



**ERA** Energy Resources of Australia Ltd

# Presentation to the Financial Community 2014 Full Year Results

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# 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 Persons

The information in this presentation that relates to exploration results and mineral resources is based on information compiled by geologists Greg Rogers (a full time employee of ERA) and Stephen Pevely (a full time employee of ERA). The information in this report that relates to ore reserves is based on information compiled by mining engineer John Murphy (a full time employee of ERA). Stephen Pevely, Greg Rogers and John Murphy are all members of the Australasian Institute of Mining & Metallurgy and have sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which they are undertaking 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, Stephen Pevely and John Murphy consent to the inclusion in this presentation of the matters based on their information in the form and context in which it appears.



# Acknowledgement of Traditional Owners

- The mining 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

- **Business objectives and highlights**
- **Safety**
- **People and diversity**
- **Market outlook**
- **Ranger 3 Deeps**
- **Operational performance**
- **Financial performance**
- **Progressive rehabilitation**
- **Stakeholder engagement**
- **Summary**



# Continuing to deliver on our business objectives

*ERA's aim is to maximise shareholder value while preparing for a future as an underground miner with a significantly smaller environmental footprint, contributing to the global energy market and local community*

## Business Objective

- **Developing a long term resource base on the Ranger Project Area**
- **Operational effectiveness**
- **Building and maintaining strong stakeholder relationships**
- **Excellence in rehabilitation practices**

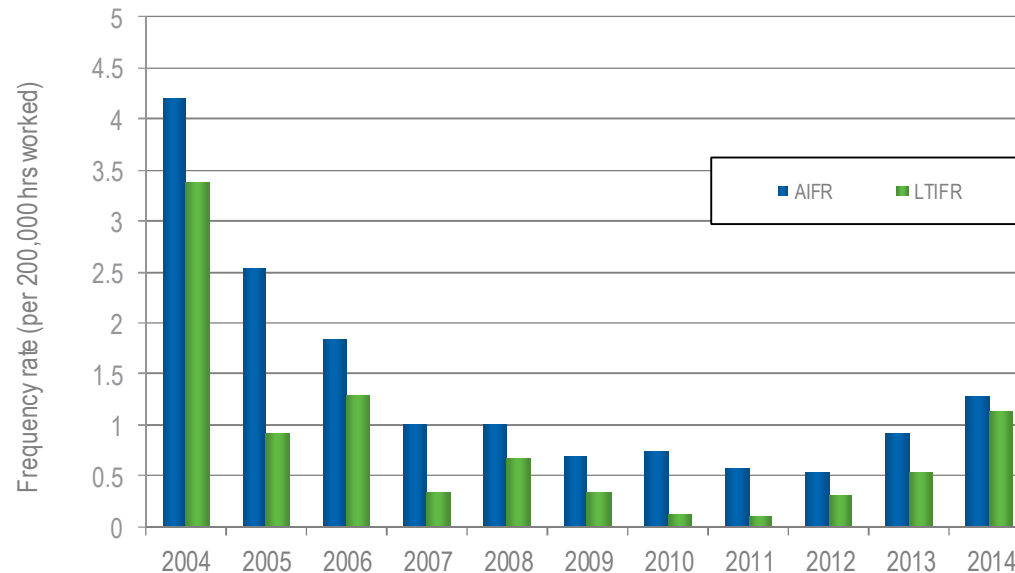
## 2014 full year highlights

- Major activities contributing to the Ranger 3 Deeps Prefeasibility Study substantially complete
- Further work to optimise the development pathway underway
- Ranger 3 Deeps Exploration Decline and the drilling programme for Ranger 3 Deeps Prefeasibility Study completed
- Draft Environmental Impact Statement submitted to regulators
- Production of 1,165 tonnes uranium oxide
- Cash position of \$293 million at 31 December 2014 and no debt
- Focussed on improving the relationship with Gundjeihmi Aboriginal Corporation, which represents the Mirarr Traditional Owners, following leach tank response
- Invested \$57 million in rehabilitation in 2014
- Tailings and Brine Management project on schedule and budget



# Safety improvement program underway

*Focus on health and safety leadership, critical risk management and process safety improvement*



- **Challenging period for safety performance**
  - Eight lost time injuries
  - All Injury Frequency Rate was 1.27 at 31 December 2014
- **Safety improvement program underway focussing on health and safety leadership and critical risk management**
- **Process Safety Improvement Action Plan focussed on asset integrity and identification, assessment and control of process safety hazards**



