



1 February 2012

ASX Announcement

ERA ANNOUNCES FULL YEAR RESULTS FOR 2011

A very challenging year:

- Processing operations and mining activities significantly impacted by extreme weather in the Northern Territory.
- ERA proactively suspended processing operations for approximately 4.5 months in response to extreme weather.
- Record safety performance despite a challenging environment.
- Significant progress on implementation of strategic initiatives.
- Net loss after tax was \$154 million, down from \$47 million profit in 2010.

	Year ended 31 December 2011	Year ended 31 December 2010	Change
Revenue – sales of uranium oxide (\$ million)	649.2	572.0	13%
Revenue – total (\$ million)	667.8	586.0	14%
Net profit/(loss) after tax (\$ million)	(153.6)	47.0	-427%
Underlying earnings (\$ million)	(54.2)	52.8	-203%
Total dividends (cents per share)	0	8.0	-100%
Uranium oxide			
- production (tonnes drummed)	2,641	3,793	
- production (thousand pounds drummed)	5,822	8,362	-30%
Uranium oxide			
- sales (tonnes)	5,167	5,026	3%
- sales (thousand pounds)	11,391	11,080	

Reconciliation of net earnings to underlying earnings

<i>All after tax figures in \$ million</i>	2011	2010
Net profit/(loss) for the year	(153.6)	47.0
Low grade inventory value adjustment	(99.4)	
One-off charge for the write-off of trial water treatment process		(5.8)
Underlying earnings	(54.2)	52.8

All currency is denominated in Australian currency, unless otherwise stated.



Review of operations

Energy Resources of Australia Ltd's (**ERA**) net loss after tax for the year ended 31 December 2011 was \$154 million, down from a profit of \$47 million in 2010.

In 2011, operations at the Ranger mine were significantly affected by a suspension of processing operations announced in January 2011. ERA took this proactive action in response to the significantly higher than average level of rainfall encountered at the Ranger mine during the 2010/2011 wet season. Whilst the suspension was initially expected to be for a period of 12 weeks, the continuation of the La Nina weather pattern and high rainfall at the Ranger mine resulted in ERA extending the suspension on 12 April 2011. Typical dry season conditions from late April 2011 permitted the progressive restart of processing operations from 15 June 2011, however, the significant volume of pond water at the Ranger mine following the 2010/2011 wet season affected mining operations for the remainder of 2011.

Sales of uranium oxide for the year were 5,167 tonnes (2010: 5,026 tonnes). Revenue from the sale of uranium oxide for the year was \$649 million, an increase of \$77 million when compared with 2010. The increase in sales revenues from uranium oxide was due to a higher average realised sales price, which was partially offset by the stronger Australian dollar during 2011 compared with the US dollar.

Sales of uranium oxide are denominated in US dollars causing revenue from sales to be exposed to movements in the Australian currency. ERA does not conduct hedging activities to mitigate this impact. The average realised sales price of uranium oxide for 2011 was US\$59.32 per pound (2010: US\$48.16 per pound). This increase was largely attributable to the expiration of a low priced legacy contract in 2010 and an increase in the long term price indicator in 2011.

The suspension of processing operations and corresponding lower production resulted in the need for ERA to purchase 2,126 tonnes of uranium oxide in 2011. Out of this amount, 1,636 tonnes was used to fulfil 2011 sales commitments with the remainder used to repay loans and build inventory at the end of 2011. As a consequence, purchased material costs rose substantially in 2011.

Notwithstanding the suspension of processing operations, ERA met all of its sales commitments in 2011 with the additional supply requirements fulfilled through purchased material, loans and inventory management.

Employee and contractor costs remained in line with 2010 despite increased expenditure on ERA's major projects which included further studies on the Brine Concentrator project, finalisation of studies on the Ranger Heap Leach Facility project and the approval of the Ranger 3 Deeps Exploration Decline project.

Royalty costs declined in line with the decrease in sales volume of Ranger mined uranium oxide. ERA does not pay royalties on purchased material.

Depreciation costs increased significantly during 2011 as a result of the adjustment to the Ranger Ore Reserves and the increase in the non current asset associated with the increased rehabilitation provision. The increase in the rehabilitation provision also resulted in a significant increase in financing costs. It is expected that these two items will continue to impact non-cash costs in future years.

