

**Results for announcement to the market**

# **Appendix 4E**

## **Energy Resources of Australia Ltd**

ABN 71 008 550 865

ASX Preliminary final report – 31 December 2014

Lodged with the ASX under Listing Rule 4.3A

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**Results for announcement to the market**

				<b>2014</b>	<b>2013</b>
				<b>\$000</b>	<b>\$000</b>
<b>Revenue</b> from sales of uranium	<b>up</b>	7%	to	378,955	355,868
<b>Revenue</b> from continuing operations	<b>up</b>	9%	to	401,798	370,144
<b>Profit/(loss)</b> from continuing operations after tax attributable to members	<b>down</b>	38%	to	(187,800)	(135,829)
<b>Net profit/(loss)</b> for the period attributable to members	<b>down</b>	38%	to	(187,800)	(135,829)
<b>Net Cash flow</b> used in operating activities	<b>down</b>	202%	to	(53,991)	(17,882)
<b>Earnings</b> before Interest, Tax, Depreciation & Amortisation	<b>down</b>	602%	to	(164,297)	32,738
<b>EPS</b> (cents)	<b>down</b>	38%	to	(36.3)	(26.2)
<b>Underlying earnings</b>	<b>down</b>	28%	to	(154,476)	(120,897)

These financial results have been prepared in accordance with the Australian accounting standards.

**Reconciliation of net earnings to underlying earnings**

*All after tax figures in \$ thousand*

	<b>2014</b>	<b>2013</b>
Profit/(Loss) for the year	(187,800)	(135,829)
Finished Goods Inventory - Adjustment to Net realisable Value	33,324	14,932
<b>Underlying earnings</b>	<b>(154,476)</b>	<b>(120,897)</b>

**Review of operations**

Energy Resources of Australia Ltd's (**ERA**) net loss after tax for the year ended 31 December 2014 was \$188 million, compared to a loss of \$136 million in 2013.

Earnings before interest, tax, depreciation and amortisation (**EBITDA**) was negative \$164 million including a non-cash finished goods inventory write down to net realisable value (NRV) of \$48 million (before tax). (2013: positive EBITDA of \$33 million, inclusive of a \$21 million non-cash finished goods inventory write down to net realisable value).

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Earnings in 2014 were unfavourably impacted by the requirement to purchase uranium oxide to fulfil sales following the suspension of processing operations for the first half of the year. This was partially offset by favourable non cash costs and increased sales revenue.

Revenue from the sale of uranium oxide in 2014 was \$379 million (2013: \$356 million). Sales of uranium oxide were 3,148 tonnes, up from 2,815 tonnes achieved in 2013. The average realised sale price of uranium oxide achieved by ERA in 2014 was US\$49.50 per pound (2013: US\$53.92).

Sales of uranium oxide are denominated in US dollars. In 2014, the weakening of the Australian dollar had a favourable impact on ERA's financial results, with a 2014 average exchange rate of 0.91 US cents compared against a 2013 rate of 0.94 US cents.

Uranium oxide produced for the year ended 31 December 2014 was 1,165 tonnes, 61 per cent lower than 2013. Uranium oxide produced was adversely impacted by the suspension of processing operations following the failure of Leach Tank No. 1 on 7 December 2013. A progressive restart of the Ranger processing plant commenced on 5 June 2014 following receipt of written approval to recommence processing operations from the Commonwealth Minister for Industry and the Northern Territory Department of Mines and Energy.

Total cash costs were higher than 2013 largely due to the requirement to purchase uranium oxide and an increase in contractors and consultants. Expenditure on contractors and consultants 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 raw materials and consumables, royalties and shipping and commission costs, all a result of the suspension of processing operations.

During the period ERA purchased uranium oxide to meet committed sales in the second half of 2014. A total of 843 tonnes of uranium oxide was purchased for a cost of \$67 million. All purchased material has now been sold.

