



**ERA** Energy Resources of Australia Ltd

# 2019 Half Year Results

## Additional Information for the Financial Community

31 July 2019





# Forward-looking statements

This presentation has been prepared by Energy Resources of Australia Ltd (“ERA”) and consists of the slides for a presentation concerning ERA. By reviewing/attending this presentation you agree to be bound by the following conditions.

## Forward-looking statements

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 subjectives 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/442qq6rxwywcpj.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



*Artist: Tim Djandjomerr (Community Relations Office wall painting)*



# Agenda

- **Strategic priorities**
- **Health and safety**
- **Market outlook**
- **2019 half-year operational performance**
- **2019 half-year rehabilitation**
- **Stakeholder engagement**
- **Summary**



# Focus on four near term strategic 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 care and maintenance program**

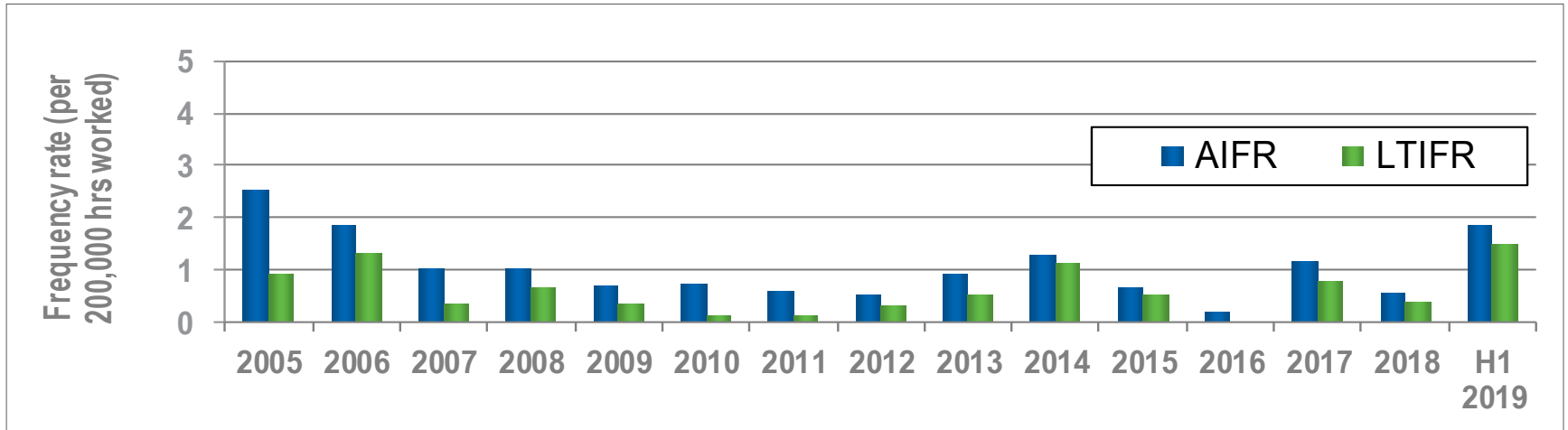
## First half 2019 outcomes

- Bulk backfill of Pit 1 continued
- Continued dredging of the Tailings Storage Facility
- Launch and commissioning of additional dredging capacity
- Rehabilitation provision of \$799 million<sup>1</sup>
- Produced 937 tonnes of uranium oxide
- Total cash resources of \$425 million representing an increase of \$36 million in the half year<sup>2</sup>
- The Transforming ERA Together program is well embedded and delivering cost and productivity improvement
- ERA continues to evaluate funding sources
- Rio Tinto advised it is only willing to provide additional financial support via a renounceable entitlement offer (on terms to be agreed)
  - ERA is considering size, structure and terms of any potential entitlement offer with regards to the interests of ERA as a whole
- Reduced Ranger 3 Deeps care and maintenance program in place
- ERA will continue to preserve options, however without a rapid and sustained recovery of the uranium market, the project is not 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 the first half of 2019 was 1.85 with three lost time injuries.
- 2019 health and safety initiatives have focused on:
  - Safety maturity, leadership development and embedding process safety
  - Managing safety through closure
  - 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 remained volatile in the first half of 2019
- At 30 June 2019, the spot price was US\$24.55 per pound and the long-term price indicator was US\$32.00 per pound
- The market surplus is continuing to decline, with China-led demand growth supporting a rebalancing of the market over time as China and other Asian countries continue to progress their nuclear power programs in accordance with long-term energy policy objectives
- However, given a considerable market surplus remains, ERA expects that the uranium market will remain challenging in the near term

