



ASX Announcement

30 August 2022

ERA ANNOUNCES JUNE 2022 HALF YEAR RESULTS

- Sales volume for the period was 242 tonnes. This included the final sale of uranium oxide inventories in May 2022.
- Net loss after tax of \$34 million, which reflects lower sales volumes and higher non cash costs.
- Cash outflow of \$34 million from operating activities and \$80 million spent on rehabilitation activities for the first half of 2022.
- ERA's Independent Board Committee (IBC) has engaged an independent valuation expert to determine the fair value of ERA and the offer price for an interim entitlement offer.
- ERA will advise shareholders of the terms of the proposed interim entitlement offer once they are determined, which is currently expected to be in late Q3 of 2022.
- ERA has continued to build organisation capability to successfully rehabilitate the Ranger Project Area.
- Rehabilitation provision of \$1,218 million at 30 June 2022.

			\$000	\$000
Cash flow from operating activities	-167%	to	(34,053)	(12,734)
Revenue from sales of uranium oxide	-34%	to	35,261	53,470
Revenue from ordinary activities	-21%	to	47,663	60,206
Profit / (Loss) from ordinary activities before tax attributable to members	-1,272%	to	(33,577)	(2,448)
Profit / (Loss) from ordinary activities after tax attributable to members	-538%	to	(33,577)	(5,265)
Net Profit / (Loss) for the period attributable to members	-538%	to	(33,577)	(5,265)
Earnings / (Loss) per share (cents)	-800%	to	(0.9)	(0.1)



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Review of operations

Energy Resources of Australia Ltd (**ERA** or the **Company**) incurred negative cash flow from operating activities of \$34 million for the half-year ended 30 June 2022 compared to negative \$13 million for the same period in 2021. Rehabilitation costs incurred for the half-year ended 30 June 2022 were \$80 million compared to \$70 million for the same period in 2021.

ERA held total cash resources of \$669 million at 30 June 2022, comprised of \$132 million in cash at bank and \$537 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Special Account (Trust Fund). The Company's ability to access the funds held in the Trust Fund is subject to the terms of the Ranger Government Agreement (see below). The Company has no debt and \$125m in bank guarantees.

ERA recorded a net loss after tax for the half-year ended 30 June 2022 of \$34 million compared to a net loss after tax of \$5 million for the same period in 2021. The half-year ended 2022 reflects lower sales volumes, with the final drum of uranium oxide produced at Ranger sold in May 2022. The net loss was also adversely impacted by a significant non-cash increase in unwind of discount and inflation relating to the higher rehabilitation provision balance and higher rates of inflation at present. Favourable impacts were seen from additional gasoil swap contract gains as a result of strengthening fuel prices, revenue from sale of assets and lower operating costs.

In response to the ongoing COVID-19 pandemic, ERA continues to maintain controls and protocols in accordance with the Company's COVID-19 Management Plan to protect our employees and local communities as our first priority and ensure full compliance with Government requirements.

Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activity on the Ranger Project Area after 40 years of operation. Therefore, no uranium oxide was produced during the half year.

Revenues from sales of uranium oxide were \$35 million for the half year compared to \$53 million for the same period in 2021.

Sales volume for the period was 242 tonnes including the sale of final uranium oxide inventories in May 2022, compared to 351 tonnes for the June 2021 half-year. All sales were made into the spot market, achieving an average realised sales price of US\$48.88 per pound compared to the average realised price on all sales (including uncontracted material sold into the spot market) for the same period in 2021 of US\$51.39 per pound.

The average realised Australian/US dollar exchange rate for the first half of 2022 was consistent with the comparative period at US74 cents. All sales of uranium oxide are denominated in US dollars.

Cash costs for the June 2022 half-year were lower than the corresponding period in 2021. This was mainly driven by the cessation of processing in January 2021 and move to full scale rehabilitation as well as reduced costs related to the completion of final uranium sales. Cash costs, excluding rehabilitation related expenditure, are now those of a corporate nature.

Interest income for the period was \$1.9 million, compared to \$1.1 million for the June 2021 half-year. The weighted average interest rate received on term deposits for the period was 0.64 per cent (2021: 0.35 per cent).



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Rehabilitation

At 30 June 2022, the ERA rehabilitation provision is \$1,218 million¹. During the first half of 2022, ERA incurred expenditure of \$80 million on rehabilitation activities.

Progressive rehabilitation of the Ranger Project Area has continued during the first half of 2022 with several key milestones achieved.

The conversion of the Tailings Storage Facility to a water storage facility and water transfers from Pit 3 to the Ranger Water Dam were completed on 16 May 2022. This enabled the commencement of the Western and Southern ramp work fronts which are required to facilitate Pit 3 wicking installation.

