

26 October 2022

Senate Standing Committee on Economics  
Department of the Senate  
Parliament House  
CANBERRA ACT 2600

## Responses to Questions on Notice

We refer to your email received on 18 October 2022 and Senator Cox's additional request for answers to questions taken on notice following Energy Resources of Australia's (ERA) appearance at the recent public enquiry held by video conference on 18 October 2022.

The following are the responses from ERA in accordance with those questions: -

### 1. Hansard Extract

**Mr Welsh:** We did make an announcement to the market in February, to say that the range for the estimate was \$1.6 billion to \$2.2 billion for completion of the rehabilitation. It's really important that we undertake an update to our feasibility study so that we can communicate confidently with our shareholders, as well as with stakeholders, about what that estimate is and closing that range, as well as the time frame needed to undertake rehabilitation.

**Senator COX:** Does ERA currently have the capital to fund that?

**Mr Welsh:** Our funding issues are a matter of public record; we've made a number of disclosures to the market. We're exploring all funding options, and that's something that we normally delegate to our independent board. We're in a board renewal process right now; it will be charged with working through our funding solutions.

**Senator COX:** Is there any binding agreement or contract between ERA and Rio Tinto, as the parent body, to ensure that, between both of you, you're able to actually meet this cost? Or will this be passed on to the government?

**Mr Welsh:** Sorry, Senator; the sound broke up a little bit. Is the question: is there any agreement between ERA and Rio Tinto?

**Senator COX:** Yes, that's right.

**Mr Welsh:** ERA is a separately listed company that's independently managed. Rio does own 86 per cent of our shares. I'm happy to take it on notice, but in Rio's annual report they have taken a provision for the rehabilitation of Ranger, which is effectively a constructive obligation on Rio's part. But we do require, as an independently and separately listed company, work with all shareholders, including Rio Tinto, to ensure that rehabilitation is effectively funded.

## **2. Question from Senate Standing Committee on Economics**

In your evidence you mentioned that there are several funding options that are being explored, what are they?

### **ERA Response**

The three areas that are being explored are as follows and they are all on the public record:

#### **Option 1 – Credit Facility**

On 6 October 2022, the Company agreed to enter into an amended \$100 million loan agreement with Rio Tinto (Revised Credit Facility). Please refer to the following market announcement: <http://clients3.weblink.com.au/pdf/ERA/02578784.pdf>

#### **Option 2 – Interim Trust Drawdown for completed rehabilitation**

On 19 October 2022, the Company provided an update on an interim funding allocation for completed works from the Commonwealth Trust fund. Please refer to the following market announcement: <http://clients3.weblink.com.au/pdf/ERA/02584663.pdf>.

#### **Option 3 – Shareholder Funding Options**

In addition to Rio Tinto making the \$100 million credit facility available to ERA referred to at Option 1 above, Rio Tinto has stated a number of times, most recently being 2 October 2022, that it is committed to the successful rehabilitation of the Ranger Project Area to a standard that will establish an environment similar to the adjacent Kakadu National Park. Once the ERA Board renewal process has been completed then its Independent Board will commence engaging with Rio Tinto and other shareholders around funding options such as an entitlement offer.

## **3. Question taken on notice – Hansard Extract**

**Senator COX:** Do you have an estimated cost of how much profit was made over the lifetime of Ranger mine?

**Mr Welsh:** I'd have to take it on notice. I don't have that detail.

**Senator COX:** Okay. Do you know whether any of the profit was proactively put away in order to facilitate mine rehabilitation?

**Mr Welsh:** I'd have to take the detail on notice. We did make provision in our accounts to fund rehabilitation and we have successfully raised equity previously to fund rehabilitation activities. We've already spent about \$918 million on rehab, so we did make provision. I do state that it is quite a complex rehabilitation and there is quite a lot of technical as well as environmental risk when we're trying to undertake such a significant rehabilitation of this scale and complexity.

### **ERA Response**

The ERA accounts have recognised the need to rehabilitate the site since the company was formed in the early 80's. Approximately \$1.7 billion of estimated closure costs has been progressively recognised through the income statement over the life of the mine as the Company's understanding

of the complex science of rehabilitation and associated costs have become clearer. Since the project commenced to 31 December 2021, the following is noted:

- Net profit including rehabilitation provisioning = (\$707) million
- Contributions from shareholders = \$1,386 million
- Dividends to shareholders = (\$981) million (last dividend being paid in 2010)
- Net payments to shareholders = (\$405) million
- Payments as taxes = (\$953) million
- Payments as royalties = (\$548) million

#### **4. Question taken on notice – Hansard Extract**

**Senator COX:** Is there any binding agreement or contract between ERA and Rio Tinto, as the parent body, to ensure that, between both of you, you're able to actually meet this cost? Or will this be passed on to the government?

**Mr Welsh:** Sorry, Senator; the sound broke up a little bit. Is the question: is there any agreement between ERA and Rio Tinto?

**Senator COX:** Yes, that's right.

**Mr Welsh:** ERA is a separately listed company that's independently managed. Rio does own 86 per cent of our shares. I'm happy to take it on notice, but in Rio's annual report they have taken a provision for the rehabilitation of Ranger, which is effectively a constructive obligation on Rio's part. But we do require, as an independently and separately listed company, work with all shareholders, including Rio Tinto, to ensure that rehabilitation is effectively funded.

#### **ERA Response**

There is no binding agreement between ERA and Rio Tinto to meet the full cost of rehabilitation, however like ERA, Rio Tinto has made it clear through a number of public statements, most recently being 2 October 2022, that it is committed to the successful rehabilitation of the Ranger Project Area to a standard that will establish an environment similar to the adjacent Kakadu National Park. Please refer to their website. In the meantime, Rio Tinto has made available a \$100 million credit facility to ERA.

Please do not hesitate to contact us if you have any further queries.

Yours sincerely

Brad Welsh  
**Chief Executive**