERA believes it has an executable plan for the rehabilitation of the Ranger Project Area in accordance with applicable Commonwealth and Northern Territory statutory requirements.

At 30 June 2019, the Company's recorded rehabilitation provision in the balance sheet was \$799 million,<sup>6,7</sup> which corresponds to an estimated rehabilitation project expenditure of approximately \$925 million (undiscounted in nominal terms).<sup>6</sup> In the first half of 2019, \$48 million was spent on rehabilitation activities.

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<sup>5</sup> 31 December 2018 provision discounted at 2 per cent and presented in real terms (\$897 million undiscounted in real terms and \$973 million undiscounted in nominal terms).

<sup>6</sup> Excluding employee termination benefits not yet recognised in line with Australian Accounting Standards and including an allowance of \$1 million in relation to the estimated costs of Jabiluka Mineral Lease rehabilitation expense.

<sup>7</sup> 30 June 2019 provision discounted at 2 per cent and presented in real terms (\$858 million undiscounted in real terms).

## Assessment of funding alternatives

Following the increase in rehabilitation provision at 31 December 2018, ERA does not have sufficient existing cash resources and expected future cash flows from sale of inventory or processing of the stockpiles at Ranger to fulfil its rehabilitation obligations. As described in the June 2019 half year report, ERA had total cash resources of \$425 million at 30 June 2019. This result was an increase against the 31 December 2018 cash balance of \$388 million in part due to timings within the contract portfolio. Contracted sales volumes in 2019 are weighted towards the first half of the year, with ERA substantially fulfilling its contract sales for the year by 30 June 2019.

Absent receipt of proceeds from the Entitlement Offer, the cash balance is expected to decline by the 2019 year end. As at 31 October 2019, the cash balance was \$328 million (unaudited). Furthermore, during the second half of 2019, ERA expects to produce sufficient drummed inventory to meet supply commitments under its existing long-term contract portfolio. As a result, a greater proportion of future sales will be exposed to the spot market.

In order to address this funding shortfall, and in view of the expected demand for the provision of additional security into the Ranger Rehabilitation Trust Fund<sup>8</sup> by the Commonwealth Government following completion of its annual review process (expected to complete in the first quarter of 2020), the Company has undertaken an extensive and rigorous review process to explore a number of alternative funding options. These have included an assessment of the availability of alternative sources of debt and equity, potential corporate transactions (including corporate restructuring), and other potential third party sources of funding support such as independent third-party underwriters. Following this assessment, ERA has concluded that an Entitlement Offer underwritten by the Underwriter is the only commercially viable funding solution available in the circumstances.

Throughout this process, ERA and Rio Tinto engaged in active discussions regarding a funding solution. The ERA Board delegated the responsibility for this engagement with Rio Tinto to a committee comprised only of Independent Directors (**Independent Committee**).

As announced to the ASX on 25 July 2019, following extensive negotiations and assessment of a number of potential funding options, Rio Tinto advised the Company that it would only be willing to provide additional financial support as part of a renounceable entitlement offer. ERA is informed by Rio Tinto that in forming its view to participate in and underwrite the Entitlement Offer, Rio Tinto has taken into account that the funding contributed to ERA is not expected to result in any direct financial return for ERA, but nevertheless it is supportive of the Entitlement Offer with the objective of ensuring that ERA has the funds required to meet its current rehabilitation obligations.

Based on ERA's October 2019 unaudited cash balance, and assuming receipt of the proceeds from the Entitlement Offer, and subject to movements in ERA's cash balance during the ordinary course of business between 31 October 2019 and settlement of the Entitlement Offer,

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<sup>8</sup> At present, the Ranger Rehabilitation Trust Fund includes both cash (\$76 million) and bank guarantees (\$334 million). The security requirement of \$410 million was determined by the Commonwealth during 2018 when ERA's rehabilitation provision was ~\$526 million (provision as at 31 December 2017). The Company's rehabilitation provision increased following finalisation of the Feasibility Study and was \$799 million as at 30 June 2019.

ERA's total projected cash resources will be approximately \$802 million, calculated as the aggregate of \$474 million<sup>9</sup> in net proceeds from the Entitlement Offer and \$328 million in total cash resources (comprised of \$252 million cash and \$76 million held in the Ranger Rehabilitation Trust Fund). The offer has been sized to meet the estimated rehabilitation requirements, however risks exist that the amount raised will be insufficient and further funds will be required. Please refer to the "Key Risks" section in the Investor Presentation for further details.

The existing \$100 million loan agreement with Rio Tinto entered into in 2016 (**Loan Agreement**) is currently undrawn and remains in place should additional funding ultimately be required. Drawdown of the credit facility under the Loan Agreement is subject to ERA being able to demonstrate at the time of drawdown that it satisfies customary conditions precedent as mentioned in the "credit facility agreement" announcement released on 29 April 2016.

### **Future strategy beyond Ranger**

The strategic priority for ERA is the successful rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment to long-term sustainable operations in the region, create a sustainable, positive legacy and underpin potential future growth opportunities.

The net proceeds of the Entitlement Offer, together with ERA's existing cash resources and expected future cash flows, will be used primarily for the purposes of funding rehabilitation. A sum of \$20 million from existing cash resources and expected future cash flows has been provisionally designated for expenditure on prospective development opportunities or otherwise as the ERA Board determines to be in the interests of the Company from time to time.