## ERA continues to realise a price premium

- Marketing approach continues to deliver a price premium
- During the second half of 2019, ERA expects to produce sufficient drummed inventory to meet supply commitments under its existing long term contract portfolio
- As a result, a greater proportion of future sales will be exposed to the spot market



# Operational performance

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

Mill Operation	H1 2019
Ore milled ('000 tonnes)	1,136
Recovery (%)	88.0
Mill head grade (% $U_3O_8$ )	0.09
Tonnes produced ( $U_3O_8$ )	937
Pounds ('000 lbs) produced ( $U_3O_8$ )	2,066

- Strong plant performance with favourable uranium recoveries
- Production was impacted by mill maintenance in quarter 2
- Production guidance for 2019 of between 1,400 tonnes to 1,800 tonnes



*Final product ready for transport*





# Half-year financial performance

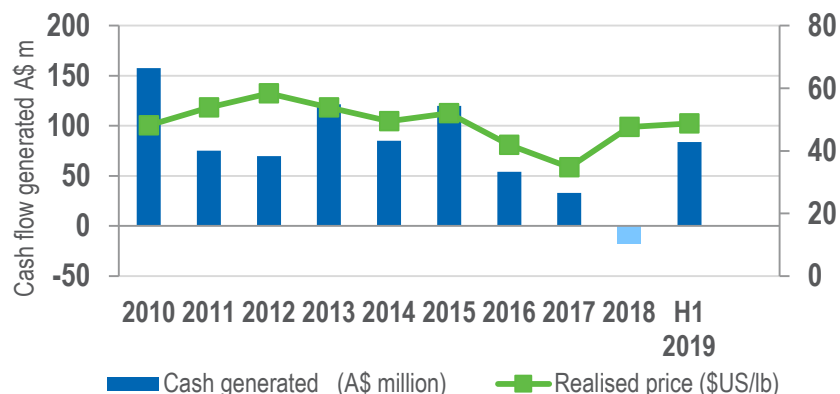
Ranger continues to generate positive margins from the sale of U3O8

	H1 2019	H1 2018
Cash flow – (\$A million)		
• <b>Opening cash balance</b>	<b>314</b>	<b>395</b>
• Cash flow generated <sup>1</sup>	84	13
• Exploration and evaluation expenditure	-	-
• Capital expenditure (net of disposals)	(1)	(2)
• Rehabilitation expenditure	(48)	(21)
• <b>Closing cash balance</b>	<b>349</b>	<b>385</b>
Sales		
• Revenue from sales (\$A million)	170	160
• Sales volume (tonnes)	1,123	1,186
• Average realised price (US\$/lb)	48.73	47.56
• Realised exchange rate (USD/AUD)	0.71	0.78

## Cash resources increased during the year

- Cash flow generated was \$84 million<sup>1</sup> as a result of higher sales receipt and favourable cash costs
- Sales volumes in 2019 are weighted towards the first half of the year, with ERA having substantially fulfilled its contracted sales for the year
- ERA held total cash resources of \$425 million at 30 June 2019 (increase of \$36 million over the period)
- Total cash resources of \$425 million at 30 June 2019 (including \$76 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund)

## Historical cash generated<sup>2</sup> (including interest and financing costs)



## Uranium price premium sustained

- Achieved average realised price of US\$48.73 per pound
- During the second half of 2019, ERA will have sufficient drummed inventory to meet long term contracts, as a result a greater portion of future sales will be exposed to the spot price

## Continued focus on cash conservation

- Business transformation program continues to support cash flow from cost saving and productivity improvement opportunities.

<sup>1</sup> 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 4D for respective periods).



