



**ERA** Energy Resources of Australia Ltd

# Presentation to the Financial Community 2015 Full Year Results

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# Forward-looking statements

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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.

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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, Mineral Resources or Ore Reserves is extracted from the ERA 2015 Annual Statement of Reserves and Resources which was released to the market on 28 January 2016 and is available to view at <http://www.asx.com.au/asxpdf/20160128/pdf/434mvv710j6nhn.pdf>. 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.



# 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



# Agenda

- **Business objectives**
- **Health and safety**
- **Market outlook**
- **2015 operational performance**
- **2015 financial performance**
- **Ore stockpiles reserves upgrade**
- **Strategic review**
- **Progressive rehabilitation**
- **Stakeholder engagement**
- **Summary**



# Focus on four core business objectives in 2015

## 2015 business objective

### Operational effectiveness

### Developing a long term resource base on the Ranger Project Area

### Building and maintaining strong stakeholder relationships

### Excellence in rehabilitation practices

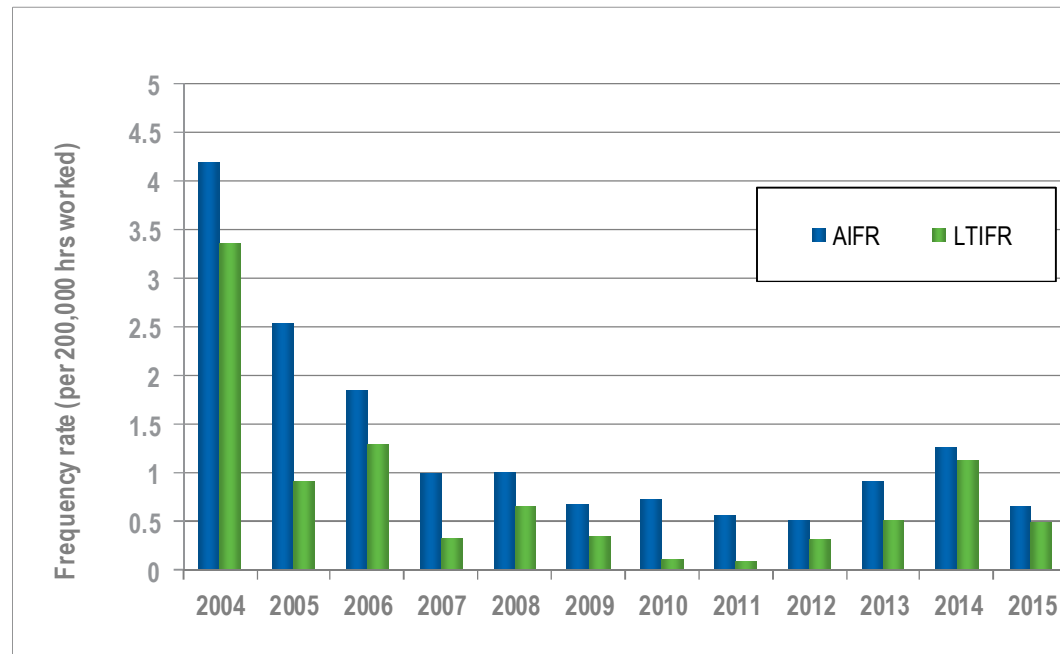
## 2015 outcomes

- Produced 2,005 tonnes of uranium oxide
- Net cash flow of \$72 million
- Total cash resources of \$433 million<sup>1</sup>
- Upgrade of Ranger stockpile Ore Reserves to 10,383 tonnes U<sub>3</sub>O<sub>8</sub>
- Potential to sustain stockpiled ore processing until late 2020
- Ranger 3 Deeps Prefeasibility Study completed
- Ranger 3 Deeps not proceeding to Final Feasibility Study in current operating environment
- Strategic business review initiated
- Focused on continuing dialogue with all key stakeholders
- Dredging of tailings from the Tailings Storage Facility to Pit 3 has commenced
- Progressive rehabilitation programme on track



# Health and safety

*Demonstrated commitment to the health and safety of our teams, community and environment in which we operate*