In addition to Ranger, ERA holds title to the Jabiluka Mineral Lease, a large, high quality uranium orebody of global significance. The carrying value of the Jabiluka Undeveloped Property was recorded at approximately \$90 million as at 30 June 2019. In accordance with the Long Term Care and Maintenance Agreement, the Jabiluka deposit will not be developed by ERA without the approval of the Mirarr Traditional Owners.

ERA has approximately \$183 million in tax losses (at 30 per cent) as at 30 June 2019 that are not recognised as deferred tax assets due to the uncertainty regarding ERA's ability to generate adequate levels of future taxable profits. This treatment is reviewed periodically. ERA's carry forward tax losses can be utilised to offset any future taxable profits, subject to satisfaction of the tax loss recoupment tests under the income tax legislation at the time of utilisation.

### **Overview of Entitlement Offer**

The Company is conducting a fully underwritten 6.13 for 1 pro rata renounceable entitlement offer to holders of shares in the Company with a registered address in Australia, New Zealand or Singapore as at 7.00pm (AEDT) on Wednesday, 20 November 2019 (the **Record Date**) (**Eligible Shareholders**) to raise approximately \$476 million.

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<sup>9</sup> Net of transaction costs.

Eligible Shareholders will be invited to subscribe for 6.13 New Shares for every 1 existing ERA ordinary share held at 7.00pm (AEDT) on the Record Date at the Offer Price of \$0.15 per New Share. Eligible Shareholders will be sent an offer information booklet (**Offer Booklet**), together with a personalised Entitlement and Acceptance Form on or around Friday, 22 November 2019 by mail.

Approximately 3,174 million New Shares will be issued under the Entitlement Offer. The New Shares will rank equally with existing ERA shares as from their time of issue.

An indicative timetable for the Entitlement Offer appears at the end of this announcement.

Eligible Shareholders who take up their entitlement in full may also apply for additional New Shares at the Offer Price in excess of their entitlement (**Additional New Shares**) under the shortfall facility (**Shortfall Facility**), if they wish to do so. The allocation of any Additional New Shares will be limited to the number of New Shares for which valid applications are not received before the Entitlement Offer closes (**Shortfall Shares**). Additional New Shares will, however, only be allocated to Eligible Shareholders who apply for them (up to the number applied for) to the extent there are Shortfall Shares and, in the event of competition for the Shortfall Shares, applications will be scaled back on a pro rata basis (detailed in section 1.9 of the Offer Booklet).

ASIC has granted relief from Australia's takeover laws (Chapter 6 of the Corporations Act), which enables Eligible Shareholders to participate in the Shortfall Facility even if by doing so the number of New Shares issued to them would result in the takeover law threshold under section 606 of the Corporations Act being exceeded.

Given the role of North (a wholly-owned subsidiary of Rio Tinto) as the Underwriter, Rio Tinto will not apply for Additional New Shares under the Shortfall Facility.

As the Entitlement Offer is renounceable, Eligible Shareholders may seek to sell all or part of their entitlements on the ASX at the prevailing market price for the entitlements during the period commencing on Tuesday, 19 November 2019 and ending on Wednesday, 4 December 2019 (refer to the indicative timetable at the end of this announcement).

If an Eligible Shareholder takes no action, they will not be issued New Shares, their entitlements will lapse, they will not receive or be entitled to any payment or value for their lapsed entitlements, and their shareholding in ERA will be diluted.

Euroz Securities Limited (**Euroz**) has been appointed as a broker to the Entitlement Offer and, subject to demand, will invite applications from institutional and/or sophisticated investors for the Shortfall Shares which are not taken up pursuant to the Shortfall Facility, at an issue price that is not less than the Offer Price (**Shortfall Bookbuild**). Any premium received on New Shares issued under the Shortfall Bookbuild will be designated for expenditure on prospective growth opportunities or as otherwise determined by the Board. The ERA Board reserves the right to issue the Shortfall Shares under the Shortfall Bookbuild at its discretion. Any Shortfall Shares, not placed through this Shortfall Bookbuild, subject to the Underwriting Agreement, will then be acquired by the Underwriter.

ERA shareholders with registered addresses on the share register outside of Australia, New Zealand or Singapore will not be eligible to participate in the Entitlement Offer (**Ineligible**

**Shareholders**). ERA has appointed a nominee, BurnVair Corporate Finance Limited, who will arrange for the sale of the entitlements that would have been offered to Ineligible Shareholders, with the net proceeds, if any, distributed to the Ineligible Shareholders proportionately.

### **Key terms of the Underwriting Agreement**

The Entitlement Offer is fully underwritten by the Underwriter pursuant to the terms of an Underwriting Agreement. Rio Tinto (through the Underwriter which is a wholly-owned subsidiary of Rio Tinto) is choosing to underwrite the Entitlement Offer with the objective of ensuring that ERA is able to meet its statutory and contractual rehabilitation obligations for the Ranger Project Area.

