



## ASX Announcement

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31 January 2017

### ERA ANNOUNCES FULL YEAR RESULTS FOR 2016

- Solid operational performance producing 2,351 tonnes of uranium oxide.
- Net loss after tax of \$271 million, impacted by \$231 million non-cash impairment of ERA's property, plant and equipment during 2016.
- Total cash resources increased to \$466 million at 31 December 2016. This comprised \$396 million cash on hand and \$70 million held in the Ranger Rehabilitation Trust Fund.

#### Review of operations

Energy Resources of Australia Ltd (**ERA** or the **Company**) delivered strong safety and operational performance in 2016. The Company achieved an all injury frequency rate of 0.19 per 200,000 hours worked (2015: 0.67). In addition ERA successfully completed implementation of a comprehensive Process Safety Improvement Action Plan. The plan's implementation was conducted with regulatory oversight from external safety consultants on behalf of the Australian and Northern Territory Governments.

ERA generated cash flow from operating activities of \$34 million in 2016 (2015: \$85 million). In 2016 cash flow was impacted by a weaker average realised sales price and lower sales volume. This has partially been offset by lower expenditure on exploration and evaluation and an increase in other revenue.

ERA increased its cash balance by \$30 million during 2016, ending the year with \$396 million in cash at bank and no debt. 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, bringing total cash resources to \$466 million at 31 December 2016.

ERA recorded a net loss after tax of \$271 million compared to a net loss after tax of \$275 million in 2015. The net loss after tax was impacted by a \$231 million non-cash impairment of ERA's property, plant and equipment.

Uranium oxide produced for the year ended 31 December 2016 was 2,351 tonnes, 17 per cent higher than the 2015 production of 2,005 tonnes. Production for the period was favourably impacted by higher milling rates and improved recoveries. Milled ore grade was in line with 2015.

Revenue from the sale of uranium oxide was \$268 million (2015: \$333 million). Despite achieving an average realised price in excess of the average spot price in 2016, reduced sales prices and volumes adversely impacted overall revenue.

Sales volume for 2016 was 2,139 tonnes compared with 2,183 tonnes for 2015. The average realised sales price that the Company received for uranium oxide in 2016 was US\$41.87 per pound compared to US\$51.99 per pound in 2015. This compares favourably against the average spot price for 2016 of US\$25.64 per pound.



**ERA**

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar was beneficial to ERA. The average USD/AUD exchange rate during the year was 74 US cents, compared with 75 US cents in 2015.

Cash costs for 2016 were significantly lower than 2015, due to an ongoing focus on cash preservation, reduced exploration and evaluation expenditure and favourable movements in consumable input prices.

The Company's cash generation programme continued to identify further opportunities for savings and efficiency improvements across the business in 2016. Work on additional opportunities will continue in 2017. Favourable input costs were achieved through ongoing negotiation of procurement contracts and productivity improvements.

Depreciation and Amortisation for 2016 was significantly lower than 2015. This was predominately due to the June 2016 impairment to property, plant and equipment of \$161.4 million. The asset impairment resulted in substantially lower carrying value of assets, resulting in lower depreciation during the second half of the year.

At 31 December 2016 a further impairment of \$69 million was recorded due to continued weakening of the uranium oxide price. The total non-cash impairment charge for 2016 was \$231 million.

Total exploration and evaluation spend for 2016 was nil compared to expenditure in 2015 of \$9 million.

Capital expenditure for the full year was \$3 million compared to \$12 million in 2015. All expenditure in 2016 related to sustaining capital expenditure projects.

### **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 throughout 2016 as a result of oversupply in the market. Whilst supply is expected to exceed demand in the near term, China led demand-growth should support a rebalancing of the market over time as the Chinese nuclear power programme continues in accordance with long term energy policy objectives.

ERA expects uranium production for 2017 to be within the range of 2,000 tonnes to 2,400 tonnes. ERA expects sales of uranium oxide in 2017 to be broadly in line with production.

### **Strategic review**

Following advice received from Gundjehmi 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.

At 31 December 2016, ERA had \$466 million in total cash resources and a rehabilitation provision of \$511 million. In the event that ERA is unable to fully fund the Ranger rehabilitation programme from its cash reserves, and in the absence of any other successful developments or asset sales, the Company may draw on the credit facility. The credit facility can be terminated at any time by ERA. Further information on the credit facility is detailed in the ASX release dated 29 April 2016.

### **Rehabilitation**

Progressive rehabilitation continued with expenditure of \$20 million incurred during 2016. Expenditure was primarily associated with the completion of a layer of laterite capping to Pit 1 and commissioning and operation of dredging infrastructure to transfer tailings from the Tailings Storage Facility to Pit 3.

ERA continually reviews its rehabilitation estimate along with the discount rate used in determining the provision. ERA intends to commence a feasibility study in 2017. The feasibility study will increase the level of certainty regarding forecast rehabilitation expenditure.

A periodic review conducted in late 2016 resulted in the overall estimate of the rehabilitation provision increasing by \$5.6 million at 31 December 2016 (including change in discount rate of \$6.6 million). At 31 December 2016, ERA reduced the real discount rate from 2.25 per cent to 2.00 per cent, further to its annual review and update of the discount rate calculation.

### **Dividends**

In light of the challenging market conditions, the ERA directors have decided not to declare a final dividend for the 2016 financial year (2015: nil).

### **Competent Person**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by geologist Stephen Pevely (a full time employee of ERA). Stephen Pevely is a Member of the Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and the 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". Stephen Pevely consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.



**ERA**

### **About 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 oxide has been produced at Ranger for more than 35 years. 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.

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