



## ASX Announcement

24 August 2016

### ERA ANNOUNCES JUNE 2016 HALF YEAR RESULTS

- Outcome of strategic review completed with focus on three near term priorities
- \$19.7 million of positive cash flow from operating activities generated during the first half of 2016 to increase total cash resources to \$453 million<sup>1</sup>
- ERA's net loss of \$196.5 million includes a non-cash impairment charge of \$161.4 million.
- Production from stockpiled ore increased in first half of 2016 to 1,082 tonnes compared with 879 tonnes in the first half of 2015
- Progressive rehabilitation continued with laterite capping of Pit 1 and commissioning of dredging infrastructure completed
- Execution of \$100 million credit facility agreement with Rio Tinto

			June 2016 \$000	June 2015 \$000
<b>Cash flow</b> from operating activities	+39%	to	19,690	14,127
<b>Revenue</b> from sales of uranium oxide	-11%	to	154,450	174,413
<b>Revenue</b> from ordinary activities	-8%	to	170,501	185,799
<b>Loss</b> from ordinary activities before tax attributable to members	-235%	to	(196,549)	(58,667)
<b>Loss</b> from ordinary activities after tax attributable to members	+23%	to	(196,549)	(255,339)
<b>Net loss</b> for the period attributable to members	+23%	to	(196,549)	(255,339)
<b>Earnings per share</b> (cents)	+23%	to	(38.0)	(49.3)

<sup>1</sup> Inclusive of \$70 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund.



**ERA**

## **Review of operations**

ERA generated positive cash flow from operating activities of \$19.7 million for the half-year ended 30 June 2016. This compares to positive cash flow from operating activities of \$14.1 million for the half-year ended 30 June 2015. This improvement is the result of a focus on maximising cash flow from the production of uranium oxide from stockpiled ore, together with lower expenditure on exploration and evaluation and increased other revenue.

ERA had total cash at bank of \$384 million at 30 June 2016 compared to \$365 million on 31 December 2015. In addition to cash at bank, ERA had \$70 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund at 30 June 2016, bringing total cash resources to \$453 million.

ERA's net loss after tax and impairment charge for the half-year ended 30 June 2016 was \$196.5 million compared with a net loss of \$255.3 million for the same period in 2015. The half-year ended 30 June 2016 included a non-cash impairment charge of \$161.4 million. This resulted from a continued decline in the uranium oxide price. The 30 June 2015 half-year net loss after tax included a non-cash charge for the write-down of ERA's deferred tax asset of \$196.7 million.

Uranium oxide production for the period was 1,082 tonnes. This compares to 879 tonnes of uranium oxide production for the 2015 half-year. All ore milled was taken from existing stockpiles. Production was favourably impacted by higher ore milled and higher recoveries.

Revenues from sales of uranium oxide were lower at \$154.4 million for the period compared to \$174.4 million for the June 2015 half-year. The revenue decline was driven by a decrease in sales volume and a lower realised sales price. This was partially offset by a favourable movement in the Australian/US dollar exchange rate.

Sales volume for the period was 1,148 tonnes, compared to 1,245 tonnes for the June 2015 half-year. Forecast sales in the second half of 2016 are expected to be broadly aligned to the first half of 2016.

The average realised sales price of uranium oxide for the June 2016 half-year was US\$44.68 per pound compared with US\$49.14 per pound for the corresponding period in 2015. For the June 2016 half-year, the average long-term uranium oxide price indicator was US\$42.67 per pound and the average spot price was US\$29.50 per pound, compared to US\$48.50 per pound and US\$37.33 per pound, respectively, for the same period in 2015.

As sales of uranium oxide are denominated in US dollars, the weakening of the Australian dollar has had a favourable impact on revenue when compared to 2015. The average Australian/US dollar exchange rate for the first half of 2016 was US73 cents compared to US77 cents in the first half of 2015.

Cash costs for the June 2016 half-year were lower than the corresponding period in 2015. Reduced expenditure on the Ranger 3 Deeps project was offset by higher expenditure on maintenance.

Non cash costs for the June 2016 half-year were lower than the corresponding period in 2015 due to the December 2015 increase in Ore Reserves increasing the expected overall Ranger mine production. Depreciation is largely calculated on a units of production basis.

Capital expenditure for the June 2016 half-year was \$1.6 million compared to \$7.4 million in the corresponding period in 2015. Capital expenditure in the June 2016 half-year relates to sustaining capital activities.



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## **Rehabilitation**

Progressive rehabilitation of the Ranger Project Area continued during the first half of 2016 which included the completion of capping of Pit 1 and commissioning of dredging infrastructure to transfer tailings from the Tailings Storage Facility to Pit 3. Dredging operations have demonstrated full capacity during the period.

At 30 June 2016, the ERA rehabilitation provision was \$507 million.

## **Strategic Review**

Following advice received from Gundjeihmi Aboriginal Corporation in the second half of 2015 that the Mirarr Traditional Owners did not support an extension to the Ranger Authority, ERA conducted a strategic review of its business.

The review outcomes were announced in May 2016 and comprised three near-term strategic priorities for the Company:

- continue the progressive rehabilitation of the Ranger Project Area and provide additional assurance to stakeholders that rehabilitation can be fully delivered and funded in a range of business scenarios;
- maximise the generation of cash flow from the processing of stockpiled ore, which can potentially be sustained until late 2020 (the current Ranger Authority expires in January 2021); and
- preserve the option for the future development of Ranger 3 Deeps via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure.

## **Credit Facility**

In April 2016 the Company entered into a \$100 million credit facility agreement with Rio Tinto. The credit facility agreement provides additional assurance to stakeholders that rehabilitation of the Ranger Project Area can be fully funded in a range of business scenarios.

As at 30 June 2016, ERA had \$453 million in total cash resources and a rehabilitation provision of \$507 million. Under current assumptions relevant to ERA's cash position<sup>1</sup> and having regard to the expected years of future production, the Company expects to have sufficient financial resources without drawing on the facility to fully fund its rehabilitation programme.

However, should those assumptions not be realised, and in the absence of any other successful developments or asset sales, the Company may draw on the facility. The credit facility can be terminated at any time by ERA. Further details of the credit facility are set out in a separate release to ASX dated 29 April 2016.

## **Exploration**

There was no exploration expenditure for the half-year ended 30 June 2016.

The Ranger 3 Deeps exploration decline remains under care and maintenance.

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<sup>1</sup> Such assumptions include foreign exchange rate, uranium oxide prices, input and consumable costs, stockpile mining and other operational plans.



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## **Dividends**

ERA has decided not to declare an interim dividend in respect of the 2016 half-year. No final dividend was paid in respect to the 2015 financial year.

## **Outlook**

ERA expects that the uranium market will remain challenging in the near term, however the long term outlook remains encouraging for established producers. Spot prices have continued to weaken in the first half of 2016 as a result of oversupply in the market. Whilst supply is expected to continue to exceed demand in the near term, China led demand-growth should support a rebalancing of the market over time as China continues to progress its nuclear power program in accordance with its long term energy policy objectives.

At 30 June 2016, the spot price was US\$26.70 per pound and the long-term price indicator was US\$40.50 per pound.

## **Competent Person**

The information in this announcement 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.

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

Energy Resources of Australia Ltd (**ERA**) 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 more than three decades. During that time, Ranger has produced in excess of 120,000 tonnes of uranium oxide.

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

ERA is a major employer in the Northern Territory and the Alligator Rivers Region.

## **Media and investor queries**

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