The terms of the Underwriting Agreement have been negotiated by ERA at arm's length by the Independent Committee acting on independent professional advice. Based on the Independent Committee's recommendation, the ERA Board believes the agreed terms are reasonable in the circumstances. No underwriting fee is payable to the Underwriter (although ERA is required to reimburse Rio Tinto for its costs of, and incidental to, the Entitlement Offer up to a maximum of \$100,000). The Underwriting Agreement is subject to conditions precedent that ERA regards as customary and reasonable, including all ASIC and ASX approvals for the Entitlement Offer being obtained and all due diligence sign-offs being delivered to the Underwriter. The Underwriting Agreement includes certain warranties and indemnities from ERA to the Underwriter, including in relation to the compliance of all offer documentation to be released by ERA with all applicable laws and the accuracy of all information disclosed to the Underwriter in connection with the Entitlement Offer.

The Underwriter has the right to terminate the Underwriting Agreement in certain events. The events are summarised in the Schedule to this announcement.

#### *Further Undertakings*

Under the Underwriting Agreement, ERA gives certain further undertakings to the Underwriter regarding the use of funds raised by the Entitlement Offer for rehabilitation, and to restrict dealings with Jabiluka without the Underwriter's prior written consent. A summary of these undertakings is also set out in the Schedule to this announcement.

In addition, ERA will remain bound by the terms of the Loan Agreement made with Rio Tinto in 2016, including the various undertakings contained therein<sup>10</sup>, except that ERA will no longer be restricted by the Loan Agreement from using the \$20 million provisionally designated for expenditure on prospective development opportunities or otherwise as the ERA Board determines to be in the interests of ERA.

### **Control Implications**

The potential effect that the issue of the New Shares will have on the control of ERA, and the consequences of that effect, will depend on a number of factors including the number of New Shares taken up by each Eligible Shareholder (or by any third party investor to which their entitlement is transferred) and the number of entitlements sold by the foreign holder nominee

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<sup>10</sup> See ERA's announcement dated 29 April 2016.

on behalf of Ineligible Shareholders under the Entitlement Offer, or placed to institutional and/or sophisticated investors under the Shortfall Bookbuild.

As noted above, the Entitlement Offer is being underwritten by North, a wholly-owned subsidiary of Rio Tinto Limited. As at the date of this announcement, Rio Tinto holds relevant interests in 68.39% of the issued ERA shares, with North (being the Underwriter) directly holding 34.10% of the issued ERA shares and Peko-Wallsend Pty Ltd (**Peko-Wallsend**), another wholly-owned subsidiary of Rio Tinto, holding 34.29% of the issued ERA shares. Both North and Peko-Wallsend (the **Rio Tinto Parties**) have confirmed to ERA that they will take up their full pro rata entitlements to New Shares under the Entitlement Offer.

As noted above, entitlements to New Shares for which valid applications are not received before the Entitlement Offer closes (i.e., the **Shortfall Shares**) will be issued as follows:

- (a) firstly, to any Eligible Shareholders who submit valid applications for Additional New Shares under the Shortfall Facility;
- (b) secondly, should there be Shortfall Shares remaining, to successful applicants (if any) through the Shortfall Bookbuild; and
- (c) thirdly, the balance of the Shortfall Shares would be taken up by the Underwriter under the Underwriting Agreement.

Accordingly, the potential effect that the issue of the New Shares under the Entitlement Offer will have on the control of ERA will depend on the number of New Shares that the Underwriter subscribes for as underwriter to any shortfall in relation to the Entitlement Offer. Further details are disclosed in the "Cleansing Statement" released on the ASX along with this announcement.

### **Consequences of effect on control and Rio Tinto's intentions**

The Rio Tinto Parties have confirmed to ERA that they will examine their options in respect of Rio Tinto's combined shareholding and relevant interests in ERA following the completion of the Entitlement Offer. In the event that the relevant interests of Rio Tinto (through the Rio Tinto Parties) increase following the completion of the Entitlement Offer, some of the options available to it include:

| <b>Rio Tinto's total relevant interests in the ERA shares</b> | <b>Consequences and potential rights of Rio Tinto</b>   |
|---|---|
| Increases to 70% or more                                      | Rio Tinto may look to appoint additional board member(s) to the Board of ERA at the next Annual General Meeting or to fill a casual vacancy if one arises or otherwise in accordance with the constitution of the Company.      |
| Increases to 75% or more                                      | Rio Tinto will be able to pass special resolutions at general meetings in respect of resolutions on which it is entitled to vote (for example, resolutions relating to proposed amendments to the constitution of the Company). |

| Rio Tinto's total relevant interests in the ERA shares | Consequences and potential rights of Rio Tinto   |
|--|--|
|  | <p>Rio Tinto may seek to engage with ERA to consider initiating discussions with ASX in respect of a voluntary delisting having regard to factors including the liquidity of the shares, the number of unmarketable parcels and ongoing listing costs.</p> <p>Neither ERA nor Rio Tinto would seek to delist ERA without prior engagement with ASX and neither party has commenced any discussions with ASX in this respect.</p> |
| Increases to 90% or more                               | Rio Tinto may look at compulsory acquisition in the six months following the date on which New Shares are issued under the Entitlement Offer in accordance with the procedure outlined below.  |

### General Compulsory Acquisition Procedure

If, immediately after the Entitlement Offer, Rio Tinto (through the Rio Tinto Parties) has beneficial interests in 90% or more of all ERA shares, it will have the right (but not the obligation) to compulsorily acquire all of the remaining ERA shares in accordance with the statutory procedure set out in Part 6A.2 of the *Corporations Act 2001 (Cth)* (**Corporations Act**), otherwise known as the "general compulsory acquisition procedure".