ERA's Jabiru housing refurbishment program continues to progress. ERA is progressively working with Jabiru Kabolkmakmen Ltd for the transfer of properties to enable tenancing by third parties.

ERA also submitted a Pit 3 capping application, based on the currently preferred subaerial capping methodology, to stakeholders in April 2022.

Other key rehabilitation activities continued including preparation activities and procurement of long lead items for wicking installation and Brine Squeezer process water modification as well as ongoing water treatment.

For key updates on the rehabilitation project progress and risks refer to note 2 Critical Accounting Estimates and Judgements.

Interim entitlement offer update

As announced on 24 June 2022, given ERA's current cash on hand position, an urgent interim funding solution is required.

As further announced on 28 July 2022, ERA's Independent Board Committee (IBC) has determined to engage an independent valuation expert to determine the fair value of ERA and will then determine the offer price for an interim entitlement offer by reference to the fair value as determined by the independent valuation expert.

ERA will advise shareholders of the terms of the proposed interim entitlement offer once they are determined, which is currently targeted to be in late Q3 of 2022.

Reforecast findings cost and schedule overrun

As previously announced, the preliminary findings of ERA's reforecast exercise indicated that the revised total cost of completing the rehabilitation of the Ranger Project Area, including incurred spend since 1 January 2019, was estimated to be between \$1.6 billion and \$2.2 billion and would potentially have a revised date for completion of rehabilitation activities of between Quarter 4, 2027 and Quarter 4, 2028.

Approximately \$410 million of the total cost of completing the rehabilitation of the Ranger Project Area was spent from 1 January 2019 to 30 June 2022.

The forecast cost overruns have been caused by a number of factors including complexities in technical risk management, project delays and additional scope matters involving unbudgeted costs.

¹ 30 June 2022 provision discounted at 1.5% per cent. This equates to an estimated \$1,376 million in undiscounted nominal terms or \$1,275 million in undiscounted real terms.



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Alongside other factors, risks identified by ERA at the time of its previous entitlement offer in 2019 have materialised, including increased cost pressures and technical challenges to meet the existing January 2026 deadline for completing the rehabilitation of the Ranger Project Area.

The preliminary findings of the Reforecast were based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan (i.e. assuming subaqueous capping of Pit 3). Subaerial capping, previously adopted for Pit 1, is a more traditional method and it is currently ERA's preferred methodology.

Table 1: Summary of cost differences between the 2019 Feasibility Study and the preliminary findings of the Reforecast using the subaqueous capping method⁽¹⁾

Ranger rehabilitation expenditure estimate from 1-Jan-19 onwards (\$m, nominal)	2019 Feasibility Study estimate ⁽²⁾	Prelim. findings of Reforecast ⁽³⁾		Spend to date ⁽⁴⁾	Key reason for change
		Low	High		
Transfer tailings and water treatment	\$330m	\$500m	\$660m	\$206m	<ul style="list-style-type: none"> Increased tailings and longer duration of dredging Additional clean-up costs associated with the TSF Higher water treatment costs due to an increase in water treatment volumes and additional costs to capture run off from Pit 3
Capping and backfill	\$247m	\$420m	\$580m	\$43m	<ul style="list-style-type: none"> Emergent technical risks and forecast additional cost and schedule impacts in executing the Pit 3 capping works using the subaqueous wicking and capping methodology⁽¹⁾ The ERA heavy mining equipment fleet requires a significant overhaul to be capable of moving the quantity of bulk materials
Site services and support	\$160m	\$410m	\$570m	\$91m	<ul style="list-style-type: none"> Power costs have increased as the 2019 Feasibility Study estimate assumed Ranger Power Station decommissioning in mid-2021 and a scalable power solution for 2021-2025, which has not eventuated Brine Concentrator demand has increased since the 2019 Feasibility Study, and the life of the Ranger Power Station has been extended Operating costs of the camp and town are higher, based on a competitive tender of those services. Additional camp capacity has also been assumed due to higher than assumed headcount Support costs such as HSEC have increased, as have study costs (notably landform studies to ensure compliant closure)
Revegetation	\$88m	\$90m	\$130m	\$6m	<ul style="list-style-type: none"> Additional seed collection, propagation, fire and weed management costs, among others
Owner's team costs and engineering	\$87m	\$120m	\$160m	\$50m	<ul style="list-style-type: none"> Owner's team expanded relative to the 2019 Feasibility Study assumption based on recent knowledge gained from rehabilitation activities undertaken since the 2019 Feasibility Study
Demolition and disposal	\$41m	\$70m	\$80m	\$13m	<ul style="list-style-type: none"> Costs of ensuring that existing infrastructure is safely maintained have increased
Post closure monitoring ⁽⁵⁾	\$20m	\$30m	\$40m	\$1m	<ul style="list-style-type: none"> Additional costs now assumed for post closure maintenance and monitoring activities Additional funding to enable more constructive engagement with Traditional Owners
Total	\$973m	\$1,640m	\$2,220m	\$410m	<i>(Prelim. findings of the Reforecast have been rounded to the nearest \$10m)</i>