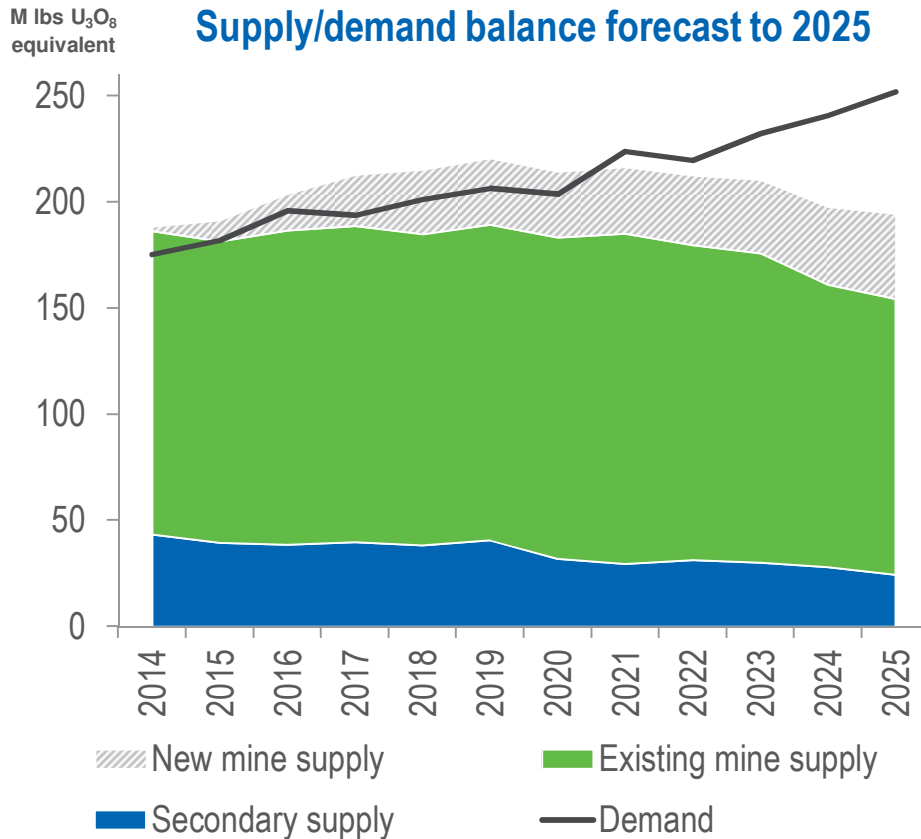


- Four reportable injuries in 2015
- Health and safety initiatives have focused on:
  - Process safety improvement plan implementation
  - Introduction of Critical Risk Management programme
  - Safety culture review including improved communication and engagement



# Uranium market outlook

Short term challenges, but green shoots are emerging and rebalancing is in sight



Source: "Metal Prospects Uranium Market Outlook – Third Quarter 2015", RBC Capital Markets August 2015

## Positive demand outlook

- Japan: restart of two units (Sendai)
- China: new build programme continuing
- Global energy policies supportive of long-term demand growth

## Supply growth is slowing

- Global inventories remain a near term headwind
- Low price environment may constrain investment in new mine developments

## Rebalancing expected around 2020

- Demand is forecast to exceed supply over time and drive a uranium price recovery
- ERA's achievement of a uranium price premium has provided insulation from weak spot market conditions





# Operational performance

Production guidance for 2016 is 1,900 tonnes to 2,300 tonnes

Mill Operation	2015
Ore milled ('000 tonnes)	2,483
Recovery (%)	82.0
Mill head grade (% $U_3O_8$ )	0.10
Tonnes produced ( $U_3O_8$ )	2,005
Pounds (000 lbs) produced ( $U_3O_8$ )	4,420

- Mill continued to perform in line with planned capacity
- Laterite plant recommissioned and performing in line with planned capacity
- Strong plant utilisation as a result of well embedded maintenance strategies
- Sustained focus on asset integrity and preventative maintenance
- Production guidance for 2016 is 1,900 tonnes to 2,300 tonnes



