



ERA Energy Resources of Australia Ltd

2018 Full Year Results

Additional Information for the Financial Community

February 2019





Forward-looking statements

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This presentation includes forward-looking statements. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding ERA’s financial position, business strategy, plans and objectives of management for future operations (including development plans, rehabilitation estimates and subjectivities relating to ERA’s products, production forecasts and reserve and resource positions), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of ERA, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding ERA’s present and future business strategies and the environment in which ERA will operate in the future. Among the important factors that could cause ERA’s actual results, performance or achievements to differ materially from those in the forward- looking statements include, among others, adverse weather conditions, levels of actual production during any period, levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on sales revenues, market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation and such other risk factors identified in ERA’s most recent Annual Report. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this presentation.

Nothing in this presentation should be interpreted to mean that future earnings per share of ERA will necessarily match or exceed its historical published earnings per share.

All currency mentioned in this presentation is in Australian dollars unless otherwise stated.

Competent Person

The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2018 Annual Statement of Reserves and Resources which was released to the market on 8 February 2019 and is available to view at <https://www.asx.com.au/asxpdf/20190208/pdf/442gq6rxwywcpj.pdf>. ERA confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. ERA confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.



Acknowledgement of Traditional Owners

The operations of Energy Resources of Australia Ltd (ERA) are located on Aboriginal land and are surrounded by, but separate from, Kakadu National Park

ERA respectfully acknowledges the Mirarr, Traditional Owners of the land on which the Ranger mine is situated



Agenda

- **Strategic priorities**
- **Health and safety**
- **Market outlook**
- **2018 operational performance**
- **2018 financial performance**
- **Progressive rehabilitation and feasibility study outcomes**
- **Stakeholder engagement**
- **Summary**



Focus on four priorities

Near term strategic priority

Continue the progressive rehabilitation of the Ranger Project Area

Maximise the generation of cash flow from the processing of stockpiled ore

Resolve funding position

Ranger 3 Deeps to transition to a reduced care and maintenance program

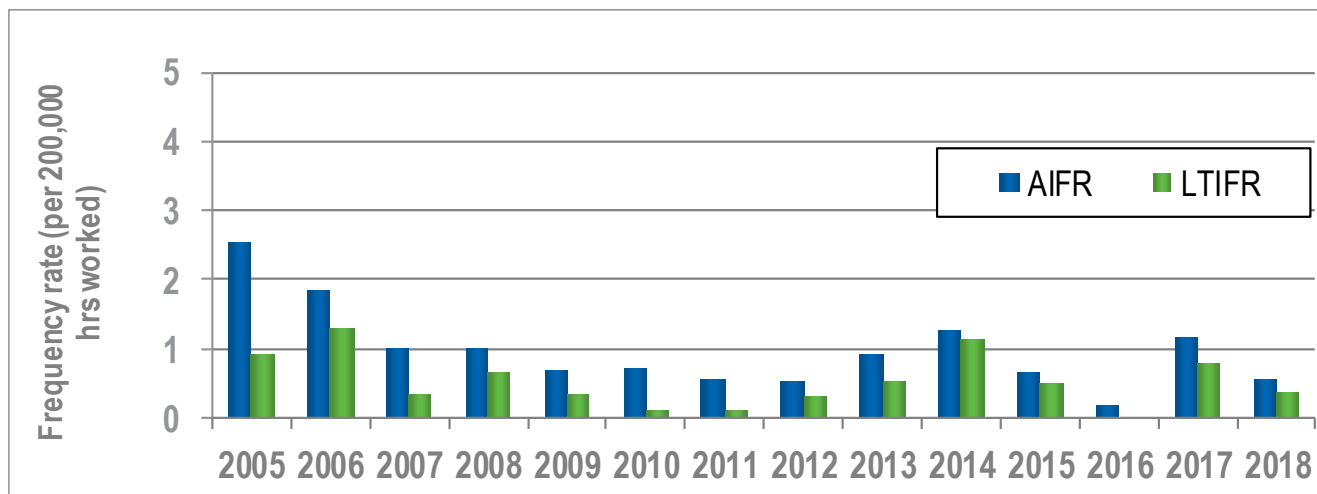
2018 outcomes

- Feasibility Study is now finalised
- Bulk backfill of Pit 1 continued
- Continued dredging of the Tailings Storage Facility
- Rehabilitation provision of \$830 million¹
- Produced 1,999 tonnes of uranium oxide
- Total cash resources of \$388 million representing a decrease of \$80 million in the year²
- Productivity and cost reduction program implemented
- As a result of the increase in rehabilitation provision, ERA is continuing to review funding options
- Upon regulatory approval, ERA plans to introduce a reduced Ranger 3 Deeps care and maintenance program
- ERA continues to preserve options over the Ranger 3 Deeps project
- A rapid and sustained recovery of the uranium market would be required for the project to be economically viable