Total exploration and evaluation spend for 2014, including the Ranger 3 Deeps Exploration Decline, Prefeasibility Study and other exploration, was \$83 million compared to 2013 spend of \$66 million.

Non-cash costs associated with depreciation have decreased during the year. This is the result of reduced production due to the plant suspension. A large portion of the depreciation is based on the units of production method.

Capital expenditure decreased in 2014 to \$12 million (2013: \$91 million). The majority of expenditure in 2014 related to sustaining capital projects compared to 2013 where expenditure largely related to the construction of the Brine Concentrator.

The net decrease in cash held by the business in 2014 was \$64 million (2013: \$110 million). ERA had \$293 million (2013: \$357 million) on the balance sheet at year end.

## Results for announcement to the market

### Suspension of processing Operations

On 7 December 2013, Leach Tank 1 at the Ranger Mine failed, causing the release of a slurry mixture of natural ore and acid into a designated on-site catchment system. In August 2014, the Supervising Scientist confirmed there has been no impact to the surrounding environment as a result of the leach tank failure. There were no injuries to employees or contractors. Processing operations were suspended pending investigations conducted by Northern Territory and Commonwealth regulators into the integrity of the Ranger processing plant and related maintenance and safety systems. ERA co-operated fully with these investigations and with the Government-appointed taskforce charged with overseeing the regulatory response to the leach tank failure.

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. The findings of these investigations formed the basis of ERA's restart readiness plan which was approved by the ERA Board and announced to the Australian Stock Exchange on 9 April 2014.

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

Following the recommencement of processing operations, plant milling rates have returned to normal levels with some impacts still being seen on uranium recovery levels due to restrictions on the availability of leach tanks in the period.

### Outlook

ERA expects that the uranium market will remain challenging in the near term, however, the long term outlook remains encouraging for established producers.

At this time, ERA expects uranium production for 2015 to be within the range of 1,600 tonnes to 2,200 tonnes. ERA expects that sales of uranium oxide in 2015 to be broadly in line with production.

### Ranger 3 Deeps

The Ranger 3 Deeps Exploration Decline was completed in the fourth quarter of 2014, on schedule and on budget, with a final decline face position of 2,710 metres.

The major activities contributing to the Ranger 3 Deeps Prefeasibility Study have been substantially completed, including 47,000 metres of underground resource drilling and key mine planning activities.

The Prefeasibility Study underwent review by the ERA Board in January 2015. ERA will undertake further work to review key technical parameters and further optimise the development pathway. This work is being executed in a manner to minimise the impact on the overall project schedule. Based on current assumptions, including foreign exchange rate, prices, costs, resource and mining techniques, ERA is likely to require capital at a future date for the development of Ranger 3 Deeps. Subject to satisfactory completion of the Prefeasibility Study, including the additional technical work, it is expected that the Board will consider progressing to Feasibility Study as soon as is practicable later in 2015.

Dependent on the outcome of further work, and subject to Board and regulatory approvals, first development ore for Ranger 3 Deeps is now expected to be in 2016.

The draft Environmental Impact Statement for the proposed Ranger 3 Deeps underground mine was lodged with the Northern Territory Environmental Protection Authority and the Commonwealth Department of the Environment on 3 October 2014.

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The public consultation period closed on 12 December 2014 and a Supplementary Environmental Impact Statement is expected to be lodged in the first half of 2015.

**Exploration**

Surface exploration drilling on the Ranger Project Area continued during 2014 with 25 holes completed for 11,184 metres drilled. Drilling continued until late November 2014 when wet season rainfall began. No significant intercepts were identified during the year. Further drilling is planned in 2015 to finalise the exploration program at a location identified as Anomaly 5.

**Progressive Rehabilitation**

Progressive rehabilitation of the Ranger Project Area continued during 2014. Following the completion of the initial backfill of Pit 3 in the September 2014 quarter, the infrastructure to enable Pit 3 to receive tailings for final deposition was installed. This was delivered on time and within budget.