# June 2019 earnings performance

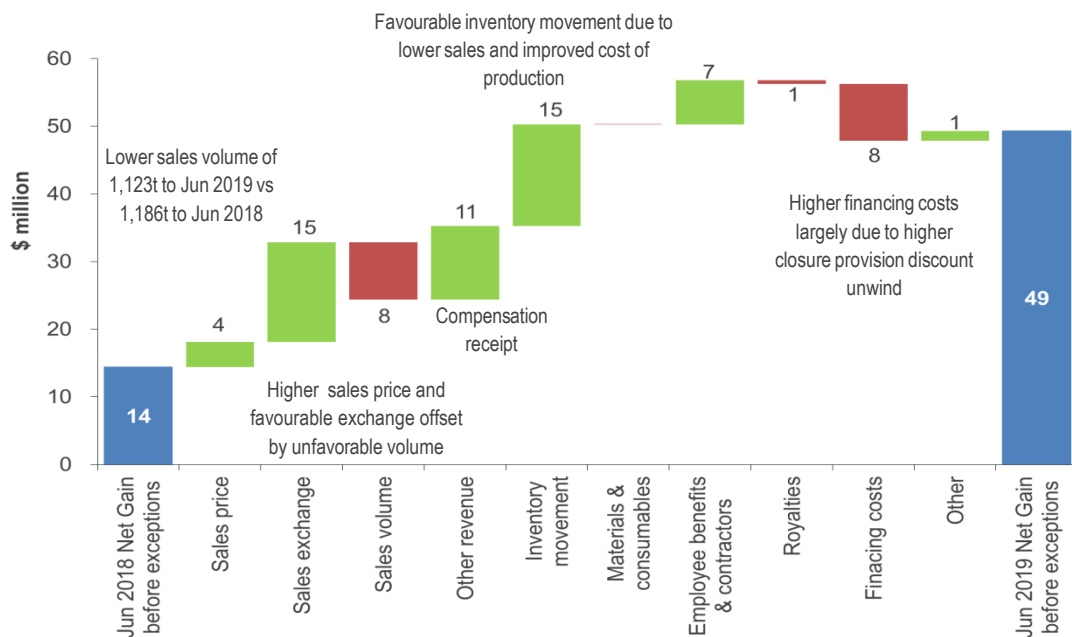
Earnings benefited by higher sales price and lower cost of sales

	H1 2019	H1 2018
Earnings (\$A million)		
• Net profit/(loss) before tax, impairment and rehabilitation	49	14
• Net profit/(loss) before tax	49	(99)
• Net profit/(loss) after tax	49	(78)
Earnings before interest, tax, depreciation, amortisation and impairment	44	9

## Favourable earnings performance before tax, impairment and change in provision

- Net profit before tax, impairment and rehabilitation adjustment of \$49 million for the half year of 2019
- Higher sales price offset by lower volume
- Increasing focus on business transformation and operational efficiencies
- Draw down on inventory to meet contracted sale during the first half, with contracted sales substantially fulfilled now for 2019
- Unfavourable non cash financing costs due to higher rehabilitation provision

**Earnings variance analysis (before tax, impairment and rehabilitation)  
H1 2019 versus H1 2018 (A\$ million)**



# Progressive Rehabilitation continuing

## — Feasibility Study finalised

- The Ranger Rehabilitation Feasibility Study was completed in February 2019
- The findings of the feasibility study increase confidence that ERA's planned rehabilitation strategy will satisfy regulatory obligations, including the January 2026 milestone

## — \$559 million spent on rehabilitation and water management projects since 2012

- Rehabilitation spend of \$48 million in the first half of 2019

## — Progressive rehabilitation continued

- Dredging continued to transfer tailings from the Tailings Storage Facility to Pit 3
- Additional dredging capacity was launched in the second quarter, with full commissioning expected in quarter 3. This additional capacity is necessary to complete rehabilitation activities within the regulated timeframe
- In addition, construction and commissioning activities continued on alternative process water treatment capacity to complement the existing brine concentrator
- Following regulatory approval, Pit 1 final fill commenced in May



*Workboat Ginga being placed into the TSF*



*The trial landform during a burn*



# 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 the first half of 2019**
  - 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 provided 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





# Summary

- Continued focus on all aspects of health, safety and environment
- Production of 937 tonnes of uranium oxide
- ERA continue to realise a uranium price premium when compared to spot price
- Positive net cash flow from uranium oxide sales
- Progressive rehabilitation on the Ranger project Area continued
- Rio Tinto advised it is only willing to provide additional financial support via a renounceable entitlement offer (on terms to be agreed)
- ERA is continuing to review funding options
- Company-wide focus on business transformation
- Continued engagement with key stakeholders



*Transfer of ore for processing*



*Mine truck under the discriminator*