Health and safety

Demonstrated commitment to the health and safety of our teams, community and environment in which we operate



- All Injury Frequency Rate for 2018 was 0.56 with two lost time injuries and one medical treatment case
- 2018 health and safety initiatives have focused on:
 - Embedding our Critical Risk Management program
 - Mental Health programmes for leaders
 - Leadership in the Field
 - Management Essentials for Leaders
 - Injury management and incident investigation



Uranium market outlook

Current market weakness is expected to give way to a long-term recovery driven by Asian demand

Near term outlook is volatile

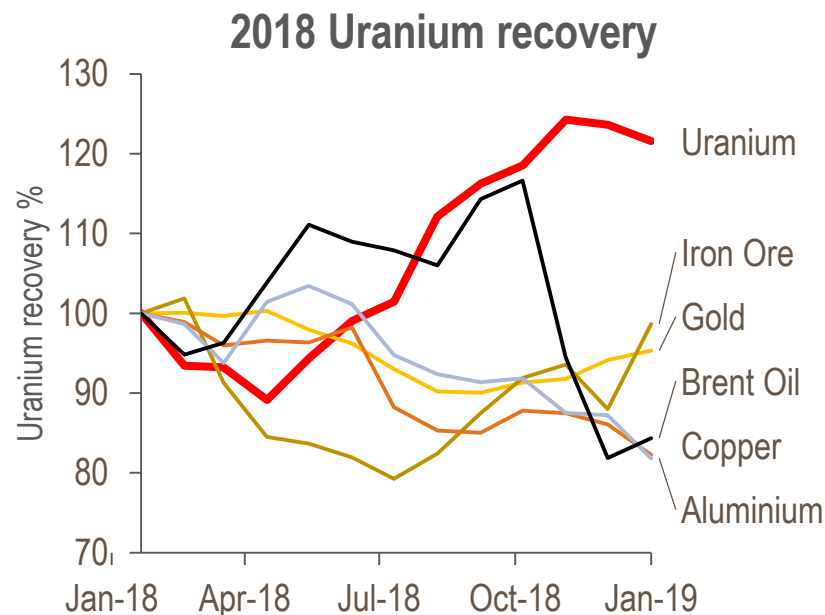
- The uranium spot price has increased with a January 2019 closing spot price of US\$28.92 approximately 22% higher than January 2018.
- There is expected to be increased volatility due to:
 - concerns over geopolitical risks, for example the uranium industry review under section 232 in the United States; and
 - a number of mines being placed on indefinite suspension

Longer term recovery in sight

- China commissioned 8.8 TWh of new nuclear capacity in 2018, a 25% increase year-on-year.
- Future demand growth to be principally driven by new nuclear capacity in Asia.
- Low price environment may constrain investment in new supply supporting rebalancing over time.
- Japan continues to restart reactors in order to realise an increase from 7% to 20% share of nuclear power in total generating capacity.

ERA continues to realise a price premium

- Marketing approach continues to deliver a price premium



Source: Bloomberg, UxC, Platts

Operational performance

Production guidance for 2019 of between 1,400 tonnes to 1,800 tonnes

Mill Operation	2018
Ore milled ('000 tonnes)	2,486
Recovery (%)	86.6
Mill head grade (% U ₃ O ₈)	0.09
Tonnes produced (U ₃ O ₈)	1,999
Pounds ('000 lbs) produced (U ₃ O ₈)	4,407

- Production was at top end of production guidance
- Strong plant utilisation as a result of well embedded maintenance strategies
- Production was impacted by completion of laterite ore processing and declining ore grades
- Mill daily throughput record achieved in September following continued productivity focus
- Production guidance for 2019 of between 1,400 tonnes to 1,800 tonnes