Stockpiled ore being loaded onto a truck for processing





# Full year financial performance

*Strong financial performance underpinned by focus on cash generation*

	2015	2014
Cash flow – (\$A million)		
• <b>Opening cash balance</b>	<b>293</b>	<b>357</b>
• Cash flow generated <sup>2</sup>	120	85
• Exploration and evaluation expenditure	(9)	(83)
• Capital expenditure (net of disposals) <sup>3</sup>	(12)	(9)
• Rehabilitation expenditure	(27)	(57)
• <b>Closing cash balance</b>	<b>365</b>	<b>293</b>
Sales		
• Revenue from sales (\$A million)	333	379
• Sales volume (tonnes)	2,183	3,148
• Average realised price (US\$/lb)	51.99	49.50
• Realised exchange rate (USD/AUD)	0.75	0.91

## • Strong cash position

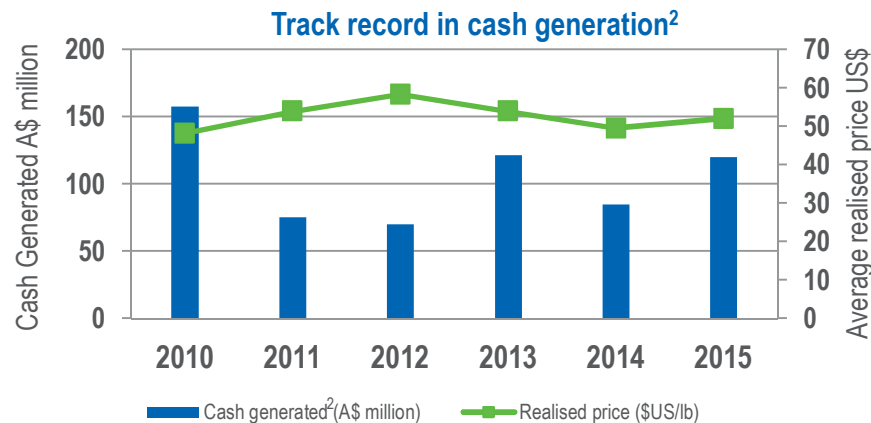
- Positive overall cash flow of \$72 million in 2015
- Cash flow generated \$120 million<sup>2</sup> from production and sale of uranium oxide
- Total cash resources of \$433 million (inclusive of \$68 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund)

## • Uranium price premium sustained in 2015

- Achieved average realised price of US\$51.99 per pound representing a US\$15 per pound premium to the average spot price in the year
- Stable uranium prices and weaker Australian dollar underpinned strong cash flow performance

## • Focus on cash conservation

- Productivity improvements and cost reduction initiatives being delivered to offset lower grades of stockpiled ore
- Focus on disciplined cost management and cash flow maximisation



<sup>2</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 4E for respective periods).

<sup>3</sup> Asset disposals in 2014 were \$3 million.