If enlivened, Rio Tinto will have six months from the date it becomes entitled to compulsorily acquire the remaining ERA shares to lodge a notice with ASIC exercising this right (**Compulsory Acquisition Notice**). This date would align with the date of issue of the New Shares pursuant to the Entitlement Offer.

ERA has been informed by Rio Tinto that it has not yet decided whether it will exercise its right of compulsory acquisition if it becomes entitled to do so, and it does not intend to make that decision until the outcome of the Entitlement Offer is known. If Rio Tinto elects to exercise the right of compulsory acquisition, it must:

- (a) offer a cash amount for the acquisition of the remaining ERA shares, which must be the same amount for each share;
- (b) engage an independent expert nominated by ASIC to prepare a report which states whether, in the expert's opinion, the proposed price gives fair value for the ERA shares being acquired; and
- (c) provide shareholders with a copy of the Compulsory Acquisition Notice, the expert's report and an objection form.

The cash amount per share offered by Rio Tinto pursuant to any potential compulsory acquisition process of the remaining ERA shares is uncertain and would be determined by Rio

Tinto at its discretion, which could be more or less than the Offer Price under the Entitlement Offer.

ERA's shareholders will have a right to object to the compulsory acquisition of their ERA shares by Rio Tinto by returning the objection form to the Company within the objection period specified in the Compulsory Acquisition Notice (which must be at least one month). If shareholders holding at least 10% of the shares covered by the Compulsory Acquisition Notice object to compulsory acquisition by the relevant deadline, Rio Tinto (through North or Peko-Wallsend, as the case may be) will need to apply for court approval if it wishes to proceed with the compulsory acquisition, and the costs of such court proceedings will be borne by Rio Tinto unless the court finds that the objector(s) have acted improperly, vexatiously or otherwise unreasonably. If Rio Tinto establishes that the compulsory acquisition terms represent fair value, the court will be required to approve the compulsory acquisition on those terms; otherwise, the court must confirm that the acquisition will not take place.

#### **Indicative Timetable\***

The key dates for the Entitlement Offer are as follows:

| <b>Event</b>  | <b>Date</b>                                  |
|---|--|
| Announcement of Entitlement Offer (including Investor Presentation)   | Friday, 15 November 2019                     |
| ASX release of Offer Booklet, Cleansing Statement and Appendix 3B   | Friday, 15 November 2019                     |
| Notice sent to all shareholders   | Monday, 18 November 2019                     |
| Ex date   | Tuesday, 19 November 2019                    |
| Entitlements trading on ASX begins on deferred settlement basis   | Tuesday, 19 November 2019                    |
| Record date for eligibility in the Entitlement Offer  | 7:00pm (AEDT) on Wednesday, 20 November 2019 |
| Entitlement Offer opens   | Friday, 22 November 2019                     |
| Mailing of personalised Entitlement and Acceptance Form and the Offer Booklet to Eligible Shareholders, and Entitlements allotted | Friday, 22 November 2019                     |
| Entitlement trading on ASX on normal settlement basis begins  | Monday, 25 November 2019                     |
| Entitlements trading on ASX ends  | Wednesday, 4 December 2019                   |
| New Shares under the Entitlement Offer commence trading on ASX on deferred settlement basis                                       | Thursday, 5 December 2019                    |

| Event   | Date   |
|---|--|
| Last day to extend the Entitlement Offer closing date                                       | Friday, 6 December 2019                      |
| Entitlement Offer closes  | 5:00pm (AEDT) on Wednesday, 11 December 2019 |
| Determination of allocation under Shortfall Facility and Shortfall Bookbuild                | Friday, 13 December 2019                     |
| Notification of Shortfall to ASX  | Monday, 16 December 2019                     |
| Issue of New Shares under the Entitlement Offer   | Wednesday, 18 December 2019                  |
| New Shares under the Entitlement Offer commence trading on ASX on a normal settlement basis | Thursday, 19 December 2019                   |
| Despatch of holding statements for New Shares under the Entitlement Offer                   | Thursday, 19 December 2019                   |

*\*ERA, in conjunction with the Underwriter, reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws to withdraw or vary the dates of the Entitlement Offer at its discretion and without notice. In particular, ERA reserves the right to extend the closing date of the Entitlement Offer or accept late applications, either generally or in particular cases, without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.*

Details of the Entitlement Offer and other information described in this announcement will be set out in the Offer Booklet which ERA will mail to Eligible Shareholders on or around Friday, 22 November 2019. Eligible Shareholders should read the Offer Booklet carefully and in its entirety before deciding whether to participate in the Entitlement Offer.

ERA has appointed Flagstaff Partners and BurnVair Corporate Finance as financial advisers, Ashurst as legal adviser, and Euroz as broker to the Entitlement Offer.

For further information please contact:

### Investor Relations

Craig Sainsbury  
 Market Eye Pty Ltd  
 Office: +61 3 9591 8923  
 Mobile: +61 428 550 499  
 Email: [craig.sainsbury@marketeye.com.au](mailto:craig.sainsbury@marketeye.com.au)

### Media

Olivia Brown  
 MorrisBrown Communications  
 Mobile: +61 409 524 960  
 Email: [olivia@morris-brown.com.au](mailto:olivia@morris-brown.com.au)

Hayley Morris  
 MorrisBrown Communications  
 Mobile: +61 407 789 018  
 Email: [hayley@morris-brown.com.au](mailto:hayley@morris-brown.com.au)

## **About Energy Resources of Australia Ltd**

Energy Resources of Australia Ltd (**ERA**) is one of the nation's largest uranium producers and operates the Ranger mine, Australia's longest continually operating uranium mine.