Final product ready for transport

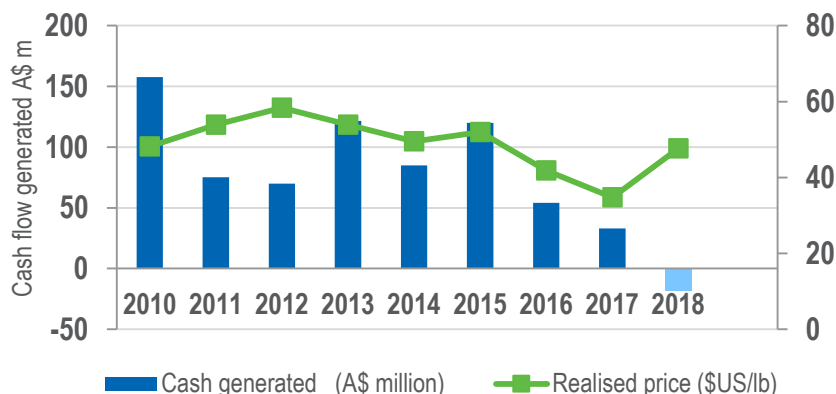


Full year financial performance

Ranger continues to generate positive margins from the sale of U₃O₈

	2018	2017
Cash flow – (\$A million)		
• Opening cash balance	395	396
• Cash flow generated ³	(19)	33
• Exploration and evaluation expenditure	-	-
• Capital expenditure (net of disposals)	(4)	(7)
• Rehabilitation expenditure	(59)	(27)
• Closing cash balance	313	395
Sales		
• Revenue from sales (\$A million)	201	211
• Sales volume (tonnes)	1,467	2,089
• Average realised price (US\$/lb)	47.67	34.75
• Realised exchange rate (USD/AUD)	0.77	0.76

Historical cash generated (including interest and financing costs)²



Cash resources decreased in the year

- ERA continued to generate a positive cash margin from the production and sale of uranium oxide. Negative cashflow generated of \$19 million³ was unfavourably impacted by building drummed U₃O₈ inventory for sale into future higher priced contracts
- Total cash resources on hand of \$388 million at 31 December 2018 (including \$75 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund)

Uranium price premium sustained

- Achieved average realised price of US\$47.67 per pound representing a US\$23.08 per pound premium to the average spot price
- Achievement of price premium consistent with long-term marketing strategy and continues to underpin cash performance

Continued focus on cash conservation

- Business transformation program launched to increase cash flow from cost saving and productivity opportunities.

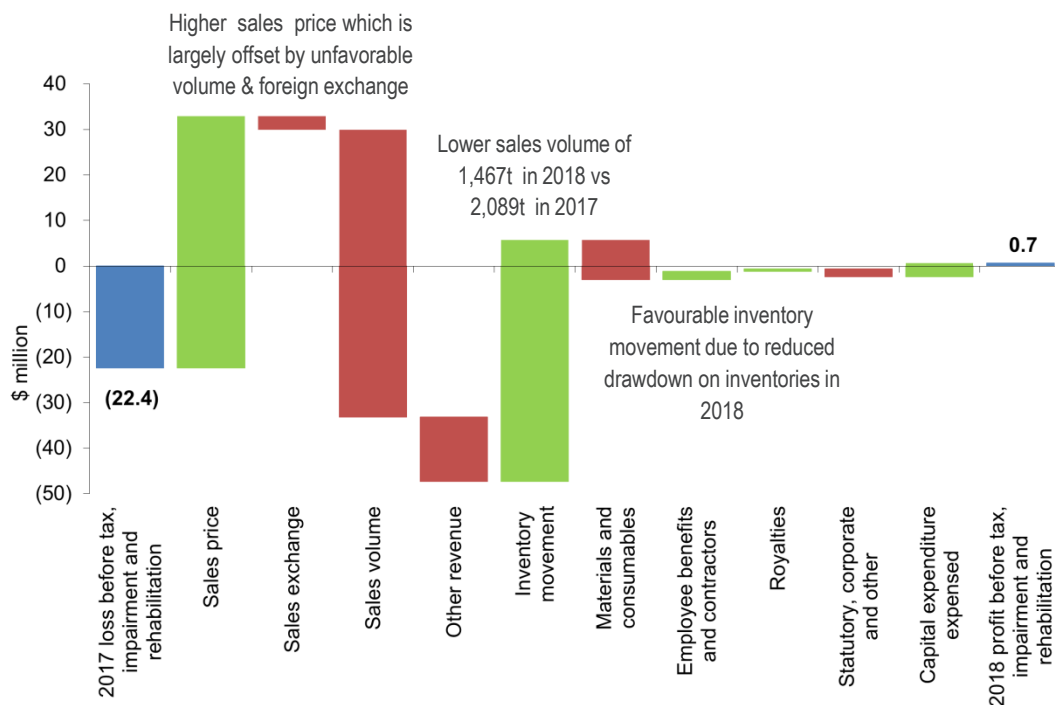
³ Cash flow generated is a non-IFRS measure and represents receipts from customers (incl. GST), net interest and foreign exchange, less payments to suppliers (incl. GST). It excludes payments for exploration and evaluation and rehabilitation which are included in the total of cash flows from operating activities. Refer consolidated cash flow statement (Appendix 4E for respective periods).