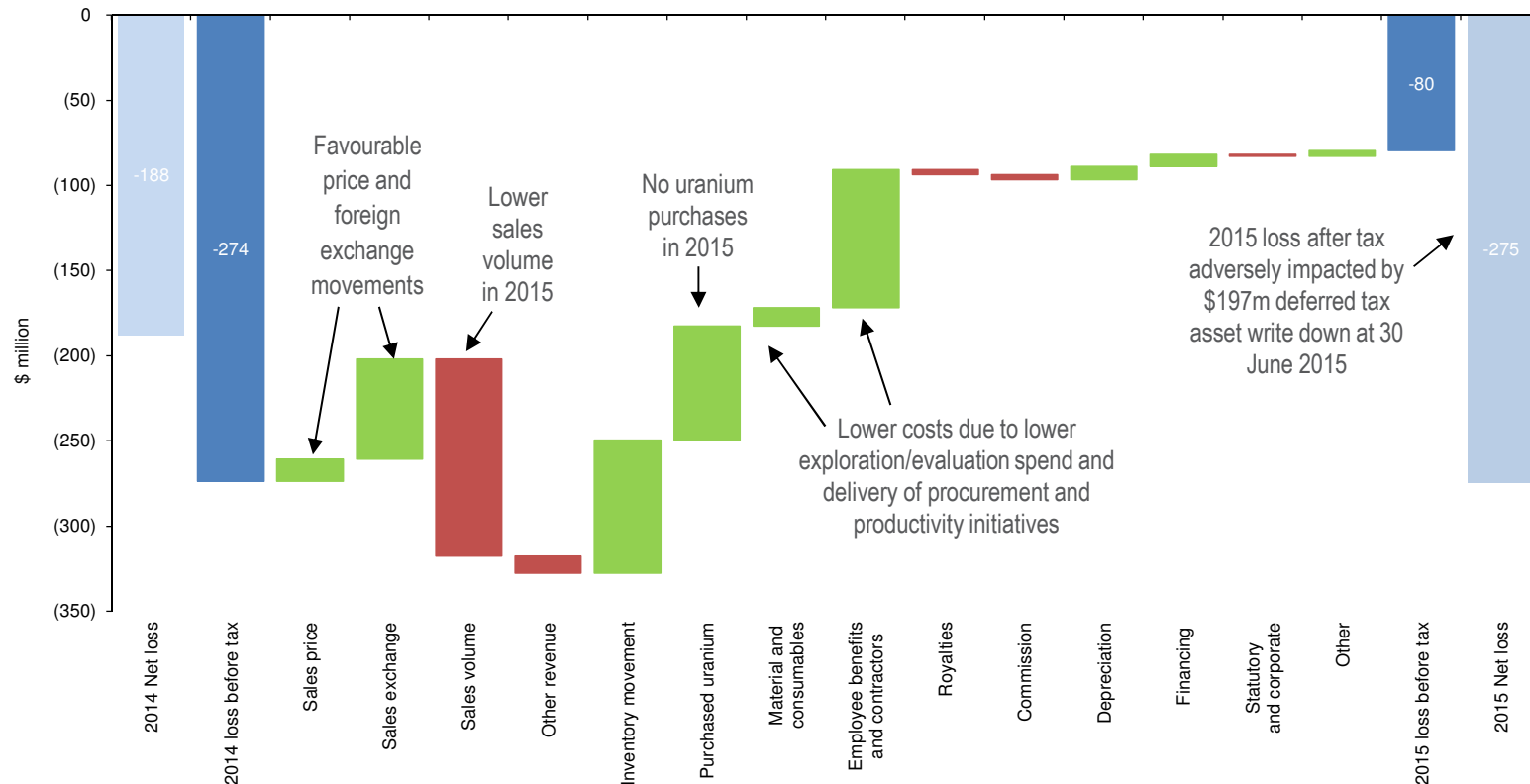


# 2015 earnings performance

Improvement in pre-tax earnings compared to 2014

	2015	2014
Earnings (\$A million)		
• Net profit/(loss) before tax	(80)	(274)
• Net profit/(loss) after tax	(275)	(188)
Earnings before interest, tax, depreciation and amortisation	24	(164)

Pre-tax earnings variances - 2015 versus 2014 (A\$ million)





# Financial position

*Financial position strengthened in the year*

## Balance sheet at 31 December 2015 (A\$ million)

	2015	2014
Cash and cash equivalents	365	293
Trade and other receivables	20	11
Inventories	133	147
Other	-	1
<b>Total current assets</b>	<b>519</b>	<b>453</b>
Inventories	50	86
Undeveloped properties	204	204
Property, plant and equipment	260	358
Deferred tax assets	-	175
Investment in trust fund	68	67
<b>Total non-current assets</b>	<b>582</b>	<b>889</b>
Payables	50	56
Provisions	40	41
Income received in advance	39	15
<b>Total current liabilities</b>	<b>129</b>	<b>111</b>
Provisions	481	485
Deferred tax liabilities	21	-
<b>Total non-current liabilities</b>	<b>502</b>	<b>485</b>
<b>Net assets</b>	<b>470</b>	<b>746</b>

- **Total cash resources have increased**

- Total cash resources strengthened to \$433 million<sup>4</sup>

- **Rehabilitation provision remains stable**

- Rehabilitation provision of \$509 million
- Continued engagement with Rio Tinto regarding a credit facility should this be required