Together, ERA provides clean energy to the world and cares for people and country.

ERA has an excellent track record of reliably supplying customers. Uranium oxide has been produced at Ranger for more than 35 years. During that time, Ranger has produced in excess of 128,000 tonnes of uranium oxide.

ERA's Ranger mine is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in Australia's Northern Territory. ERA is a major employer in the Northern Territory and the Alligator Rivers Region.

## **Important Information**

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the New Shares to be offered and sold in the Entitlement Offer have been, or will be, registered under the U.S. Securities Act of 1933 (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised or taken up by, and the New Shares may not be offered or sold, directly or indirectly, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities law of any state or other jurisdiction of the United States. There will be no public offer of the entitlements or the New Shares in the United States.

This announcement may not be released or distributed in the United States.

## **Forward looking statements**

This announcement contains certain forward-looking statements including statements of current intention, statements of opinion and predictions as to possible future events. Forward-looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions within the meaning of securities laws of applicable jurisdictions. They include but are not limited to statements pertaining to the outcome and effects of the Entitlement Offer and ERA's ability to meet its rehabilitation obligations. Indications of, and guidance or outlook on, future earnings, financial position, rehabilitation obligations, performance and strategies are also forward looking statements.

Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all or entirely within the control of ERA and cannot be predicted by ERA. This

includes changes in circumstances or events that may cause objectives to change as well as any statements about market and industry trends, which are based on interpretations of current market conditions. They also include general economic conditions, inflation rates, exchange rates, interest rates, regulatory environments, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. The weather at the Ranger Project Area may also affect ERA's ability to meet its rehabilitation obligations and the cost of meeting those obligations.

ERA, supported by an experienced external engineering service provider, undertook the Feasibility Study to further refine scheduled rehabilitation activities. The Feasibility Study examined the technical, costing and scheduling aspects of Ranger closure to a high level of detail in order to obtain a best estimate of the rehabilitation obligation. However, the ultimate cost of rehabilitation is uncertain. Costs may vary in response to factors beyond ERA's control such as weather events, legal requirements, technological change and market conditions.

An inability to obtain sufficient funding to meet ERA's future rehabilitation obligations would have a material impact on ERA's business, financial performance and assessment as a going concern.

Actual results, performance or achievements may vary materially from any projections and forward looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and none of ERA or any of its subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements.

## SCHEDULE

### Summary of termination events and certain undertakings in Underwriting Agreement

The following is a summary of certain key provisions of the Underwriting Agreement.

#### 1. SUMMARY OF TERMINATION EVENTS

The Underwriter may at any time by notice given to ERA (referred to in this Schedule as **the Issuer**) immediately, without cost or liability to itself, terminate the Underwriting Agreement so that it is relieved of all its obligations under the Underwriting Agreement if any of the following events occurs before 4:00pm (AEDT) on the Entitlement Offer settlement date (**Settlement Date**):

- (a) **(Offer Materials)** The ASX announcement, the Offer Booklet and other materials issued by ERA in connection with the Entitlement Offer (the **Offer Materials**) contain (whether by omission or otherwise) any statement which is false, misleading or deceptive or they otherwise do not comply with the Corporations Act or any other applicable law.
- (b) **\*(future matters)** Any statement or estimate in any Offer Materials which relates to a future matter is or becomes incapable of being met.
- (c) **(Cleansing Statement)** The notice given by the Issuer to ASX under section 708AA(2)(f) of the Corporations Act in respect of the Entitlement Offer (the **Cleansing Statement**) is or becomes defective, or any amendment or update to the Cleansing Statement is issued or is required to be issued under the Corporations Act and, in each case, that defect or amendment or update to the Cleansing Statement is materially adverse from the point of view of an investor.
- (d) **(ASIC action)** ASIC:
  - (i) applies for an order under Part 9.5 of the Corporations Act in relation to the Entitlement Offer or the Offer Materials;
  - (ii) holds or commences, or gives notice of intention to hold or commence, a hearing or investigation in relation to the Entitlement Offer or the Offer Materials under the Corporations Act or the *Australian Securities and Investments Commission Act 2001* (Cth); or
  - (iii) prosecutes or gives notice of an intention to prosecute or commences proceedings against, or gives notice of an intention to commence proceedings against, the Issuer or any of its officers, employees or agents in relation to the Entitlement Offer or the Offer Materials,

and such application, notice or proceeding is not withdrawn within two business days after it is made or by the Settlement Date.