Uranium oxide production in 2011 was 2,641 tonnes (2010: 3,793 tonnes). Production of uranium oxide was significantly affected by a temporary suspension of processing operations. Mining operations were also impacted by the significantly above average rainfall during the 2010/2011 wet season with the level of pond water in Ranger Pit 3 reaching a record level of in excess of 3.5 gigalitres. ERA commissioned additional pond water treatment capacity, however, as a result of the record level of rainfall in December 2011, the company was unable to fully dewater Ranger Pit 3. This prevented access to the high grade ore at the bottom of the



pit, with mining operations being restricted to the upper benches of Ranger Pit 3 and stockpile transfers for the majority of 2011.

Following the recommencement of processing operations in June 2011, the processing plant performed at a high level with production of uranium oxide for the December quarter of 1,030 tonnes, two per cent higher than the previous quarter. Improvements implemented during the suspension resulted in ore milled in the December 2011 quarter being 23 per cent higher than the corresponding period in 2010. Average mill recovery for the December 2011 quarter was also higher than that achieved in the corresponding period in 2010, despite the lower mill head grade in 2011 compared with 2010.

In 2011, underlying earnings excluded a negative inventory value adjustment of \$99.4 million announced on 4 August 2011 at the time of the company's 2011 interim report. This adjustment followed the downgrade of low grade stockpiled material, previously classified as Ore Reserves, to Mineral Resources. In 2010, underlying earnings excluded a one-off charge of \$5.8 million related to the write-off of previously capitalised expenditure for a trial process water treatment project, which was discontinued after the results of the trial did not meet the expected performance.

Total capital spending (including sustaining capital) increased in 2011 to \$97 million (2010: \$45 million). The projects completed in 2011 included a four metre lift to the Tailings Storage Facility walls, a feasibility study into the construction of a brine concentrator at the Ranger mine and the purchase of additional mining equipment to assist with completion of mining in Ranger Pit 3 by the end of 2012. Sustaining capital for 2011 was \$12 million.

Capital raising

On 12 October 2011, ERA announced a 12 for 7 accelerated renounceable entitlement offer ('Entitlement Offer') of new ERA ordinary shares to all eligible shareholders at an offer price of \$1.53 per new share. The offer received strong support from ERA's institutional and retail shareholders, including the major shareholder Rio Tinto which participated to its full 68.4% entitlement.

The Entitlement Offer was successfully completed on 15 November 2011 with ERA raising its target amount of \$500 million.

The funds will be used to progress the implementation of ERA's strategic initiatives including the construction of a brine concentrator, construction of an exploration decline for the Ranger 3 Deeps resource and an expanded surface exploration on the Ranger Project Area.

Brine Concentrator Project

Following the completion of a feasibility study in 2011, the ERA Board today approved the design, construction and commissioning of a brine concentrator at the Ranger mine with the nominal capacity to treat 1.83 gigalitres per annum of process water. The estimated total capital expenditure for the Brine Concentrator project is \$220 million, which includes an amount of \$65 million for the procurement of long lead time items previously approved by the Board.

ERA has entered into a contract with HPD LLC for the design and supply of the brine concentrator units. Procurement of the long lead time items remains on schedule with the brine concentrator expected to be commissioned in the second half of 2013.

Rehabilitation Provision

As announced on 4 August 2011, ERA increased the rehabilitation provision from \$315 million (as at 31 December 2010) to \$550 million (on a net present cost basis). As at 31 December 2011, this provision has been revised to \$565 million to include additional disturbance related



to operations in the second half of 2011. Further detail is provided in the notes on 'Additional information for announcement to the market' section.

Ore Reserves and Mineral Resources

During 2011, Ore Reserves for the Ranger Project Area decreased by 16,364 tonnes of contained uranium oxide to 13,484 tonnes of contained uranium oxide as a consequence of depletion by processing, downward adjustments following grade adjustments to stockpiled material and the insitu ore model, reclassification of Ore Reserves to Mineral Resources and reconciliation adjustments.

Mineral Resources for the Ranger Project Area increased by 7,642 tonnes to 117,246 tonnes of contained uranium oxide. The majority of this increase was attributable to the reclassification of Ore Reserves to Mineral Resources associated with the low grade inventory value adjustment.

