



3 October 2022

Response to recent media reporting and update regarding the intentions of ERA's independent board of directors

Energy Resources of Australia Ltd (**ERA** or the **Company**) refers to recent media reports concerning ERA's release of the Independent Expert's Report on the fair value of the Company, prepared by Grant Thornton Corporate Finance Pty Ltd (**Independent Expert**), and Rio Tinto's press release dated 29 September 2022 titled 'Response to Energy Resources of Australia's independent valuation report' (together, the **Media Reporting**).

ERA's Independent Board Committee (**IBC**) is concerned that the Media Reporting contains factual inaccuracies. A table identifying the particular statements contained in recent Media Reporting which the IBC considers to be inaccurate and why the IBC considers that to be so is **attached** to this announcement.

The IBC also notes recent Media Reporting concerning the findings of the Independent Expert's Report and notes that the report was prepared in accordance with applicable ASIC regulatory guidance (including ASIC Regulatory Guides 111 and 112), the engagement of the Independent Expert was a process supported by Rio Tinto and the report expressly refers to the Mirarr People's opposition to any further mining of Jabiluka and ERA's commitments under the Long Term Care and Maintenance Agreement to not develop Jabiluka without Mirarr Traditional Owner Approval.

The IBC notes the following public comments attributed to Grant Thornton:

"These sorts of assessments are subjective and this is set out in the report.

The opposition of the Traditional Owners to the development of the Jabiluka Site is extensively acknowledged and documented in the report. Our report does not suggest the Traditional Owners will change their view or would provide approval."

Intended resignation of ERA's independent board of directors

In light of recent developments in their dealings with Rio Tinto, and noting the requests (all post receipt of the Independent Expert's report) from Rio Tinto that Peter Mansell consider his position as Chair of ERA, the independent directors of ERA do not believe that it is in the best interests of ERA for them to continue to work with Rio Tinto into the future.

Accordingly, the Chairman, Peter Mansell, and independent non-executive directors, Paul Dowd and Shane Charles (who comprise the IBC) advised Rio Tinto last week of their respective intentions to resign from the board of ERA, as soon as, inter alia, a clear pathway to an interim funding solution for the Company is arrived at. Rio Tinto was aware of that position prior to its announcement of today.

The IBC will endeavour to continue discussions with Rio Tinto to find an interim funding solution as soon as possible and will update shareholders in due course.

This announcement was authorised by the IBC.

**ERA**

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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 has an excellent track record of reliably supplying customers. Uranium was mined and processed at Ranger for four decades. During that time, Ranger produced in excess of 132,000 tonnes of uranium oxide.

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.



Inaccurate theme in the Media Reporting

The IBC's and Rio Tinto's disagreement regarding the interim entitlement offer was because the IBC was unwilling to provide a commitment that funds raised would be used for rehabilitation and not Jabiluka's development.

For example:

- *“Rio owns 86.3 per cent of ERA and says it is willing to back a proposed rights offering as long any funds raised are dedicated strictly to rehabilitation and not any mining development.*

Rio maintains that ERA's independent board committee, headed by chairman Peter Mansell, has resisted giving that commitment”¹

- *“ERA has previously said the disagreement was related to the price of the share issue being considered – a 10 to 15 per cent discount on the company's then trading price.*

But Rio Tinto chief executive Kellie Parker said on Thursday the major sticking point has been the insistence of ERA's independent board members – including chairman Peter Mansell, former Newmont Australia boss Paul Dowd and Shane Charles – on keeping the company's Jabiluka options open, with Rio refusing to kick in money for any purposes other than rehabilitating the Ranger mine.”²

ERA IBC comment on inaccuracy

It is inaccurate to suggest or imply that ERA has been seeking to raise funds, through the interim entitlement offer, for the development of Jabiluka or any other mine.

Moreover, Rio Tinto has never sought a commitment from the IBC that ERA only use proceeds from the interim entitlement offer to fund rehabilitation. The IBC has not 'resisted' providing such a commitment and in any event considers such a commitment is implied in the stated use of the proceeds which was clearly communicated to Rio Tinto.

In its discussions with Rio Tinto, the IBC made it clear that the funds from the interim entitlement offer are being sought to fund the Ranger rehabilitation until the end of CY2023, which will provide ERA time to complete its updated feasibility study and prepare a revised closure plan. The IBC has never suggested raising funds through interim entitlement offer for any mining development.

The IBC notes that ERA is party to the Long Term Care and Maintenance Agreement and has repeatedly confirmed Jabiluka will not be developed without Traditional Owner approval, respecting of the Mirarr's wishes.