- For personal use only
- (e) **(unable to issue New Shares)** The Issuer is prevented from allotting and issuing the New Shares in accordance with the Underwriting Agreement.
  - (f) **(quotation)** Approval (subject only to customary conditions) is refused or not granted to:
    - (i) the quotation of the Entitlements on ASX by 10.00am on the ex date; or
    - (ii) the quotation of the New Shares on ASX by 10.00am on the quotation approval date,or, if any such approval is granted, that approval is withdrawn or qualified.
  - (g) **(capital structure)** the Issuer alters its capital structure without the consent of the Underwriter, other than by issuing securities pursuant to the Entitlement Offer;
  - (h) **(listing)** The Issuer ceases to be admitted to the official list of ASX or the ERA shares are suspended from trading on, or cease to be quoted on, ASX.
  - (i) **(Insolvency)** The Issuer is insolvent or there is an act or omission which is likely to result in the Issuer becoming insolvent.
  - (j) **(withdrawal)** The Issuer withdraws the Entitlement Offer.
  - (k) **(misleading or deceptive conduct)** Civil or criminal proceedings are brought against the Issuer in relation to any fraudulent, misleading or deceptive conduct by or on behalf of the Issuer (whether or not in connection with the Entitlement Offer).
  - (l) **(illegality)** There is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Underwriter to satisfy an obligation under the Underwriting Agreement.
  - (m) **(misrepresentation)** A representation or warranty made or given, or deemed by the Underwriting Agreement to have been made or given, by the Issuer under the Underwriting Agreement proves to be, has been or becomes, untrue or incorrect.
  - (n) **(breach)** The Issuer fails to perform or observe any of its material obligations under the Underwriting Agreement.
  - (o) **(Timetable)** Any event specified in the Entitlement Offer timetable is delayed by the Issuer for more than three business days without the prior written approval of the Underwriter (not to be unreasonably withheld for a delay of up to two business days).

(p) **\*(material adverse change)** There is a material adverse change in the assets or liabilities, financial position or performance, profits or losses or prospects of the Issuer, including any material adverse change in the assets or liabilities, financial position or performance, profits or losses or prospects of the Issuer from those disclosed to ASX in accordance with the ASX Listing Rules prior to the date of the Underwriting Agreement or in the Offer Materials, excluding any such change that results from:

- (i) an increase in the estimated cost of the rehabilitation of the Ranger Project Area as determined by the Assessor (as defined in the government agreement in relation to the Ranger Uranium Mine between The Commonwealth of Australia and the Issuer (the **Ranger Government Agreement**)); or
- (ii) any adjustment of the amount of security required to be provided by the Issuer,

under the Ranger Government Agreement.

If an event marked with an asterisk (\*) occurs, the Underwriter may not terminate unless the Underwriter has reasonable grounds to believe, and does so believe, that the event:

- (a) is materially adverse from the point of view of an investor; or
- (b) will, or is likely to:
  - (i) give rise to a liability of the Underwriter under any applicable law; or
  - (ii) result in a contravention by the Underwriter or any of its affiliates of, or the Underwriter or any of its affiliates being involved in a contravention of, any applicable law.

## 2. SUMMARY OF CERTAIN UNDERTAKINGS

### 2.1 Additional undertakings

The Issuer has undertaken in favour of the Underwriter to, except where otherwise permitted under the Underwriting Agreement or with the prior written consent of the Underwriter:

- (a) **(Rehabilitation Account)** subject to paragraphs 2.1(b), 2.1(c) and 2.1(d) below, deposit the net proceeds of the Entitlement Offer in one or more accounts opened by the Issuer with an Australian authorised deposit-taking institution and designated as "ERA – Rehabilitation Account" (the **Rehabilitation Account**);

(b) **(Purpose)** use the proceeds of the Entitlement Offer, any investment of funds of the Rehabilitation Account and any interest, proceeds or returns generated from the investment of funds of the Rehabilitation Account (the **Rehabilitation Funds**) only for the purpose (**Purpose**) of

- (i) remediation of the Ranger Project Area in accordance with the authority granted under the *Atomic Energy Act 1953* (Cth) to mine, recover, treat and process uranium oxide at the Ranger Project Area (**s. 41 Authority**), the Issuer's rehabilitation objectives as outlined in the authorisation to operate issued under the NT Mining Management Act, and the Issuer's rehabilitation plan (**Closure Plan**) in respect of the closure of the Ranger Project Area (**Rehabilitation**);
- (ii) head office costs incurred in the usual course;
- (iii) transfers required to be made to the Commonwealth Security Deposit pursuant to the Ranger Government Agreement;
- (iv) indemnity payments owing with respect to any bank guarantee in favour of the Commonwealth of Australia for the purposes of the Ranger Government Agreement;
- (v) taking out and maintaining insurances with a reputable insurer in the manner and to the extent which is in accordance with prudent business practice having regard to the nature of the business and assets of the Issuer (including all insurance required by applicable law); or
- (vi) emergency obligations (including but not limited to matters pertaining to health, safety and the environment or in respect of any amounts payable to or under the direction of any law enforcement, regulatory agency or court where the ERA Board considers, in their reasonable opinion, it is required by any applicable law or regulation binding on the Issuer);

and not for any other purpose, except where agreed to in writing between the parties.

