ASX Announcement

8 February 2019

ERA announces full year results for 2018

- Strong operational performance, producing 1,999 tonnes of uranium oxide which is at the top end of ERA’s 2018 production guidance of 1,600 to 2,000 tonnes.
- Net loss after tax of $435 million principally driven by two non-cash charges, $343 million in respect of an increase to the rehabilitation provision following the completion of the Ranger Project Area closure Feasibility Study and an impairment charge of $90 million (after tax) to the Jabiluka Development Property at 30 June 2018.
- ERA is continuing to review funding options to address the increase in rehabilitation provision.
- Total cash resources of $388 million at 31 December 2018, comprised of $313 million cash at bank and $75 million held in the Ranger Rehabilitation Trust Fund.
- Reduced care and maintenance program for Ranger 3 Deeps.

Review of operations

Energy Resources of Australia Ltd (ERA or the Company) generated negative cash flow from operating activities of $76 million in 2018 compared to positive $8 million in 2017. This was largely due to an increased rehabilitation spend on the Ranger Project Area and lower sales receipts compared to the prior period. Despite negative cash flow ERA continued to generate a positive cash margin from the sale of uranium oxide, with production inventories being built for sales in future periods.

ERA held total cash resources of $388 million at 31 December 2018. Total cash resources at 31 December 2018 comprised $313 million in cash at bank and $75 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund. The Company has no debt.

ERA recorded a net loss after tax of $435 million compared to a net loss after tax of $44 million in 2017. This loss was principally driven by two non-cash charges during the year. The first was a $343 million non-cash charge recorded in December 2018 for an increase to the rehabilitation provision following the completion of the Ranger Project Area closure feasibility study (Feasibility Study). The second, an impairment charge at 30 June of $90 million (after tax) to the Jabiluka Undeveloped Property, resulted from a material decline in long-term forecast consensus uranium prices and an increase in the asset-specific discount rate reflecting recent uranium equity market volatility.

Uranium oxide produced for the year ended 31 December 2018 was 1,999 tonnes, 13 per cent lower than 2017 production of 2,294 tonnes. Production was impacted by completion of the laterite ore processing early in the June 2018 quarter and the impact of declining ore grades from existing stockpiles.

Revenue from the sale of uranium oxide was $201 million (2017: $211 million). Revenue was impacted by a decrease in sales volume and an unfavourable movement in the Australian/US dollar exchange rate. This was partially offset by a higher average realised sales price.

Sales volume for 2018 was 1,467 tonnes compared with 2,089 tonnes for 2017. The average realised sales price that ERA received for uranium oxide in 2018 was US$47.67 per pound.
compared to US$34.75 per pound in 2017. The increase to the average realised sales price is a result of the structure of the ongoing contract portfolio and no spot sales occurring in the current year. This compares favourably against the average spot price for 2018 of US$24.59 per pound.

With uranium oxide sales denominated in US dollars, the strengthening of the Australian dollar had a negative impact on ERA’s financial results. With sales weighted towards the first half, the average exchange rate was 0.77 US cents, compared with 0.76 US cents for 2017.

Cash costs for 2018 were higher than the corresponding period in 2017. This was driven by higher consumable prices and consultancy costs.

During the second half of the year, ERA implemented a business transformation program to increase cash flow from cost saving and productivity initiatives. The program aims to generate additional cash whilst maintaining the core values of health and safety and continued environmental protection.

No depreciation has been recorded in 2018 due to ERA fully impairing the Ranger Cash Generating Unit in 2016.

Capital expenditure for the year was $4 million compared to $7 million in 2017. All expenditure in 2018 related to sustaining capital activities. In 2018, capital expenditure was immediately written off to the Statement of Comprehensive Income and recorded in other expenses. This is a result of the Ranger Cash Generating Unit being fully impaired in 2016.

**Rehabilitation – Feasibility Study finalised**

Progressive rehabilitation of the Ranger Project Area continued with expenditure of $59 million incurred during 2018. Expenditure was primarily associated with the dredge operating to transfer tailings from the Tailings Storage Facility to Pit 3, the backfill of waste material into Pit 1 and the Feasibility Study and other studies.

As noted in the Company’s 2017 full year and 2018 half-year results, ERA commenced the Feasibility Study in the final quarter of 2017.

Following further evaluation of the preliminary findings announced on 6 December 2018, the ERA Board has now approved the Feasibility Study and confirmed the continued implementation of the rehabilitation program.

The approval and implementation of the Feasibility Study results in an increase in the rehabilitation provision as at 31 December 2017 of $526 million to $830 million\(^1\) at 31 December 2018 (previously estimated to be $808 million in the 6 December 2018 announcement based on the preliminary findings). This will be recorded in the 2018 full year financial statements. The movement is largely due to:

- costs associated with tailings transfer to Pit 3, additional water treatment and related infrastructure, and revegetation requirements;
- higher forecast costs relating to site services and owners’ costs; and
- an increase in contingency.

The findings of the Feasibility Study further increase confidence to stakeholders that ERA’s planned rehabilitation strategy will satisfy regulatory obligations, including the January 2026 milestone.

\(^1\) 31 December 2018 provision discounted at 2 per cent and presented in real terms ($896 million undiscounted in real terms).
**Funding**

As a result of the increase in rehabilitation provision, ERA is continuing to review all funding options. An inability to obtain sufficient funding would have a material impact on ERA’s business, financial performance and assessment as a going concern. Rio Tinto has advised ERA, that it will work with ERA and its other shareholders and stakeholders with the objective of ensuring that ERA is in a position to meet in full the likely future rehabilitation requirements of the Ranger Project Area. ERA and Rio Tinto are continuing to engage in active discussions regarding a funding solution.

**Ranger 3 Deeps**

Given the current uranium market environment, the Ranger 3 Deeps project continues to face material barriers to development. Without a sustained and rapid recovery of the uranium market, the project is not economically viable.

As a result of this, ERA plans for a reduced care and maintenance program for the Ranger 3 Deeps exploration decline to be implemented on receipt of final regulatory approval.

The implementation of this reduced program will maintain project optionality, however amendments to legislation to effect an extension of the Ranger Authority, which requires processing to cease in January 2021, would be required.

At present, no work is being conducted on further development options for the Ranger 3 Deeps deposit.

**Outlook**

The uranium spot price has increased with a closing December spot price of US$28.82 per pound approximately 21 per cent higher than 2017.

The market surplus is continuing to decline with China-led demand growth supporting a rebalancing of the market over time as China and other Asian countries continue to progress their nuclear power programs in accordance with long-term energy policy objectives.

However, with considerable market surplus remaining, ERA expects that the uranium market will remain challenging in the near term.

At this time, ERA expects uranium production for 2019 to be within the range of 1,400 tonnes to 1,800 tonnes. Production will be drawn from existing stockpiles. ERA’s forecast sales are substantially contracted, with the average realised selling price for 2019 contracted sales currently expected to be between US$45 and US$51 per pound.

**Dividends**

ERA has decided not to declare a final dividend for the 2018 financial year. No final dividend was paid in respect to the 2017 financial year.

**Exploration**

There was no exploration expenditure for the year ended 2018. The Ranger 3 Deeps exploration decline remains under care and maintenance.
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.

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 126,000 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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