2018 earnings performance

Earnings unfavourably impacted by non-cash charges

	2018	2017
Earnings (\$A million)		
• Net profit/(loss) before tax, impairment and rehabilitation	1	(22)
• Net profit/(loss) before tax	(456)	(44)
• Net profit/(loss) after tax	(435)	(44)
Earnings before interest, tax, depreciation, amortisation and impairment	(353)	(53)

Earnings variance analysis (before tax, impairment and rehabilitation) 2018 versus 2017 (A\$ million)



Stable earnings performance before tax, impairment and change in provision

- Net profit before tax, impairment and rehabilitation adjustment of \$1 million for the year of 2018
- Higher sales price offset by lower volume
- Increasing focus on productivity and cost reduction programs
- Inventory has increased through the second half of the year for sale into higher priced term contracts in future periods
- Feasibility study completed resulting in a net increase to the rehabilitation provision of \$305 million¹
- \$90 million after tax impairment recorded on the Jabiluka Undeveloped Property at 30 June 2018

Rehabilitation feasibility study finalised

- **Feasibility Study finalised**

- Findings from the feasibility study increase confidence that ERA's planned rehabilitation strategy will satisfy regulatory obligations, including the January 2026 milestone.
- 2018 saw a net increase in the provision for rehabilitation of \$305 million. The adjusted total provision is now \$830 million¹. Changes largely due to:

- costs associated with tailings transfer to Pit 3, additional water treatment and related infrastructure, and revegetation requirements;
- higher forecast costs relating to site services and owners' costs; and
- an increase in contingency.

- **\$511 million spent on rehabilitation and water management projects since 2012**

- Rehabilitation spend of \$59 million in 2018

- **Second dredge and additional tailings transfer infrastructure to be commissioned in mid-2019**



Pit 3 tailings deposition progress



The Ranger brine concentrator



Regular engagement with key stakeholders

ERA's operations are located on Aboriginal land, are surrounded by Kakadu National Park and significantly underpin the Alligator River's regional economy. Regular engagement with key stakeholders is an important, ongoing part of our business.

- **ERA contributing to dialogue on future options for Jabiru**
 - ERA engaged extensively with stakeholders through the year on planning for the future of Jabiru once the town lease expires in 2021
- **Positive engagement with stakeholders throughout 2018**
 - ERA publically released the Ranger Mine Closure Plan in June, which received ministerial approval in December 2018
 - Partnering with Traditional Owners on community initiatives and regular meeting on matters of common interest including the future of Jabiru, land management and Ranger rehabilitation
 - Collaboration with the Supervising Scientist and other government agencies
 - Regular community meetings and updates provide about a range of operational and community matters
 - ERA provide direct funding and in-kind support to a range of community programs in the West Arnhem region



Trial landform and natural vegetation sites.



Trial landform sapling measurement.

Summary

- Continued focus on all aspects of health, safety and environment
- Production of 1,999 tonnes of uranium oxide
- ERA continue to realise a uranium price premium when compared to spot price
- Cash flow from uranium oxide sales impacted by a building of inventory for sale in future years
- Ranger rehabilitation feasibility study finalised
- As a result of the increase in rehabilitation provision, ERA is continuing to review funding options
- Company-wide focus on productivity and cost reduction
- Continued engagement with key stakeholders



Transfer of ore for processing



Mine truck under the discriminator