(c) **(Expenditure waterfall in relation to rehabilitation)** apply the Rehabilitation Funds for the Purpose as specified in paragraph (b) above only, and only after:

- (i) any cash and cash equivalents at bank and any cash flows from processing and liquidating stockpiles and inventories; and
- (ii) investments in trust funds, including the Commonwealth Security Deposit, where and to the extent it is permissible pursuant to the Ranger Government Agreement to withdraw and apply such funds,

have been exhausted;

- (d) **(Expenditure from the Rehabilitation Account);**
- (i) state in the Issuer's annual plan and budget (**Annual Plan**) the amount of funds anticipated to be drawn from the Rehabilitation Account during each Annual Plan period and to have that Annual Plan approved by the ERA Board;
  - (ii) obtain approval from the ERA Board in writing and in advance, for any anticipated expenditure to be drawn from the Rehabilitation Account which was not approved in the Annual Plan, or where the forecast total costs for a calendar year exceed the approved Annual Plan;
- (e) **(compliance with DFA)** not enter into any commitment or incur any expense (whether of a capital or operational nature) not approved by the relevant person(s), committee(s) or board(s) of the Issuer and the Underwriter and its related body corporates as set out in the ERA Delegated Financial Authority as read in conjunction with the "Rio Tinto Energy and Minerals Product Group – Financial Management and Compliance – Financial Authorisation Limits" document as at the date of the Underwriting Agreement (as amended from time to time by agreement between the Issuer and the Underwriter) (the **DFA**) (to the extent such approval is contemplated in the DFA) (such person(s), committee(s) or board(s) being the **Relevant Approver**) having regard to the amount of expenditure or commitment (as applicable) or otherwise approved by the Underwriter. For this purpose (and without limiting the DFA):
- (i) any "Capital Expenditure" (as contemplated by the DFA) greater than A\$5,000,000 will require the approval of the Relevant Approver of the Underwriter and its related body corporates and the Board of the Issuer; and
  - (ii) any "Operating expense" (as contemplated by the DFA) greater than A\$20,000,000 will require the approval of the Relevant Approver of the Underwriter and its related body corporates and the Board of the Issuer.

The Issuer acknowledges that this paragraph (e) applies notwithstanding any provision of the DFA which states that the approval is "advisory only and not binding on" the Issuer (or words to that effect);

- (f) **(No dividends, distributions or dealings with share capital)** not:
- (i) pay or distribute any money or other asset (including by management or other fee, interest, dividend, buy back, return of capital, repayment or redemption) to or for the benefit of a shareholder in that capacity or to a related body corporate except reasonable directors' fees and salaries and other emoluments;
  - (ii) during the Entitlement Offer period and for 90 days thereafter, issue any shares or agree to do so or grant a person a right to take up any shares

whether exercisable now or in the future subject to any conditions, except in connection with the Entitlement Offer (including the Shortfall Bookbuild);

- (g) **(No variation)** will not:
- (i) do anything which has the effect of varying or supplementing;
  - (ii) avoid, release, surrender, terminate, rescind, discharge (other than by performance) or accept the repudiation of;
  - (iii) do or permit anything which would entitle another party to do anything referred to in sub-paragraph (ii) in relation to; or
  - (iv) expressly or impliedly grant any waiver, consent, time or indulgence under or in respect of,
- any bank guarantee, any document between the Issuer and the issuer of a bank guarantee pursuant to which the Issuer indemnifies the issuer in relation to such bank guarantee or the Ranger Government Agreement if to do so would have a material adverse effect on the rehabilitation or the Issuer's obligations under the Underwriting Agreement;
- (h) **(Notice to Underwriter)** notify the Underwriter as soon as possible after it becomes aware of:
- (i) any breach of an undertaking or representation and warranty given by the Issuer under the Underwriting Agreement;
  - (ii) any substantial dispute between it and a government agency; and
  - (iii) any litigation, arbitration, tax claim, dispute or administrative or other proceeding in relation to it involving a claim exceeding A\$1 million or its equivalent other than a claims for worker's compensation;
- (i) **(Updating of costs)** update the Australian dollar nominal, undiscounted amount estimated from time to time as being required to complete the rehabilitation (as reduced by subsequent expenditure on rehabilitation undertaken in accordance with the Closure Plan) on a half yearly basis by reference to the facts and circumstances then existing and promptly provide the half yearly update to the Underwriter and shareholders;
- (j) **(Board Charter)** amend and adopt modifications to the Board Charter as approved on 29 January 2015 and ancillary internal processes to reflect the undertakings in the Underwriting Agreement or as otherwise agreed with the Underwriter; and

- (k) **(Monthly reports)** as soon as practicable (but within 14 days after the end of each calendar month) provide copies of consolidated and unconsolidated monthly summary of cash flow and, at the Underwriter's request, adjusted forward cash flow for the next month to the Underwriter.

## 2.2 **Interest bearing investment**

Notwithstanding paragraph 2.1 above, the Issuer may invest the net proceeds of the Entitlement Offer in an interest bearing investment, with an acceptable financial institution, that complies with the following principles:

- (a) preservation of capital and security of the principal is fundamental;
- (b) maintenance of sufficient liquidity to meet all reasonable anticipated rehabilitation cash flow requirements;
- (c) minimisation of credit risk; and
- (d) strict prohibition on speculative investments.

The principal amount of any investment of Rehabilitation Funds, plus any interest, proceeds or returns made on the principal investment, must be deposited back to the Rehabilitation Account on maturity or termination of the investment.

