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ERA Energy Resources of Australia Ltd

ABN 71 008 550 865
A member of the Rio Tinto Group

ASX Announcement

29 April 2016

Credit facility agreement

- Energy Resources of Australia Ltd (**ERA**) has entered into a $100 million credit facility agreement with Rio Tinto.
- The credit facility agreement provides additional assurance to stakeholders that rehabilitation of the Ranger Project Area can be fully funded in a range of business scenarios.
- Under current commodity and foreign exchange rate assumptions, ERA expects to have sufficient financial resources to fully fund its rehabilitation programme in the absence of the credit facility agreement.
- The arrangement prudently manages the Company's funding risk associated with rehabilitation of the Ranger Project Area and is terminable at any stage at ERA's option.

ERA has entered into a credit facility agreement with North Limited, a wholly owned subsidiary of Rio Tinto Limited, under which loans of up to $100 million can be made available to ERA in support of its rehabilitation obligations on the Ranger Project Area, should additional funding ultimately be required. Under the current Ranger Authority rehabilitation of the Ranger Project Area is required to be completed by 2026.

At 31 December 2015, ERA had $433 million in total cash resources and a rehabilitation provision of $509 million. Under current assumptions relevant to ERA's cash position[1] and having regard to the expected years of future production, the Company expects to have sufficient financial resources to fully fund its rehabilitation programme.

However, should those assumptions not be realised, and in the absence of any other successful developments or asset sales, the Company may draw on the facility.

The arrangement provides additional assurance to the Company's stakeholders that rehabilitation of the Ranger Project Area can be fully funded in a range of business scenarios. It is compatible with a range of strategic options for the Company and can be terminated at any time.

[1] Such assumptions include foreign exchange rate, uranium oxide prices, input and consumable costs, stockpile mining and other operational plans.

Key terms

The key terms of the credit facility agreement are set out below.

(a) The credit facility agreement has a maximum commitment of $100 million.

(b) ERA is able to terminate the credit facility agreement at any time (subject to repaying any outstanding loans) to enable ERA to continue to pursue future growth options, and the agreement will automatically terminate if ERA:

   (i) approves or makes any expenditure in relation to the Ranger 3 Deeps project without the consent of the lender, other than in relation to care and maintenance of the Ranger 3 Deeps exploration decline and certain other limited exceptions; or

   (ii) without the lender's approval incurs:

      (A) capital expenditure or other similar expenditure related to a proposed investment or specific project in excess of $5 million; and

      (B) financial commitments in excess of $20 million related to, for example, purchase contracts pursued in the ordinary course of business.

(c) Key conditions precedent for draw down of the credit facility are that:

   (i) the Company has exhausted all cash reserves (except for cash that is required to be held on deposit with the Commonwealth Government in the Ranger Rehabilitation Trust Fund);

   (ii) the Company has taken all reasonable steps to monetise its assets (other than certain specified assets including in relation to the Ranger Project Area and the Jabiluka Mineral Lease); and

   (iii) the Company is solvent at the time of drawdown.

(d) The maturity date of the credit facility is 31 December 2027 (or a later date agreed by Rio Tinto), with any amounts drawn required to be repaid in full on maturity. The repayment of any loans drawn would ultimately need to be satisfied through an alternate form of fundraising that may include the sale of the Company's remaining assets. If any outstanding amounts are unpaid on the maturity date, Rio Tinto may require ERA to conduct a rights issue to raise proceeds equal to those amounts. The member companies of the Rio Tinto group that hold shares in ERA will be required to take up their full entitlements in the rights issue and to underwrite the remainder of the rights issue.

(e) No interest is payable on funds made available under the credit facility agreement. However, a termination fee is payable equal to the 6-month Bank Bill Swap Rate on the termination date plus 9 per cent on any loan amounts drawn, payable on the termination date.

(f) The credit facility agreement contains a review mechanism which is triggered if, before the first drawdown, the estimated rehabilitation cost increases by $12.5 million or more for reasons other than external factors or operational issues beyond ERA's reasonable control. The review mechanism ultimately provides Rio Tinto with a right to terminate the credit facility agreement if the parties cannot agree a satisfactory path forward following such an increase in the estimated rehabilitation cost.

In addition, the credit facility agreement contains representations, warranties and undertakings that are common for an agreement of its type.

Governance

The execution of the credit facility agreement follows an extensive process of negotiation with Rio Tinto.

ERA has undertaken a rigorous internal assessment regarding the credit facility agreement. Responsibility for the evaluation, negotiation and approval of the credit facility agreement was delegated by the ERA Board to a committee comprised only of Independent Directors.

The Independent Directors have determined that entering into this transaction is prudent and appropriate at this time, and is in the best interests of all ERA shareholders. In particular, the arrangement contributes to the Company's management of risks to its financial position should the uranium market not recover from current weakness over the next five years. The terms that have been agreed are superior to any of the alternative funding support mechanisms that were considered.

ERA can terminate the credit facility agreement at any time. The Board will periodically evaluate whether it is appropriate to continue under the arrangement or terminate the agreement.

About Energy Resources of Australia Ltd

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

ERA has an excellent track record of reliably supplying customers. Uranium has been mined at Ranger for more than three decades. During that time, Ranger has produced in excess of 120,000 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.

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