- **Deferred tax asset write down reported at 30 June 2015**

- \$197 million write down of the deferred tax asset reported at 30 June 2015
- Non-current assets on the balance sheet are associated with current operations and undeveloped ore deposits at Ranger 3 Deeps and Jabiluka

<sup>4</sup> Comprising \$365 million cash at bank and \$68 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund

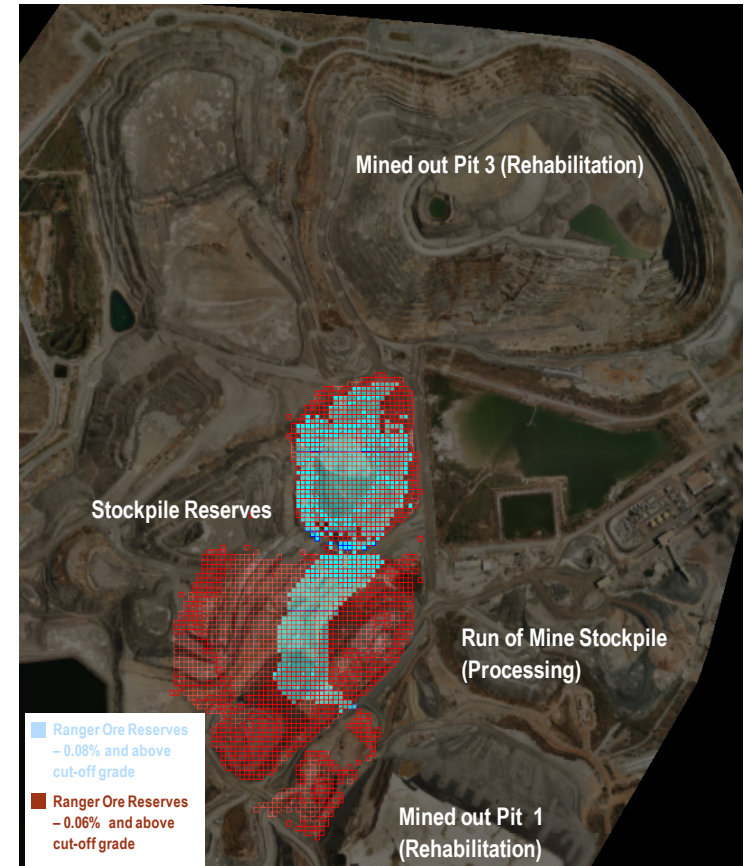
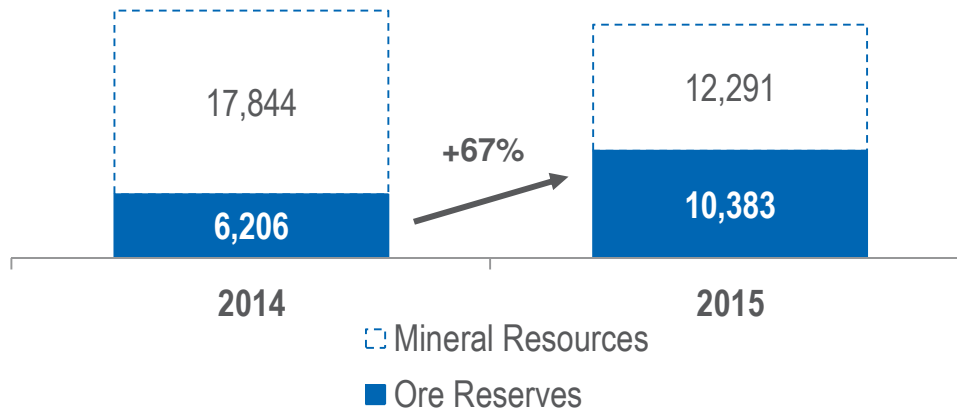


# Stockpile Ore Reserves upgrade

Processing from stockpiled ore can potentially be sustained until late 2020

- **Stockpile Ore Reserves at Ranger have been increased by 4,177 tonnes  $U_3O_8$  to 10,383 tonnes.**
  - Principally due to optimisation of the stockpiled ore mine plan
  - Cut-off grade reduced from 0.08%  $U_3O_8$  to 0.06%  $U_3O_8$
  - The mine plan which supports the reserves statement assumes processing of stockpiled ore is economically viable until late 2020<sup>5</sup>