## 2.3 **Growth Assets**

- (a) In this Schedule:
  - (i) **Growth Assets** means:
    - (A) Cash Growth Assets; and
    - (B) Jabiluka Growth Assets;
  - (ii) **Jabiluka Growth Assets** means:
    - (A) Jabiluka; and
    - (B) interest, proceeds, assets or returns generated from the investment or disposal of, or granting of security over, or other dealing with, Jabiluka,subject at all times to the operation of paragraph 2.4 below;
  - (iii) **Cash Growth Assets** means:
    - (A) the sum of \$20 million plus any premium received by the Issuer over the Offer Price for any New Shares issued pursuant to the Shortfall Bookbuild; and

- (B) interest, proceeds, assets or returns generated from the investment or disposal of, or granting of security over, or other dealing with the sum referred to in paragraph (a) of this definition; and
  - (iv) **LTCMA** means the Jabiluka Long Term Care and Maintenance Agreement dated 25 February 2005 between the Issuer, the Northern Land Council (ABN 56 327 515 336) and the Traditional Owners of the Jabiluka Project Area.
- (b) The Issuer and the Underwriter have agreed that:
  - (i) the Growth Assets do not form part of the Rehabilitation Funds and no part of them needs to be deposited into the Rehabilitation Account;
  - (ii) subject to this paragraph 2.3 and paragraph 2.4, the Issuer may deal with, use or expend Growth Assets as the ERA Board decides from time to time;
  - (iii) nothing in the Underwriting Agreement, the Loan Agreement or any other agreement between the parties shall prohibit or restrict the Issuer dealing with, using and expending the Cash Growth Assets as the ERA Board determines from time to time, or carrying on any business in which any Cash Growth Assets are deployed. Without limiting the generality of the foregoing, the Cash Growth Assets may be expended or used for or in connection with any projects or capital commitments that the ERA Board decides and paragraph 2.1(c) shall not apply in relation to Cash Growth Assets;
  - (iv) subject to paragraph 2.4, nothing in the Underwriting Agreement shall prohibit or restrict the Issuer dealing with, using and expending the Jabiluka Growth Assets as the ERA Board determines from time to time, or carrying on any business in which any Jabiluka Growth Assets are deployed; and
  - (v) the approval of the Underwriter and/or its related bodies corporate is not required under paragraph 2.1(e) for the Issuer to enter into any commitment or incur any expense, and the Underwriter's commitment under the Loan Agreement will not be cancelled merely because approval is not obtained under the Loan Agreement, where the commitment or expense relates only to or is to be satisfied solely out of the Cash Growth Assets.

#### 2.4 Jabiluka Growth Assets

- (a) For the avoidance of doubt, dealings with the Jabiluka Growth Assets are subject to the Loan Agreement entered into between the Issuer and the Underwriter in 2016. The Loan Agreement was the subject of an announcement

made by ERA to the ASX on 29 April 2016. The Loan Agreement remains on foot.

- (b) For so long as the undertakings in paragraph 2.1 continue, the Issuer will not deal with or create any new economic or legal interest in the Jabiluka Growth Assets, including by way of sale, disposal, grant, new or expanded partnership, joint venture, granting of security over or otherwise encumbering the Jabiluka Growth Assets, without the prior written consent of the Underwriter (not to be unreasonably withheld or delayed). The Underwriter's prior written consent will have regard to the Issuer's assurance that:
  - (i) such dealing with the Jabiluka Growth Assets will not compromise the LTCMA; and
  - (ii) the Issuer is satisfied that any incoming counterparty (which need not be named) to such dealing has the capacity and intention to fulfil, comply with and be bound by the terms of the LTCMA.

## 2.5 Review

If at any time after 31 December 2023 the Issuer believes in good faith that, after the amounts referred to in paragraphs (i) and (ii) of paragraph 2.1(c) are exhausted, the Rehabilitation Funds will materially exceed the amount required for the Purpose, the parties shall meet and discuss in good faith whether any part of the Rehabilitation Funds should be released and, if the parties so agree, the amount so released shall:

- (a) thereafter form part of the Growth Assets for the purpose of the Underwriting Agreement (subject to agreement between the parties); or
- (b) otherwise be deployed in such manner as agreed between the parties, including without limitation, capital management initiatives, new investment opportunities or for general corporate purposes.

## 2.6 Specific performance and injunctive relief

The Issuer agrees and acknowledges that damages will not be an adequate remedy for the Underwriter for any breach of the Underwriting Agreement and that the Underwriter may seek specific performance or injunctive relief as a remedy for any actual or threatened breach, in addition to any other remedies available at law or in equity under or independently of the Underwriting Agreement.

## 2.7 Term of undertakings

- (a) In this paragraph, **Closure Implementation** means substantial completion in all material respects, of the closure work programs for the key closure activities as described in Chapter 11 – Implementation of the Closure Plan or, if the Closure Plan is amended after the date of the Underwriting Agreement such that the closure work programs for the key closure activities are no longer

described in Chapter 11 - Implementation, the Chapter of the Closure Plan that describes the closure work programs for the key closure activities.

- (b) Each undertaking described in paragraph 2.1 above shall continue from the date of the Underwriting Agreement until any of the following first occurs:
  - (i) Closure Implementation has occurred;
  - (ii) the issue of a close out certificate for the Ranger Project Area under the s. 41 Authority;
  - (iii) termination of the Underwriting Agreement; and
  - (iv) the Issuer ceasing to be a subsidiary of Rio Tinto Limited.
- (c) Any dispute as to whether or not Closure Implementation has occurred may be referred by a party to a third party expert for determination.