A draft ASX announcement provided to Rio Tinto in June 2022 (provided in the context of seeking a pre-commitment to support the interim entitlement offer) stated that the 'use of funds' would be as follows:

- *“Optimised rehabilitation expenditure [i.e. until the end of CY2023] and 2022 Feasibility Study costs*
- *Delivery partner and additional resourcing costs*

¹ Australian Financial Review article 29 September 2022 “Rio comes out swinging over Jabiluka uranium deposit”

² The Australian article 29 September 2022 “Rio Tinto says ERA is clinging to Jabiluka mine option amid rehabilitation funding stoush”

Inaccurate theme in the Media Reporting

ERA IBC comment on inaccuracy

- *“Ms Parker said that Rio wanted a commitment from ERA that any cash it chipped into a capital raising, irrespective of the price, would not be used for work on the development of Jabiluka.”³*
- *“There’s been multiple back and forth around how we can support ERA but every time they put something to us it is breaching these principles,” Parker said.*
“We just don’t find the mechanism where you can just put the money straight into the ground and into actually improving the environmental outcomes at Ranger.”⁴
- *She said Rio was “totally committed to completing the rehab at Ranger to the correct environmental standards”. She added that the company was willing to fund ERA to do it so long as all the money goes into rehabilitation and none of it is used to explore the possibility of restarting mining.⁵*

- *Corporate costs, working capital, funding costs and other costs (including royalties)*
- *Contingency to be used for CY24+ rehabilitation, subject to participation from other shareholders and outcome of Shortfall Bookbuild”*

Further, Rio Tinto was apprised of the fact that in sizing the interim entitlement offer, ERA’s cash flow forecast contemplates using for rehabilitation the \$20 million provisionally designated (at the time of ERA’s 2019 entitlement offer) as expenditure for prospective development opportunities or otherwise as the ERA Board determined to be in the best interests of ERA (subject to take up of entitlements).

Rio Tinto reviewed the references made to it in ERA’s ASX announcement of 28 July, which referred to the then outstanding issue being about the Offer Price reflecting fair value and contained no mention of any concerns regarding the intended ‘use of funds’ by ERA.

Rio Tinto has to buy out the minorities for it to provide the funding to support Ranger rehabilitation.

The inference that Rio Tinto may have to “*pay the minorities for the opportunity to put money into the ground*” is incorrect.

For example:

- *“She said Rio was unwilling to buy out minority shareholders, headed by a fund managed by Perth-based businessman Willy*

Rio Tinto does not need to “*buy out minority shareholders*” in order to “*put more money into the ground*”.

Participating in the interim entitlement offer will see Rio Tinto’s money put into the rehabilitation project (or ‘into the ground’).

³ The Australian article 29 September 2022 “Rio Tinto says ERA is clinging to Jabiluka mine option amid rehabilitation funding stoush”

⁴ The Guardian article, 2 October 2022 “Kakadu uranium site clean-up in limbo amid calls to revive mine”

⁵ The Guardian article, 2 October 2022 “Kakadu uranium site clean-up in limbo amid calls to revive mine”

**Inaccurate theme in the Media Reporting****ERA IBC comment on inaccuracy**

Packer with 7.9 per cent, at a cost of up to \$122 million based on the upper end of the Grant Thornton.

Why should we have to pay for the opportunity to put more money into the ground?," Ms Parker said.

As the (valuation) report says it seems like over \$100 million to be able to put a billion dollars into the ground, That doesn't seem sensible at all. And fundamentally why should people profit off known risks (blow out in mine rehabilitation costs) that have come to fruition?"⁶

Rio Tinto will only have to 'buy out minority shareholders' if it decides to own 100% of ERA. Whether or not Rio Tinto wants to own 100% of ERA and therefore 'buy out minority shareholders' is a choice for Rio Tinto to make and not any requirement for Rio Tinto to fund the Ranger rehabilitation project. In this regard, the IBC notes that the Independent Expert's report has highlighted that owning 100% of ERA will unlock certain benefits to any potential acquirer and additional special benefits to Rio Tinto.

The cost of rehabilitating the Ranger Project Area will necessarily increase.

- *"The valuation report put the price tag on outstanding rehabilitation work at somewhere between \$1.19 billion and \$1.79 billion, but the figure is set to climb when ERA completes another cost study next year."⁷*

This statement presupposes the outcome of the study, without basis.

The IBC has refused to provide Rio Tinto a mechanism to fund rehabilitation.

For example:

- *"We have worked with the independent board committee of ERA to find a mechanism that can fund rehab and we have put different offers to ERA which have been rejected.*

On 5 July 2022, the IBC sought Rio Tinto's pre-commitment to take up its entitlement in full, for an interim entitlement offer priced at 18 cents per share and with the intention to size the offer based on the level of pre-commitments received from major shareholders, to ensure the funds required to fund Ranger rehabilitation until end of CY2023 were successfully raised.