Details of the grade adjustments and reclassification of Ore Reserves to Mineral Resources is outlined in the company's interim report lodged with the Australian Securities Exchange on 4 August 2011 and the separate announcement made to the Australian Securities Exchange today.

Exploration

On 4 August 2011, the ERA Board approved the construction of an exploration decline to conduct close spaced underground exploration drilling and to explore areas adjacent to the Ranger 3 Deeps resource. The current estimated cost of this project is \$120 million.

ERA expects to select the successful tenderer for the construction of the box cut and decline in mid February 2012. Preparatory works remain on schedule with construction of the box cut and decline expected to commence in May 2012.

Exploration in 2011 on the Ranger Project Area focused largely on the Georgetown and Ranger 18 East areas.

Four holes drilled in the Georgetown area in the first half of the year intersected mineralisation, however, drilling in the December 2011 quarter did not intersect consistent mineralisation. Further detailed structural analysis is being conducted in this area which may identify further follow up drilling targets for 2012.

At Ranger 18 East, four of seventeen diamond drilling tails were completed to the target depth before rain forced the temporary suspension of the program. The drilling program will continue in 2012 when access to the area becomes available following the 2011/2012 wet season.

Exploration expenditure for the year totalled \$9 million (2010: \$5 million).

Dividends

In light of the 2011 results and the forecast cashflow requirements for the implementation of ERA's strategic initiatives, the ERA directors have decided not to declare a final dividend for the 2011 financial year.

The total dividend paid for the 2010 financial year was 8 cents per share.

Outlook

In the short term, the uranium market appears to be adequately supplied with utilities holding sufficient inventories and there is mostly discretionary demand in the market. Following the Fukushima accident, buying slowed as utilities in Japan and around the world conducted extensive nuclear safety reviews. Consequently, the spot price of uranium oxide declined



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gradually over the remainder of 2011. ERA expects the market to remain at present levels until demand increases and nuclear plants in Japan begin to restart. China, which has the most aggressive new-build program, also put approvals of new projects on hold while conducting nuclear safety reviews. It is anticipated that China will resume approvals of new projects in 2012.

Long term demand for uranium oxide is expected to continue to be driven by strong growth in the Chinese market. Over the next decade, this demand is expected to significantly exceed any loss in demand from utilities in Japan or Germany. ERA continues to envisage a strong future for uranium, including continued demand growth and higher market prices, given that new production will be needed to meet future demand.

As at 9.00am on 31 January 2012, 956.2 mm of rain has fallen at the Jabiru airport since 1 September 2011 which includes a record December rainfall of 459mm (Source: Australian Bureau of Metrology).

As previously announced, the record December rainfall prevented ERA from fully dewatering Ranger Pit 3 and accessing the high grade ore located at the bottom of the pit prior to the end of 2011. At this time, ERA expects uranium production for 2012 to be within the range of 3,000 to 3,700 tonnes, however, production remains highly dependent on the level of actual rainfall encountered for the remainder of the 2011/2012 wet season. Production in 2012 will be weighted towards the second half of the year with mining operations limited due to the wet season, particularly the record December 2011 rainfall.

ERA continues to evaluate the impact of rainfall, particularly the record level of rain in December 2011, on production for 2012 and will provide further guidance on production and sales during the year. An important element of ERA's process water management strategy is the completion of mining in Ranger Pit 3 by the end of 2012. ERA will continue to optimise the mine schedule to maximise material movement to ensure that this task is completed within the targeted timeframe.

Sales of uranium oxide in 2012 are expected to be broadly in line with production.

The average realised price for 2012 is expected to be broadly in line with that achieved in 2011, however, it remains subject to the precise timing of sales deliveries during the period and movements in the long term and short term price indicators.

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For further information on the company's activities please access ERA's website at www.energyres.com.au

Competent Persons

The information in this report that relates to Ranger Mineral Resources or Ore Reserves is based on information compiled by Geologists Greg Rogers (a full time employee of Energy Resources of Australia Ltd) and Arnold van der Heyden (a full time employee of Hellman & Schofield Pty Ltd and consultant to Energy Resources of Australia) and Mining Engineer Reid Miller (full time employee of Energy Resources of Australia Ltd) who are all members of the Australasian Institute of Mining & Metallurgy. Greg Rogers, Arnold van der Heyden, and Reid Miller have sufficient experience which 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 Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg Rogers, Arnold van der Heyden, and Reid Miller consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.