Notes: (1) The preliminary findings of the Reforecast were based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan (i.e. assuming subaqueous capping of Pit 3). Subaerial capping, previously adopted for Pit 1, is a more traditional method and it is currently ERA's preferred methodology; (2) Based on 31 December 2018 rehabilitation provision, \$973 million undiscounted in nominal terms, excluding not yet recognised termination benefits in line with Australian Accounting Standards. Please note that, if comparing to page 11 of ERA's Capital Raising Presentation released 15 November 2019, the figures in that presentation are displayed from 30 June 2019 onwards; (3) Preliminary findings of the Reforecast have been rounded to the nearest \$10m; (4) From 1 January 2019 to 30 June 2022; (5) Including an allowance of \$1 million in relation to the estimated cost of Jabiluka Mineral Lease rehabilitation expense.

ERA notes that the rehabilitation project continues to be exposed to challenging conditions, including tight labour market conditions, supply chain constraints and inflationary pressures being experienced across the broader industry. One example is that ERA is currently experiencing a 2-month delay in receiving the wicking barge ordered from China.

2022 Feasibility Study and revised Mine Closure Plan

In May 2022, ERA commenced a feasibility study update in connection with a lower technical risk rehabilitation methodology (primarily relating to the subaerial capping of Pit 3²) and to further refine the Ranger Project Area rehabilitation execution scope, risks, cost and schedule (2022 Feasibility Study). Subaerial capping, previously adopted for Pit 1, is a more traditional method and it is currently ERA's preferred methodology.

² In essence, the subaerial methodology involves Pit 3 drying and being capped subaerially (i.e. not under water).



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The 2022 Feasibility Study is expected to take approximately 12 months to complete and will ultimately lead to a revised Mine Closure Plan being developed.

The preliminary findings of the Reforecast, as to both cost and schedule, referred to previously were based on the rehabilitation of the Ranger Project Area being completed in accordance with the subaqueous Pit 3 capping methodology³ set out in the current Mine Closure Plan for the Ranger Project Area.

Extension of the expiry date of ERA's tenure on the Ranger Project Area

ERA is not expected to be able to meet its rehabilitation deadline of January 2026 and has conveyed that expectation to all stakeholders.

To provide access to the site beyond January 2026, a new s 41 Authority⁴ is required, which first requires an amendment to the Atomic Energy Act 1953 (Cth).

ERA is well advanced in its discussions with relevant Government departments in relation to the required amendment, which will allow the issue of a new s 41 Authority.

Gundjeihmi Aboriginal Corporation (GAC), the Northern Land Council (NLC) and ERA have been working collaboratively with relevant Government departments on the rehabilitation of the Ranger Project Area and the proposed amendment to the Atomic Energy Act. The GAC and NLC, together with ERA have written to the relevant Minister to confirm that they jointly support the introduction of legislation to amend the Atomic Energy Act to allow ERA to apply for a new s 41 Authority to access the Ranger Project Area to complete rehabilitation of the site beyond January 2026.

Ranger Rehabilitation Commonwealth Trust Fund Arrangements

ERA has agreed amendments to the Ranger Government Agreement with the Commonwealth to introduce a clearer framework for managing the amount of security held by the Commonwealth and releasing of funds from the Trust Fund for completed rehabilitation works. Progressive drawdown of funds under this framework will first require revaluation of the security following ERA's internal cost review, which is expected to occur after completion of the 2022 Feasibility Study in 2023. Given the expected increase in the cost of rehabilitating the Ranger Project Area, ERA may be required to provide additional security at that time.

Under this new framework, ERA is entitled to submit a one-off interim payment request for the release from the Trust Fund of an amount representing a portion of the cost of rehabilitation works performed at Ranger between 8 January 2021 and 1 June 2022. An application for drawdown of \$58 million was submitted on 26 August 2022 and a response from the Commonwealth is anticipated by the end of October.

In addition to the \$536 million cash in the Trust Fund, bank guarantees totalling \$125 million⁵, procured by ERA, are held by the Commonwealth as additional security for ERA's rehabilitation obligations.

Organisational Change

In January 2022, Bechtel was engaged to review ERA's in house project execution capability to manage and complete the rehabilitation and identified improvement opportunities for ERA's consideration. This review identified, among other things:

³ The subaqueous Pit 3 capping methodology requires the installation of wick drains, geotextile and bridging material subaqueously (i.e. under water).