On 15 July 2022, in response to the IBC's proposal of a rights issue at 18 cents, Rio Tinto advised ERA in writing that:

⁶ Australian Financial Review article 29 September 2022 "Rio comes out swinging over Jabiluka uranium deposit"

⁷ Australian Financial Review article 29 September 2022 "Rio comes out swinging over Jabiluka uranium deposit"

Inaccurate theme in the Media Reporting

ERA IBC comment on inaccuracy

*And what they bring back to us doesn't allow us to just directly put money into the ground and into rehab, so we're becoming deeply frustrated and losing confidence."*⁸

- *"We certainly have provided ERA ample opportunity to find the mechanism to fund rehabilitation, and suggestions of how we could help. And we just want to ensure that the Mirarr's wishes are completely respected," she said.*

*What comes back is very different and that is just becoming more and more frustrating and, in fact, we're losing confidence."*⁹

- *"In July 2022, when the ERA IBC failed to obtain major shareholder support for its proposed offer terms, Rio Tinto offered to subscribe for its full pro-rata entitlement at an offer price that reflects Rio Tinto's view of fair value. This offer to ERA remains."*¹⁰

Rio Tinto remains willing to pre-commit to participate for its pro rata entitlement in order to demonstrate our commitment to the rehabilitation of the Ranger Project Area:

- (a) subject to receipt by ERA of written approval from ASIC to appoint a s 615 nominee;*
- (b) subject to retaining statutory rights on compulsory acquisitions should they arise (see our intentions below); and*
- (c) taking all of the above factors into account, on the basis that **the offer is proposed to be priced at a discount that reflects fair value** and market precedents such as 2 cents.*

This conditional willingness to pre-commit to participate at an offer price of "such as 2 cents" constituted a 90% discount to ERA's previous day's closing price and the condition that Rio Tinto must retain its statutory rights to compulsorily acquire minority shareholders should they arise was not a condition capable of acceptance by ERA's IBC because ERA cannot bind the relevant regulator of takeovers, the Takeovers Panel.

The price of 'such as 2 cents' was not considered acceptable to the IBC for reasons, including:

- the impacts on control of ERA were considered by the IBC to be far more significant under an Interim Entitlement Offer set at a price of 2 cents than if it were set at the IBC proposed 18 cent offer price, because minority investors would have to contribute more than five (5) times the capital otherwise required at the IBC's proposed issue price just to prevent Rio Tinto being able to proceed with compulsory acquisition; and
- in the view of the IBC, doing so would have disincentivised minority shareholders from participating in the entitlement offer and involve risk of litigation including a declaration

⁸ Australian Financial Review article 29 September 2022 "Rio comes out swinging over Jabiluka uranium deposit"

⁹ The Australian article 29 September 2022 "Rio Tinto says ERA is clinging to Jabiluka mine option amid rehabilitation funding stoush"

¹⁰ Rio Tinto Media Release 29 September 2022 "Response to Energy Resources of Australia's independent valuation report"

Inaccurate theme in the Media Reporting

ERA IBC comment on inaccuracy

of 'unacceptable circumstances' by the Takeovers Panel or other litigation commenced by minority shareholders of ERA.

Rio Tinto has not provided any offer to the IBC to subscribe under the interim entitlement offer in terms that was capable of acceptance by the IBC.

ERA intends to develop Jabiluka without the approval of Traditional Owners.

The Independent Expert's report said: *"it could take at least seven to eight years before the Jabiluka Mine is developed, subject to Traditional Owners' approval"*.

For example:

- *"The report says that Jabiluka could be developed within 10 years. It's very, very difficult to understand how that could even happen without traditional owner consent. And it's difficult to see how the studies would even get funded when we are very clearly saying we want money to go into rehabilitation," she said.*¹¹
- *Parker said she accepted that a valuation could take into account a change of attitudes over generations, but the idea that mining could start within 10 years was "fundamentally disrespectful to the Mirarr, to start with, and then it's just inconsistent to what they have been saying for decades".*¹²

This statement in the report was the Independent Expert's opinion on the minimum possible development timelines for valuation assessment purposes if Traditional Owner approval was provided, in the context of comparing trading peer multiples. It was not a statement of intention of ERA and it would be wrong to attribute the Independent Expert's views on potential development timelines as a statement of intention of ERA.

In any event the independent expert has since publicly stated:

"The opposition of the traditional owners to the development of the Jabiluka site is extensively acknowledged and documented in the report. Our report does not suggest the traditional owners will change their view or would provide approval."

The Independent Expert's report also correctly noted that ERA is party to the Long-Term Care and Maintenance Agreement which includes the obligation that Jabiluka not be developed without Traditional Owner approval. ERA continues to abide by its Long-Term Care and Maintenance Agreement commitments.

The views of the independent expert are the IBC's views.

The IBC engaged an Independent Expert, in a process that was expressly supported by Rio Tinto, to seek an independent professional opinion on the value of ERA's shares for the purpose of assisting the IBC resolving the pricing of the Interim Entitlement Offer given Rio Tinto's refusal to

¹¹ The Australian article 29 September 2022 "Rio Tinto says ERA is clinging to Jabiluka mine option amid rehabilitation funding stoush"

¹² The Guardian article, 2 October 2022 "Kakadu uranium site clean-up in limbo amid calls to revive mine"



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For example:

- *“ERA’s negotiations with Rio and the conclusions of the Grant Thornton report – endorsed by ERA’s independent board committee – are reflected in disclosures to the market by ERA.”¹³*

pre-commit to the interim entitlement offer at the IBC’s proposed offer price of \$0.18 cents per share. The opinions expressed in the report are the Independent Expert’s professional opinion and the reasons for the Independent Expert’s opinion are contained in the report.

¹³ The Australian article 29 September 2022 “Rio Tinto says ERA is clinging to Jabiluka mine option amid rehabilitation funding stoush”