



## ASX Announcement

31 July 2014

### ERA ANNOUNCES JUNE 2014 HALF YEAR RESULTS

- A progressive restart of the Ranger processing plant commenced on 5 June 2014.
- Ranger 3 Deeps Prefeasibility Study is on schedule and on budget with completion expected in late 2014.
- Net loss after tax for the half was \$127 million, compared to a loss of \$54 million in the first half in 2013.
- Cash flow from operating activities of \$(30) million up 66 per cent compared to the first half in 2013.

				June 2014 \$000	June 2013 \$000
<b>Revenue</b> from sales of uranium oxide	<b>Up</b>	26%	to	171,629	136,222
<b>Revenue</b> from ordinary activities	<b>Up</b>	23%	to	177,985	144,285
<b>Loss</b> from ordinary activities after tax attributable to members	<b>Down</b>	138%	to	(127,201)	(53,546)
<b>Net loss</b> for the period attributable to members	<b>Down</b>	138%	to	(127,201)	(53,546)
<b>Cash flow</b> from operating activities	<b>Up</b>	66%	to	(30,221)	(89,034)
<b>Earnings per share</b> (cents)				(24.6)	(10.3)

#### Review of operations

ERA's net loss for the half-year ended 30 June 2014 was \$127.2 million compared with a net loss of \$53.5 million for the same period in 2013.

No uranium oxide was produced in the period. This compares to 1,847 tonnes for the June 2013 half-year. Production in the period was adversely impacted by the suspension of processing operations following the failure of Leach Tank 1 on 7 December 2013. A progressive restart of the Ranger processing plant commenced on 5 June 2014 following the receipt of written approval to recommence processing operations from the Commonwealth Minister for Industry and the Northern Territory Department of Mines and Energy. Further details are provided below.



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Earnings were impacted by a draw down in inventory associated with the plant suspension, the purchase of uranium oxide and increased spend on exploration and evaluation of the Ranger 3 Deeps resource. This was partially offset by reduced non-cash costs and increased sales revenue.

Revenues from sales of uranium oxide increased to \$171.6 million from \$136.2 million in the June 2013 half-year due to higher sales volumes. A decrease in average realised sales price was partially offset by a weaker Australian/US dollar exchange rate.

Sales volume for the period was 1,524 tonnes compared with the June 2013 half-year of 1,147 tonnes. Sales in the first half of 2014 were supplied by existing levels of finished goods inventory on hand. Forecast sales in the second half of 2014 are expected to be broadly in line with the first half.

The average realised sales price of uranium oxide for the June 2014 half-year was US\$46.65 per pound compared with US\$53.63 per pound for the corresponding period in 2013. This change was attributable to the decrease in the long term uranium price indicator and ERA's sales contract mix. For the 2014 half-year, the average long term uranium price indicator was US\$46.75 per pound and the average spot price was US\$31.95 per pound, compared to \$US56.75 per pound and \$US41.46 per pound respectively for the same period in 2013.

As sales of uranium oxide are denominated in US dollars, the weakening of the Australian dollar had a favourable impact on revenue when compared to 2013. The average Australian/US dollar exchange rate for the first half of 2014 was US91.3 cents compared to US99.5 cents in the June 2013 half-year.

The initial backfill of Pit 3 continued with 8.3 million tonnes of waste material moved into the pit in the June 2014 half-year. This brings total waste material moved into Pit 3 to 31.1 million tonnes.

Cash costs for the June 2014 half-year were higher than the corresponding period in 2013. Additional expenditure on purchased uranium oxide and contractors and consultants was partially offset by reduced consumables and employee benefits.

During the period ERA purchased uranium oxide to meet committed sales in the second half of 2014, this material remains on hand at 30 June 2014. Additional material will be purchased in July 2014. Spend on contractors increased due to progress on the Ranger 3 Deeps Exploration Decline and Prefeasibility Study along with costs associated with the leach tank recovery works. This was partially offset by reduced operating maintenance costs due to the plant suspension. Raw materials and consumable costs were lower than the corresponding period in 2013 due to the suspension of processing operations. Employee costs decreased due to a reduction in employee headcount in the period.

All operating costs incurred (excluding the purchase of uranium oxide) whilst the plant remained suspended were directly allocated the Statement of Financial Performance rather than absorbed into inventories.

ERA's non-cash costs decreased in the June 2014 half-year. Depreciation, which is largely calculated on a units of production basis, decreased due to the lower production of uranium oxide resulting from the plant suspension.

Capital expenditure for the June 2014 half-year was \$6.0 million compared to \$64.0 million in the corresponding period in 2013. Capital expenditure for the 2013 half-year was largely associated with the Brine Concentrator project, which was completed in September 2013.



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## **Suspension of Processing Operations**

A progressive restart of the Ranger processing plant commenced on 5 June 2014 following the receipt of written approval to recommence processing operations from the Commonwealth Minister for Industry and the Northern Territory Department of Mines and Energy.

Processing operations were suspended following the failure of Leach Tank 1 on 7 December 2013 and pending investigations by Northern Territory and Commonwealth regulators into the integrity of the Ranger processing plant and related maintenance and safety systems. In parallel with the regulatory investigations, ERA commissioned independent investigations into the root cause of the failure of Leach Tank 1 and the integrity and maintenance of the Ranger processing plant.