Ranger Stockpiled Ore Reserves and Mineral Resources (tonnes  $U_3O_8$ )



Ranger stockpile reserves

<sup>5</sup> The reserves mine plan is based on a number of key economic assumptions including forecasts for uranium prices and the Australian dollar exchange rate. Continued processing of low grade stockpiled ore would be at risk of ceasing sooner than 2020 if future realised uranium prices, exchange rates or other business factors are materially unfavourable to current assumptions

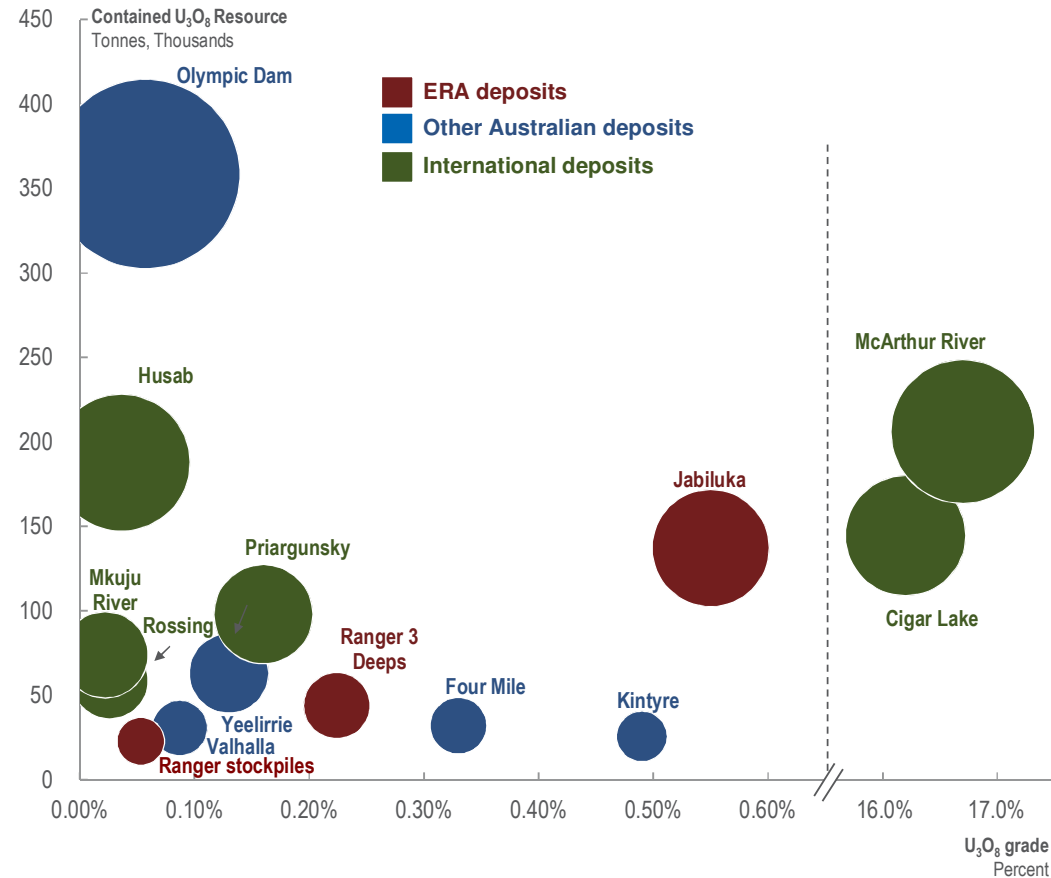


# Strategic review

ERA has initiated a strategic review of its business

- ERA announced a review of its business following advice that the Mirarr Traditional Owners do not support an extension to the Ranger Authority
- Objective of the review is to identify executable options to maximise shareholder value
- ERA expects to provide an update on the strategic review in the March 2016 quarter

ERA's resources in a global context<sup>6</sup>  
Contained uranium resource of selected deposits