# People and diversity

*ERA continues to be a major employer in West Arnhem region*

	31 December 2014	31 December 2013
<b>Total number of employees</b>	390	519
<b>Indigenous employees</b>		
Total	47	79
Percentage	12%	16%
<b>Female employees</b>		
Total	69	96
Percentage	18%	18%
<b>Apprentices and trainees</b>	<ul style="list-style-type: none"><li>• 9 apprentices</li><li>• 3 school-based</li><li>• 3 indigenous trainees</li></ul>	<ul style="list-style-type: none"><li>• 19 apprentices</li><li>• 4 school-based</li><li>• 10 indigenous trainees</li></ul>

- **Mining operations restructured following completion of Pit 3 initial backfill**
- **Indigenous employee numbers impacted as a result**
- **Pre-employment program initiated to develop local skills**



# Uranium market

## *Market fundamentals support long term price recovery*

- **Market sentiment driven by nuclear plans**

- Restart of the two Kyushu Electric Power Company reactors in Japan expected in first half after meeting all the regulatory approval processes
- In November 2014 China and United States committed to emission reductions by 2030 through the U.S.A - China Climate Agreement

- **Supply dynamics are changing**

- The United States - Russia Highly Enriched Uranium Purchase Agreement ended in 2013 leading to a fall in secondary supplies of uranium
- Kazakhstan supply expansion has slowed

- **Longer term drivers remain positive**

- The push by countries to limit greenhouse gas emissions will support development of nuclear power, according to the Bureau of Resource and Energy Economics
- Long-term security and affordability of energy supply
- Nuclear projections from International Energy Agency show continued growth in nuclear power generation





# Key economic trends

*ERA is favourably exposed to a projected recovery in the uranium price, a weaker Australian dollar and lower oil prices*

- **Strong leverage to forecast price recovery**
- **Sales strategy has continued to realise a premium to spot in 2014**
- **Favourable exposure to weakening Australian dollar**
  - +/- 1 cent movement = \$4 million cash impact<sup>1</sup>
- **Diesel costs for power generation is the single largest input cost for ERA**

## Uranium oxide spot price forecast – US\$ / lb (consensus)

Dec 2014	→	2017 average
36		55

## Exchange Rate – AUD / USD

Dec 2013	→	Dec 2014
0.90		0.83

## Brent crude – US\$ / bbl<sup>2</sup>

Dec 2013	→	Dec 2014
111		62

<sup>1</sup> Estimated annualised cash impact based on 2014 financial performance

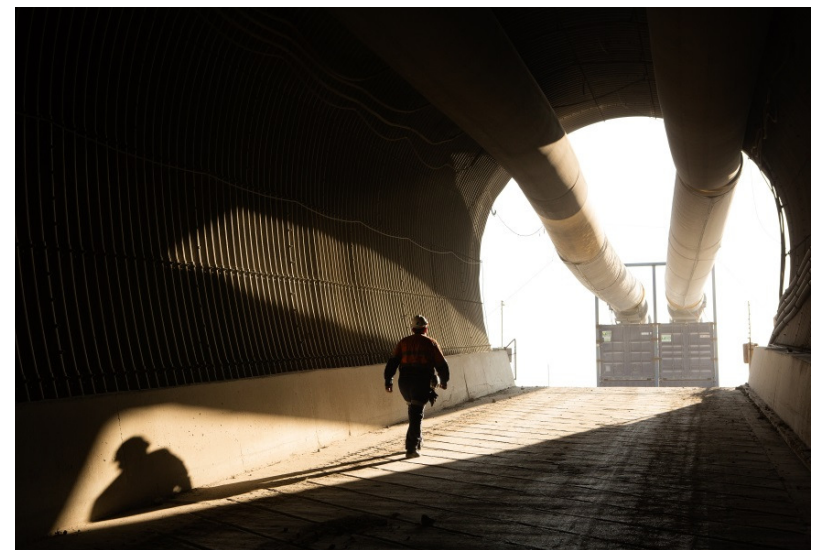
<sup>2</sup> Monthly average based on data extracted – Source: U.S. Energy Information Administration (Feb 2015)



# Ranger 3 Deeps milestones

*Exploration Decline and Prefeasibility Study drilling program finalised on time and on budget.  
Draft Environmental Impact Statement public comment period closed*

- **Exploration Decline**
  - Completed on schedule and within budget in the fourth quarter of 2014
  - Final decline face position of 2,710 metres
  - Completed 47,000 metres of underground resource drilling for the Ranger 3 Deeps Prefeasibility Study
- **Environmental Impact Statement for Ranger 3 Deeps in progressing through regulatory process**
  - Public exhibition period occurred in the fourth quarter of 2014
  - Total of 18 unique submissions received
  - Preparation of supplementary Environmental Impact Statement underway