⁴ The s 41 Authority is an authority granted by the relevant Minister under s 41 of the *Atomic Energy Act 1953* (Cth) that authorised ERA to mine, recover, treat and process uranium oxide at Ranger. It obliges ERA to rehabilitate the Ranger Project Area.

⁵ Excludes an additional \$1m held as an allowance for Jabiluka rehabilitation.



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- that the size and complexity of the Ranger Project Area rehabilitation requires an uplift in ERA's existing execution capability and resourcing across multiple areas, including a refresh of ERA's organisational structure and execution methodology to meet the project's execution needs;
- the Ranger Project Area rehabilitation schedule requires improvements to ensure coordination across all aspects of the project. This will require additional resourcing and the introduction of new routines and procedures;
- ERA's current reporting and progress tracking capability needs to be improved and integrated within the risk management system to better track changes in cost and schedule during ERA's activities; and
- general improvement to project risk management systems.

In response to the findings of the review, ERA has now commenced a number of initiatives to seek to strengthen its in-house project execution capability. These initiatives include:

- ensuring ERA transitions to a 'project-focused' fit-for-purpose organisation with improved reporting and governance systems;
- developing a detailed project schedule incorporating the alternative lower technical risk Pit 3 capping methodology (i.e. subaerial);
- undertaking organisational redesign and engaging with industry partners to 'buy, borrow and build' required capabilities to accelerate the business transformation;
- appointing a Study Director (seconded from Rio Tinto, see below); and
- concurrently running a recruitment campaign for additional senior project delivery leadership roles (e.g., Project Director and Project Services Lead) to meet project execution needs.

ERA has also engaged Bechtel to assist ERA with the 2022 Feasibility Study.

In addition to the above, Rio Tinto has submitted a proposal to ERA to provide additional project support, on a cost-recovery basis, which includes organisational and technical support and the secondment of Rio Tinto personnel into certain specified roles (including the study director role referred to above). ERA is reviewing this interim support proposal in the context of initiatives already underway.



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Ranger 3 Deeps

On 8 January 2021, ERA ceased to be authorised to conduct mining operations in the Ranger Project Area, accordingly development of Ranger 3 Deeps is not an authorised activity. Therefore, ERA presently does not have authority to mine Ranger 3 Deeps and is not pursuing such an authority.

It is anticipated an amendment to the Atomic Energy Act will soon be introduced into parliament to enable ERA to apply for a rehabilitation authorisation which will permit it to continue rehabilitation of the Ranger project area. Given its purpose, that authorisation is not expected to authorise any potential mining activities.

In addition to an authorisation to mine Ranger 3 Deeps, the project would need to be economically viable in order for it to be developed. ERA has historically assessed the economics of the Ranger 3 Deeps project to be unviable and given the further work undertaken on the rehabilitation of Ranger Project Area, the project would now be required to support a standalone mill and tailings construction amongst other infrastructure, which would add fixed cost to the operation, further materially challenging the Ranger 3 Deeps Project's viability. ERA has also completed backfill works on the Ranger 3 Deeps decline.

Given the above, no work is being conducted on further development options for the Ranger 3 Deeps deposit.

Exploration

There was no exploration expenditure for the half-year ended 30 June 2022.

Dividends

ERA has decided not to declare an interim dividend in respect of the 2022 half-year. No final dividend was paid in respect to the 2021 financial year.

Outlook

The strategic priority of ERA is the rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment to long-term sustainable operations in the region, create a sustainable, positive legacy and underpin potential future growth opportunities.

Consequently, ERA's near-term strategic priorities include:

- secure a suitable funding option to meet future rehabilitation obligations;
- complete rehabilitation of the Ranger Project Area;
- preserve optionality over the Company's undeveloped resources.

This announcement is authorised by the Board.



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Competent Person

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2020 Annual Statement of Reserves and Resources which was released to the market on 15 February 2021 and is available to view at [Microsoft Word - Annual Reserves and Resources Statement 2021.docx \(weblink.com.au\)](#). The Company 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. The Company 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.

About Energy Resources of Australia Ltd

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 remains committed to creating a positive legacy and achieving world class, sustainable rehabilitation of former mine assets. 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

For further information, please contact:

Media Relations

Jessica Silvester
Mobile: +61 (0) 419 864 865
Email: jessica.silvester@era.riotinto.com

Website: www.energyres.com.au
Twitter: Follow @ERARangerMine on Twitter

Investor Relations

Craig Sainsbury
Mobile: +61 (0) 428 550 499
Email: craig.sainsbury@marketeye.com.au