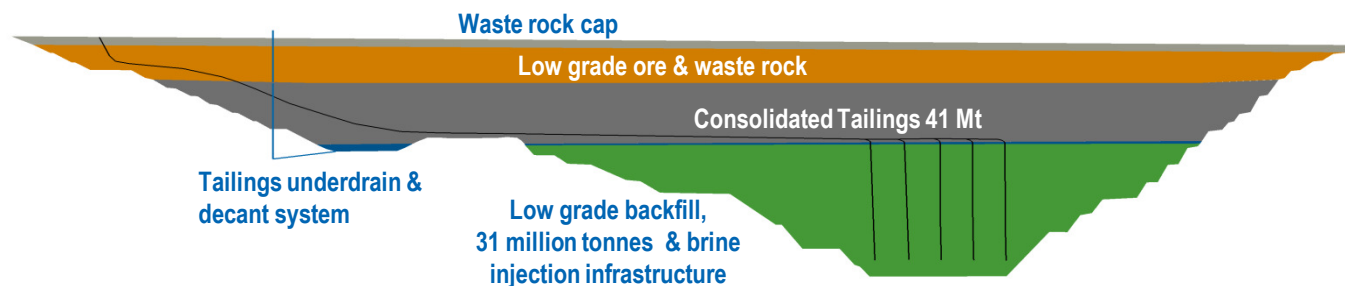


<sup>6</sup>The data points in the above diagram for Ranger stockpiles, Ranger 3 Deeps and Jabiluka are sourced from the ERA 2015 Annual Statement of Reserves and Resources which was released to the market on 28 January 2016 and is available to view at <http://www.asx.com.au/asxpdf/20160128/pdf/434mrv710j6nhn.pdf>. The data points for other resources are sourced from the World Nuclear Association from publicly disclosed resource data (data extracted on 26 January 2016). Resources in the above diagram are reported inclusive of reserves (with the exception of Olympic dam for which only proven and probable reserves are reported) in accordance with the domestic reporting code of the relevant reporting entities (where applicable).



# Delivering progressive rehabilitation commitments

- **\$405 million spent on rehabilitation and water management projects since 2012**
  - Rehabilitation spend of \$27 million in 2015
  - Rehabilitation provision at 31 December 2015 is \$509 million
  - Expected spend on rehabilitation activities in 2016 of \$31 million
- **Dredging of the Tailings Storage Facility at Ranger**
  - Dredging of the Tailings Storage Facility commenced with tailings being deposited directly into Pit 3
- **Jabiluka site rehabilitation**
  - Revegetation of site now complete. A total of 16,000 saplings planted over 10 years
  - Monitoring and maintenance ongoing
- **Capping of Pit 1**
  - Completed initial capping of Pit 1 tailings, installed process water decant towers



Pit 3 rehabilitation diagram

## The current rehabilitation plan for Pit 3 includes:

- 31 million tonnes low grade backfill placed (completed)
- Approximately 41 million tonnes tailings
- Approximately 62 million tonnes waste rock placed in pit
- Unsalvageable plant and infrastructure





# Regular engagement with key stakeholders

- ERA regularly engages with all key stakeholders, including the Gundjeihmi Aboriginal Corporation, on matters of mutual interest and to share information about ERA's operations
- Relationship Committee meetings with the Mirarr Traditional Owners are held quarterly
- Regular meetings are held regarding the Ranger closure planning process and cultural closure criteria
- Regular consultation with regulators and Traditional Owners relating to ERA's rehabilitation, safety and operations
- ERA engages with the Supervising Scientist and other government agencies on environmental matters
- Community meetings provide information to business leaders about a range of community matters
- Ongoing support to community initiatives in the West Arnhem region



*General Manager – Operations Tim Eckersley delivers an update to Jabiru business leaders*



# Summary

- Continued focus on all aspects of health, safety and environment
- Long term outlook for the uranium market continues to be positive
- Production of 2,005 tonnes of uranium oxide
- Cash position improved by \$72 million
- Processing from stockpiled ore can potentially be sustained until late 2020
- Strategic business review initiated
- Progressive rehabilitation programme on track
- Continued engagement with key stakeholders