In addition the Company completed initial capping of Pit 1, this involved placement of 2.5 metres of waste material over the backfilled pit.

In 2013, the ERA Board approved the construction of a dredge and tailings transfer infrastructure to transfer tailings from the current Tailings Storage Facility into Pit 3 for final storage. This project commenced construction in 2014 for an estimated total cost of \$69 million. Commissioning is scheduled to be completed by mid-2015. In line with the other rehabilitation costs, this expenditure will be allocated to the rehabilitation provision in the balance sheet. The project is progressing on schedule and budget and is the first step in decommissioning the Tailings Storage Facility. The project is a key component of rehabilitation of the Ranger Project Area.

In line with normal practices the Company performed a detailed review of the rehabilitation provision estimate which resulted in a decrease to the provision of \$74 million. The change in estimate considered updated technology and learnings from work conducted to date, both at Ranger and other operations. The key change related to the use of more efficient technology in thickening tailings transferred from the existing Tailings Storage Facility to Pit 3. The overall rehabilitation strategy remains unchanged.

**Dividends**

In light of the significant investments currently being undertaken by ERA and the challenging market conditions faced, the ERA directors have decided not to declare a final dividend for the 2014 financial year (2013: Nil).

**Competent Person**

The information in this report relating to exploration results and mineral resources is based on information compiled by geologist Greg Rogers, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Greg Rogers is a full-time employee of ERA and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Greg Rogers consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

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**Preliminary statement of comprehensive income**

	2014 \$000	2013 \$000
Revenue from continuing operations	401,798	370,144
Changes in inventories	(124,876)	14,140
Purchased materials (uranium oxide)	(66,933)	-
Materials and consumables used	(85,300)	(88,459)
Employee benefits and contractor expenses	(215,816)	(172,512)
Government and other royalties	(15,423)	(18,407)
Commission and shipping expenses	(2,333)	(10,371)
Depreciation and amortisation expenses	(119,977)	(232,169)
Financing costs	(29,301)	(32,402)
Statutory and corporate expense	(11,247)	(10,761)
Other expenses	(4,194)	(5,744)
<b>Profit/(Loss) before income tax</b>	<b>(273,602)</b>	<b>(186,541)</b>
Income tax benefit/(expense)	85,802	50,712
<b>Profit/(Loss) for the year</b>	<b>(187,800)</b>	<b>(135,829)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(187,800)</b>	<b>(135,829)</b>
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	(187,800)	(135,829)
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	<b>(187,800)</b>	<b>(135,829)</b>

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**Preliminary balance sheet**

	2014 \$000	2013 \$000
<b>Current assets</b>		
Cash and cash equivalents	293,318	357,208
Trade and other receivables	11,232	20,107
Inventories	146,559	248,522
Other	1,392	2,305
<b>Total current assets</b>	<b>452,501</b>	<b>628,142</b>
<b>Non-current assets</b>		
Inventories	85,728	112,584
Undeveloped properties	203,632	203,632
Property, plant and equipment	358,485	530,346
Deferred tax assets	174,627	88,897
Investment in trust fund	66,751	63,960
<b>Total non-current assets</b>	<b>889,223</b>	<b>999,419</b>
<b>Total assets</b>	<b>1,341,724</b>	<b>1,627,561</b>
<b>Current liabilities</b>		
Payables	55,621	72,512
Provisions	40,552	91,223
Income received in advance	14,911	-
<b>Total current liabilities</b>	<b>111,084</b>	<b>163,735</b>
<b>Non-current liabilities</b>		
Provisions	485,033	529,804
<b>Total non-current liabilities</b>	<b>485,033</b>	<b>529,804</b>
<b>Total liabilities</b>	<b>596,117</b>	<b>693,539</b>
<b>Net assets</b>	<b>745,607</b>	<b>934,022</b>
<b>Equity</b>		
Contributed equity	706,485	706,485
Reserves	389,918	390,533
Retained profits	(350,796)	(162,996)
<b>Total equity</b>	<b>745,607</b>	<b>934,022</b>