Entrance portal for Ranger 3 Deeps Exploration Decline



# Ranger 3 Deeps Prefeasibility Study

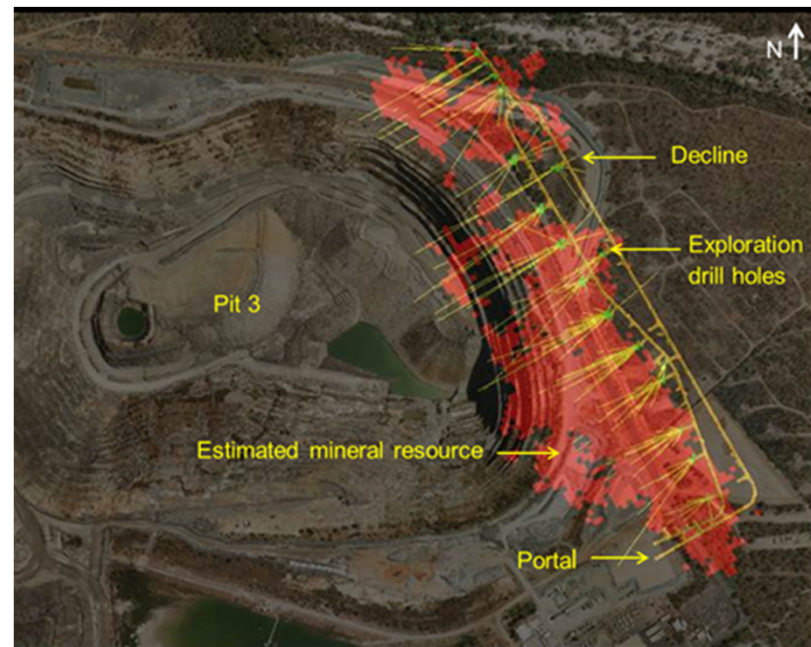
*Major activities substantially complete. Additional work to be undertaken to optimise the development pathway for the project*

- **Prefeasibility Study outcomes included:**

- Resource classification, grade and tonnes
- Mine planning including productivity and dilution assumptions
- Mining method and production plans appropriate to the ore body
- Mining contract structure
- Processing flow-sheet and supporting infrastructure requirements

- **Technical review underway to:**

- Optimise mine planning and cost effectiveness
- Maximise project value
- Enhance our understanding of the project risk profile



Exploration Decline and resource drilling in relation to Pit 3



# Ranger 3 Deeps schedule

*Additional work will be completed in a manner to minimise the impact on the overall project schedule.*

*Ranger 3 Deeps remains subject to regulatory and Board approvals*

Ranger 3 Deeps Forecast milestones	Target	Status
Regulatory approval for exploration decline granted	August 2011	✓
Box cut excavation completed	October 2012	✓
Decline tunnel construction commences	November 2012	✓
Ranger 3 Deeps mine referral submitted to government	Jan 2013	✓
Exploration drilling starts	June 2013	✓
Exploration and resource drilling completed; completion of PFS	End 2014	✓
Completion of major PFS activities	End 2014	✓
Review of PFS initial outcomes	Jan 2015	✓
Technical review to optimise and refine study outcomes	Q1-Q2 2015	
Regulatory and ministerial environmental approval	Mid-2015	
Feasibility Study	2015	
Delivery of first development ore	2016	





# Processing plant performance

*Ranger processing plant performed well with full milling rates achieved in the third quarter*

Mill Operation	2014
Ore milled ('000 tonnes)	1,278
Recovery (%)	81.5
Mill head grade (% uranium oxide)	0.11
Tonnes produced ( $U_3O_8$ )	1,165

- Full milling rates of 305 tonnes per hour following progressive ramp-up of processing activities
- Recovery rate progressively increased as additional leach tanks brought online
- Production guidance for 2015 is 1,600 tonnes to 2,200 tonnes





# Cash flow performance

## Continued focus on cash generation and investment in Ranger 3 Deeps project

	2014
<b>Earnings - \$ million</b>	
• Net profit/(loss) after tax	(188)
<b>Sales</b>	
• Revenue from sales of uranium oxide (\$ million)	379
• Sales volume (tonnes)	3,148
• Average realised price – US\$/lb	49.50
<b>Cash flow - \$ million</b>	
• <b>Cash balance at 1 January 2014</b>	<b>357</b>
• Cash flow generated <sup>1</sup>	85
• Evaluation and exploration expenditure	(83)
• Capital expenditure	(12)
• Rehabilitation expenditure	(57)
• Asset disposals	3
• <b>Cash balance at 31 December 2014</b>	<b>293</b>