## **Exploration**

ERA is set to resume its surface exploration program on the Ranger Project Area from the third quarter. The program will focus on exploration targets that are yet to be fully tested, including new targets in the northern part of the Ranger Project Area lease.

## **Ranger 3 Deeps**

Construction of the Ranger 3 Deeps Exploration Decline continued with the decline face reaching 2,221 metres from the surface on 30 June 2014.

Underground exploration drilling of the Ranger 3 Deeps resource continued with a project total of 178 holes drilled by 30 June 2014 totalling 38,578 metres.

In June 2014, the Ranger 3 Deeps Prefeasibility Study reached a stage where the resource model was able to be updated. The updated estimate has shown a reduction to 32,620 tonnes of contained uranium oxide compared to the previously reported Ranger 3 Deeps mineral resource estimate of 33,297 tonnes of contained uranium oxide. The preliminary results of the underground drilling program have so far been consistent with the expected geological understanding and continuity of mineralisation of the mineral resource. However, in undertaking the drilling to date, some geotechnical conditions have been encountered that are less favourable than assumed in the Order of Magnitude Study. These findings are being factored into the mine design in the Prefeasibility Study.<sup>1</sup>

Work on the ventilation shaft for the Ranger 3 Deeps Exploration Decline project was temporarily halted in the June 2014 quarter to address the occurrence of subsidence beneath the top of the vent shaft opening. The plan to recover the upper section of the ventilation shaft is being implemented. The additional costs will be primarily met from savings realised elsewhere in the project.

The project presently remains on schedule with completion of the Exploration Decline and related studies anticipated in late 2014.

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<sup>1</sup> Sourced from a release made by the Company to ASX on 20 June 2014 titled 'Ranger 3 Deeps Resource Update' which can be found at: <http://www.asx.com.au/asxpdf/20140620/pdf/42qb2nbqhnynw1.pdf>. The Competent Persons for the release were geologists Greg Rogers and Stephen Pevely. Neither the resource statement nor the underlying resource model has changed since the above estimated mineral resource was disclosed to ASX. ERA is not aware of any new information or data beyond the updates already provided to ASX that materially affects the mineral resource estimate. All material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. ERA confirms that the form and context in which the Competent Persons findings are presented have not been materially modified.



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## **Sales and Marketing Agreement**

In April 2014, ERA entered into a new marketing agreement with Rio Tinto Uranium on the basis that it represented superior value to ERA's existing marketing arrangements and the alternative marketing arrangements considered. ERA's entry into the new marketing agreement followed an extensive process of negotiation with Rio Tinto Uranium.

Under the new marketing agreement, uranium oxide produced by ERA will be sold to Rio Tinto Uranium and pooled with uranium oxide produced from the Namibian operations of Rössing Uranium Limited (Rössing), a related party of Rio Tinto plc.

Rio Tinto Uranium will market the combined pool of uranium oxide as principal to global uranium customers.

The new arrangement came into effect on 1 July 2014 following the satisfaction of conditions precedent by all parties. From 1 July 2014, all of ERA's sales (including sales under existing contracts) have been made through the new arrangement. The price received by ERA for sales into the combined pool will reflect the price received from customers by Rio Tinto Uranium, less an arm's length marketing fee.

In addition to the benefits to be derived from providing multi-sourced supply to customers, the new marketing agreement will provide a number of other benefits to ERA. These include working capital benefits and optimised logistics, the latter to be achieved by ERA and Rössing delivering to customers that are geographically closer to their respective operations. ERA has the right to audit the performance of the agreement against the delivery of these benefits.

There is no fixed term for the new marketing agreement, although ERA may terminate for convenience at any time.

## **Dividends**

In light of the financial results and the forecast cashflow requirements for the implementation of ERA's strategic initiatives, the ERA directors have decided not to declare an interim dividend in respect of the 2014 half-year. No final dividend was paid in respect of the 2013 financial year.

## **Outlook**

In the short term, the uranium oxide market remains challenging for producers. All Japanese reactors remain offline three years after the Fukushima accident and the market continues to be oversupplied. The spot price for uranium oxide has now fallen below \$US30 per pound, the lowest level since 2005. Activity in the long term market remains slow compared to historical trends. The published long-term price of approximately US\$45 per pound represents a decrease of approximately 20 per cent over the past year.

Demand may begin to outstrip supply within the next three to five years and ERA remains well positioned for a stronger market in the second half of this decade should the Ranger 3 Deeps mine be developed.

As previously communicated, production of uranium oxide for 2014 is expected to remain in the range of 1,100 tonnes to 1,500 tonnes. Sales volumes in the second half are expected to be broadly similar to the first half.



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### **About Energy Resources of Australia Ltd**

Energy Resources of Australia Ltd 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 three decades. Ranger mine is one of only three mines in the world to produce in excess of 110,000 tonnes of uranium oxide.

ERA's Ranger mine is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, located in Australia's Northern Territory.

ERA is a major employer in the Northern Territory and the Alligator Rivers Region. ERA is proud of its diverse workforce, of which approximately 16 per cent are Indigenous people.

Located on the 79 square kilometre Ranger Project Area, Ranger mine is surrounded by, but separate from, the World Heritage listed Kakadu National Park.

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