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**Preliminary statement of changes in equity**

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 January 2013</b>	<b>706,485</b>	<b>390,301</b>	<b>(27,167)</b>	<b>1,069,619</b>
Profit/(Loss) for the year	-	-	(135,829)	(135,829)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(135,829)</b>	<b>(135,829)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share options - value of employee services	-	232	-	232
	-	232	-	232
<b>Balance at 31 December 2013</b>	<b>706,485</b>	<b>390,533</b>	<b>(162,996)</b>	<b>934,022</b>
Profit/(Loss) for the year	-	-	(187,800)	(187,800)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(187,800)</b>	<b>(187,800)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share options - value of employee services	-	(615)	-	(615)
	-	(615)	-	(615)
<b>Balance at 31 December 2014</b>	<b>706,485</b>	<b>389,918</b>	<b>(350,796)</b>	<b>745,607</b>



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**Preliminary statement of cash flows**

	2014 \$000	2013 \$000
	inflows/ (outflows)	inflows/ (outflows)
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	448,514	406,432
Payments to suppliers and employees (inclusive of goods and services tax)	(368,975)	(294,468)
	<u>79,539</u>	<u>111,964</u>
Payments for exploration and evaluation	(83,205)	(66,186)
Payments for rehabilitation	(56,977)	(73,327)
Interest received	7,871	11,161
Borrowing costs paid	(1,219)	(1,465)
Income taxes refunded	-	(29)
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>(53,991)</u></b>	<b><u>(17,882)</u></b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(11,590)	(91,133)
Proceeds from sale of property, plant and equipment	2,652	-
<b>Net cash inflow/(outflow) from investing activities</b>	<b><u>(8,938)</u></b>	<b><u>(91,133)</u></b>
<b>Cash flows from financing activities</b>		
Employee share option payments	(962)	(1,106)
<b>Net cash inflow/(outflow) from financing activities</b>	<b><u>(962)</u></b>	<b><u>(1,106)</u></b>
<b>Net increase/(decrease) in cash held</b>	<b>(63,891)</b>	<b>(110,121)</b>
Cash at the beginning of the financial year	357,208	467,345
Effects of exchange rate changes on cash	1	(16)
<b>Cash at the end of the financial year</b>	<b><u>293,318</u></b>	<b><u>357,208</u></b>

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<b>Inventories</b>	2014 \$'000	2013 \$'000
Inventories - current		
Stores & spares	19,787	23,730
Ore stockpile at cost	35,835	27,721
Work in progress at cost	-	2,602
Work in progress at net realisable value	710	-
Finished product U <sub>3</sub> O <sub>8</sub> at net realisable value	90,227	194,469
Total current inventory	<u>146,559</u>	<u>248,552</u>
 Inventories – non-current		
Ore stockpiles at cost	<u>85,728</u>	<u>112,584</u>

Inventories are carried at the lower of cost or net realisable value in accordance with AASB 102.

For the year ended 31 December 2014, a \$43 million (pre-tax) (\$21 million in 2013) adjustment was made to finished goods inventory and a \$5 million adjustment to work in progress inventory to record it at its net realisable value. The net realisable value adjustment has been included in 'Changes in Inventories' in the statement of comprehensive income.

The calculation of net realisable value is sensitive to key assumptions including: uranium price, Australia/US dollar exchange rate and where applicable costs to complete. The sales price of uranium oxide is denominated in US dollars, so fluctuations in the Australian/US dollar exchange rate will affect the proceeds received from sales and consequently the recoverable amount.