- **Increased sales revenue**

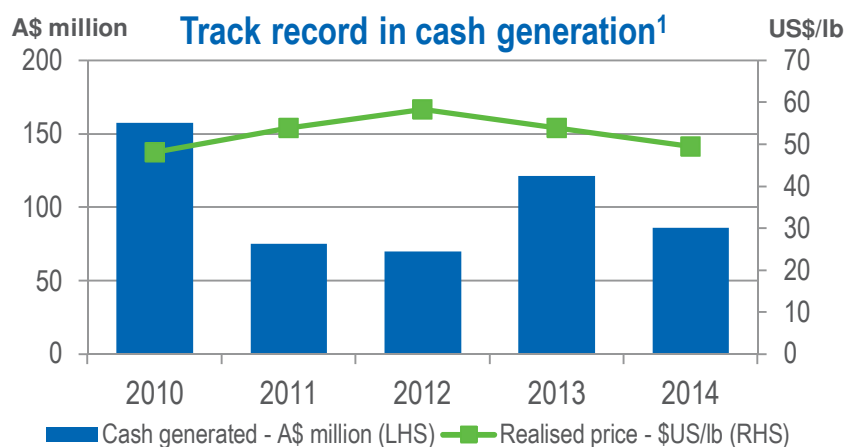
- Sales volume up 12 per cent, offset by 8 per cent decrease in average realised price

- **Focus on optimising expenditure**

- Focus on reducing Ranger production costs through productivity and procurement initiatives
- Disciplined project management of Exploration Decline and Prefeasibility Study
- Expenditure included one-off costs associated with the leach tank failure and associated business interruption impact
- \$67 million in uranium oxide purchases to mitigate production loss in first half

- **Cash position**

- Positive cash flow generation of \$85 million in 2014<sup>1</sup>
- \$293 million on the balance sheet at 31 December 2014
- Company has not declared a dividend for 2014

