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ASX Announcement

Update regarding interim entitlement offer

28 July 2022

Energy Resources of Australia Ltd (**ERA**) refers to its ASX announcement dated 24 June 2022.

ERA has been engaging with its three largest shareholders in relation to a proposed non-underwritten, renounceable entitlement offer, which would seek to raise approximately \$300 million in interim funding required to continue with planned Ranger rehabilitation works on an optimised basis until the end of 2023 (**Interim Entitlement Offer**).

The proceeds from the Interim Entitlement Offer, together with ERA's cash on hand, would fund the rehabilitation works for sufficient time to enable ERA to complete a revised feasibility study for the project, to prepare a revised mine closure plan (with updated project cost estimate and schedule) and to determine the balance of any funding requirement to complete the Ranger Rehabilitation Project.

With a view to balancing the potential dilutionary effects of the Interim Entitlement Offer (for shareholders who do not take up their entitlements) while sufficiently incentivising participation to ensure the necessary funds are raised to enable ERA to continue with its planned Ranger rehabilitation works and remain solvent, ERA's Independent Board Committee¹ (**IBC**) had proposed, in its discussions with its significant shareholders, pricing the Interim Entitlement Offer at a 10-15% discount to ERA's prevailing share price.

In proposing a 10-15% discount to ERA's share price, the IBC had regard to Takeovers Panel guidance and the need to mitigate the potential control effects of the Interim Entitlement Offer in the light of the proximity of Rio Tinto's shareholding (86.3%) to the general compulsory acquisition threshold of 90%. The IBC also had regard to the fact that a possible outcome of the Interim Entitlement Offer (depending on the offer price and the extent of take up by minority shareholders) is that Rio Tinto might become entitled to exercise general compulsory acquisition rights under Part 6A.2 of the *Corporations Act 2001* (Cth), and that the offer price under the Interim Entitlement Offer may have bearing on the compulsory acquisition price.

¹ Consisting of ERA's independent non-executive directors, Messrs Mansell (Chair), Charles and Dowd

However, following engagement with ERA's three largest shareholders, no pre-commitments to subscribe for entitlements in the Interim Entitlement Offer were forthcoming on the IBC proposed terms from either Rio Tinto or the two next largest shareholders. As a consequence, the IBC does not have sufficient confidence that proceeding with the Interim Entitlement Offer on the terms it had proposed will raise the necessary funds.

In declining to support the Interim Entitlement Offer at the price proposed by the IBC, Rio Tinto has noted the lack of pre-commitment from minority shareholders. It has further advised the IBC that Rio Tinto does not expect its investment in rehabilitation to generate financial returns, and as such Rio Tinto considers the offer price should reflect fair value which has regard to that expectation, the material cost over runs and interim funding requirements and the Mirarr People's publicly stated position on the future development of Jabiluka. Rio Tinto has advised the IBC that, in its view, the IBC's proposed offer price of a 10-15% discount to the prevailing share price of ERA does not have regard to these factors.

Given the above, the IBC has determined that it will delay the launch of the Interim Entitlement Offer:

- to enable it to urgently engage an independent valuation expert to determine the fair value of ERA shares, on a basis consistent with an independent expert's valuation prepared under Part 6A.4 of the *Corporations Act* and in accordance with published ASIC guidance (including Regulatory Guide 111); and
- it will then determine the offer price of the Interim Entitlement Offer by reference to the fair value, as determined by the independent expert valuer.

The IBC notes Rio Tinto's previous public statements to the effect that it is committed to working with ERA *"to ensure the rehabilitation of the Ranger Project Area is successfully achieved to a standard that will establish an environment similar to the adjacent Kakadu National Park"*.

The IBC considers that Rio Tinto subscribing for its full pro rata share of its entitlements in the Interim Entitlement Offer, where the price is set by the IBC by reference to the fair value of ERA determined by the independent expert valuer, would be more likely and consistent with Rio Tinto's stated commitment to the completion of the Ranger Project Area rehabilitation project. Rio Tinto's full participation in the Interim Entitlement Offer would ensure that funding required for the rehabilitation of the Ranger Project Area until December 2023 is successfully raised.

ERA has reviewed its forward cash expenditure in light of these developments and is closely monitoring its rehabilitation commitments. ERA remains committed to maintaining the current Ranger Project Area rehabilitation schedule to the extent it possibly can. As at 30 June 2022, ERA had \$132 million of cash on hand (unaudited).

ERA is mindful that, having to suspend or slow the progress of the Ranger Rehabilitation Project, will likely have determinantal impacts to the overall cost and schedule for the completion of the Ranger Rehabilitation Project.

ERA reaffirms its commitment to the successful completion of the Ranger Project Area to a standard that will establish an environment similar to the adjacent Kakadu National Park.

ERA confirms support for and ongoing commitment to the Jabiluka Long Term Care and Maintenance Agreement. The Jabiluka deposit will not be developed by ERA without the consent of the Mirarr Traditional Owners.

ERA will advise shareholders of the terms of the proposed Interim Entitlement Offer once they are determined, which is currently expected to be in Q4 of 2022.

This announcement is authorised by the IBC.

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About Energy Resources of Australia Ltd

Energy Resources of Australia Ltd (**ERA**) has been one of the nation's largest uranium producers and operated Australia's longest continually producing uranium mine.

The operations of ERA are located on Aboriginal land and are surrounded by, but separate from, Kakadu National Park. ERA respectfully acknowledges the Mirarr, Traditional Custodians of the land on which the Ranger mine is situated.

ERA remains committed to creating a positive legacy and achieving world class, sustainable rehabilitation of former mine assets.

ERA's Ranger Project Area (100%) is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in Australia's Northern Territory. ERA holds title to the Jabiluka Mineral Lease (100%). ERA is a major employer in the Northern Territory and the Alligator Rivers Region.