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<b>Provisions</b>	2014 \$'000	2013 \$'000
Provisions -current		
Employee benefits	9,345	11,535
Leach tank clean-up	-	1,300
Rehabilitation	31,207	78,388
Total current provisions	<u>40,552</u>	<u>91,223</u>
 Movement in current rehabilitation provisions		
Carrying value at the start of the year	78,388	66,227
Payments	(56,977)	(73,327)
Transfer from non-current provisions	9,796	85,488
Carrying amount at the end of the year	<u>31,207</u>	<u>78,388</u>
 Provisions – non-current		
Employee benefits	4,188	4,728
Rehabilitation	480,845	525,076
Total non-current provisions	<u>485,033</u>	<u>529,804</u>
 Movement in non-current rehabilitation provisions		
Carrying value at the start of the year	525,076	573,629
Unwind of discount	28,082	30,937
Additional provision recognised	11,725	5,871
Change in estimate	(74,242)	127
Transfer from current provisions	(9,796)	(85,488)
Carrying amount at the end of the year	<u>480,845</u>	<u>525,076</u>

The calculation of the rehabilitation provision relies on estimates of costs and their timing required to rehabilitate and restore disturbed land, and to establish an environment similar to adjacent areas of the Kakadu National Park.

The costs are estimated on the basis of a rehabilitation model, taking into account consideration to the preferred options available to meet the Company's obligations. The provision for rehabilitation represents the net present cost at 31 December, based on current disturbance, of the preferred plan within the requirements of the Ranger Project Area Authority.

The cost estimates are reviewed annually during the life of the operation to reflect known developments. This review resulted in a decrease to the provision of \$74 million. The change in estimate considered updated technology and learnings from work conducted to date, both at Ranger and other operations. The key change related to the use of more efficient technology in thickening tailings transferred from the existing Tailings Storage Facility to Pit 3. The overall rehabilitation strategy remains unchanged.

The ultimate cost of rehabilitation is uncertain and can vary in response to many factors. It is reasonably possible that outcomes within the next financial year that are different from the current cost estimates could require a material adjustment (increase or decrease) to the rehabilitation provision for the Ranger Project Area.

A key sensitivity in estimating the rehabilitation provision is the discount rate applied to the underlying cash flows. The Company has maintained a real discount rate of 2.5 per cent.

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<b>Retained earnings</b>	2014 \$'000	2013 \$'000
Retained earnings at the beginning of the financial year	(162,996)	(27,167)
Net profit/(loss) attributable to members of Energy Resources of Australia	(187,800)	(135,829)
Retained profits at the end of the financial year	<u>(350,796)</u>	<u>(162,996)</u>

**Asset Carrying Values**

ERA has two cash generating units (CGU), the Ranger Project Area (RPA) and the Jabiluka Lease. The Ranger CGU includes all assets and liabilities related to activities on the RPA, including the rehabilitation provision and the associated asset capitalised within property, plant and equipment. The Jabiluka CGU relates to the Jabiluka lease which is currently under a long term care and maintenance agreement.

The Company's balance sheet contains items that have been subject to impairment testing during the year. The Company has concluded, using the fair value less cost to sell method, that Ranger CGU is not impaired.

It is reasonably possible that outcomes within the next financial year that are different from the assumptions around future market prices, resource and development potential, discount rate, rehabilitation, capital and production costs could require a material adjustment (increase or decrease) to the carrying amount of the Ranger Project Area.

Market consensus uranium price and exchange rate is determined by surveying a sample of brokers and financial institutions to gather their estimation of both the long term uranium price and AUD exchange rate.

The Company's financial modelling also includes the development of Ranger 3 Deeps mine within and beyond the term of the current Authority, which remains subject to stakeholder, regulatory and ERA Board approvals, and to which the Company has assigned a high probability. Should the development of Ranger 3 Deeps not occur, the Ranger CGU would likely face significant impairment.

If the carrying values of the assets are assessed to be impaired, the impairment would be charged against the statement of comprehensive income.

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<b>Net Tangible Asset Backing</b>	2014	2013
Net tangible asset backing per ordinary share	1.4	1.8

**Audit**

This report is based on accounts that are in the process of being audited.