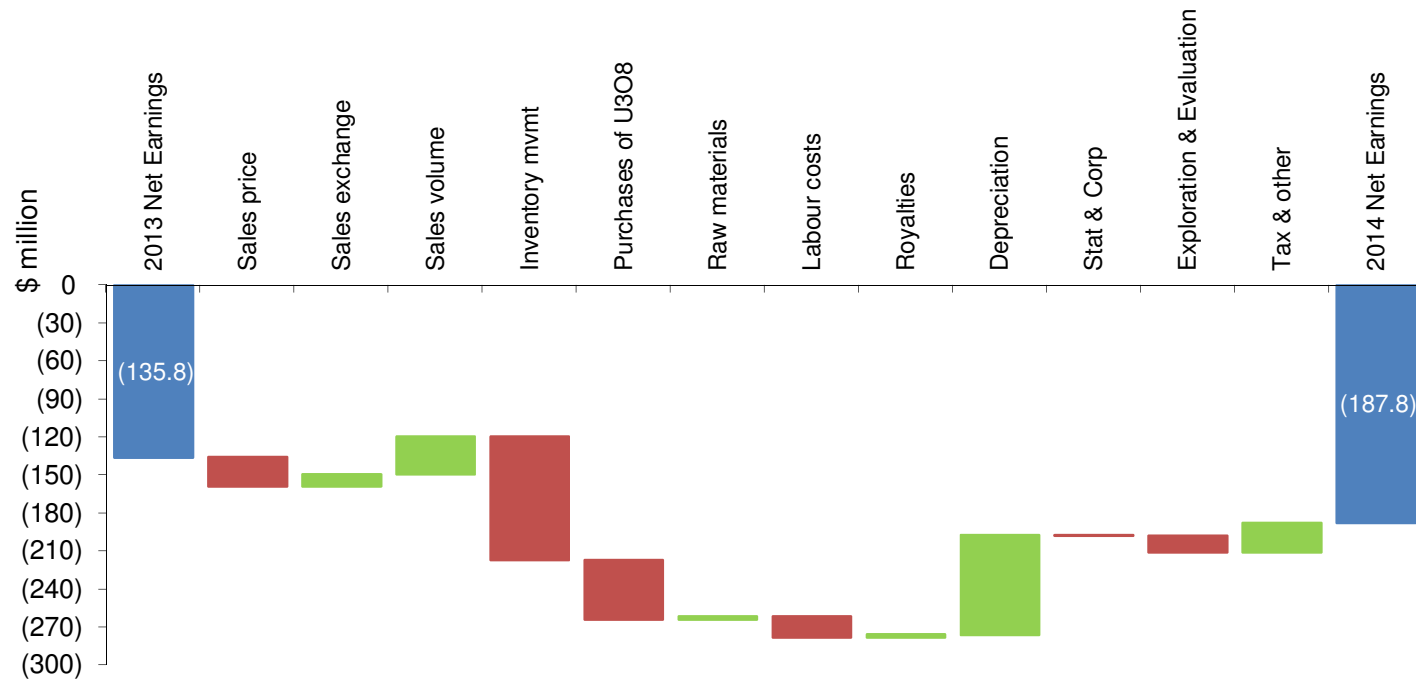


<sup>1</sup> Cash flow generated is a non-IFRS measure and represents receipts from customers (incl. GST), net interest and foreign exchange, less payments to suppliers (incl. GST). It excludes payments for exploration and evaluation and rehabilitation which are included in the total of cash flows from operating activities. Refer consolidated cash flow statement (Appendix 4D and 4E for respective periods).



# Earnings variances

*Earnings variances for full year 2014 compared to full year 2013*



Note: all variances are expressed post tax

- The draw down of inventory was due to sale of drummed uranium oxide holdings as a result of plant suspension
- Purchases of uranium oxide were made to meet contracted sales
- Reduced depreciation was due to the lower production and reduced asset cost base



# Business improvement

*ERA is focussing on business improvements and cash generation to strengthen the business*

- Savings of more than \$23 million were achieved in 2014. The \$150 million target, set for the period 2011 to 2014, was exceeded
- Use of technology a key component in the reduction in the rehabilitation provision of \$74 million
- Improved procurement practices have led to sustainable cost reductions in site consumables
- Project underway to optimise electricity use and costs at Ranger
- New Marketing Agreement with Rio Tinto Uranium is delivering working capital benefits
- Asset disposals completed in second half of 2014 generated almost \$3 million
- Workforce reduction and changes to contractor management model



Drummed uranium oxide





# Delivering on rehabilitation

*Continued investment in rehabilitation and delivery of progressive rehabilitation milestones*

- **ERA has invested \$378 million in rehabilitation and water management projects since 2012, including:**
  - \$220 million for the construction and commissioning of the brine concentrator
  - \$57 million in 2014 on rehabilitation activities
- **Forecast rehabilitation investment of \$31 million for 2015**
- **In 2014 rehabilitation progress included**
  - Pit 1 pre-load rock capping to consolidate tailings completed end of 2014
  - Revegetation of former site of Jabiluka Interim Water Management Pond completed
  - Pit 3 initial backfill completed in August with total of 33.7 million tonnes of waste rock placed into Pit 3

Rehabilitation Milestones	Target	Status
Pit 3 initial backfill	End 2014	✓
Pit 3 Installation of in-pit drainage and extraction pump system	End 2014	✓
Pit 1 pre-load rock capping	End 2014	✓
Completion of Jabiluka Pond Rehabilitation Plantings	End 2014	✓
Initial transfer of tailings from mill to Pit 3 to commence	Feb 2015	On Schedule
Commissioning of Tailings Dredge	Q2 2015	On Schedule
Commissioning of brine injection into base of Pit 3	Q2 2015	On Schedule



# Delivering on rehabilitation continued

*Critical tailings and brine management project remains on schedule and on budget*

- Work to prepare Pit 3 to take tailings from the Tailings Storage Facility (TSF) for final disposal completed in January
- First tailings transfer scheduled to begin in February 2015



Drainage installation in Pit 3 to prepare it for final storage of tailings, December 2014



# Key stakeholder relations

*ERA is continuing to engage and consult with the Gundjeihmi Aboriginal Corporation on matters of mutual interest*

- Quarterly Relationship Committee meetings to share information and discuss implementation of commitments under the Ranger Mining Agreement
- Regular consultation on significant decisions and progress relating to ERA's operations, including water management initiatives, development projects and the Company's response to the leach tank failure in December 2013
- Collaboration on a range of local initiatives such as rehabilitation of the Jabiluka water management pond, community programs and Jabiru town matters





# Summary

- **Safety improvement program initiated**
- **The long term outlook for the uranium market shows initial signs of recovery**
- **Ranger 3 Deeps Exploration Decline completed on schedule and on budget**
- **Major activities contributing to the Ranger 3 Deeps Prefeasibility Study substantially completed**
- **Further work to review technical assumptions and optimise development underway**
- **Preparation of Supplementary Environmental Impact Statement underway following public exhibition of Draft Environmental Impact Statement**
- **Production of 1,165 tonnes of uranium oxide**
- **Cash position of \$293 million at 31 December 2014 and no debt**
- **Key rehabilitation milestones achieved**