



ASX Announcement

25 July 2019

ERA ANNOUNCES JUNE 2019 HALF YEAR RESULTS

- Cash flow of \$36 million from operating activities and \$48 million spent on rehabilitation activities for the first half of 2019, resulting in total cash resources of \$425 million.¹
- Uranium production from stockpiled ore of 937 tonnes.
- Sales revenue of \$170 million underpinned by a higher average realised sales price and favourable Australian/US dollar exchange rate.
- ERA is continuing its assessment of available funding options. Rio Tinto has advised ERA that it is only willing to provide additional financial support to ERA via a renounceable entitlement offer undertaken by ERA. ERA is considering the size, structure and terms of any potential renounceable entitlement offer, having regard to the interests of ERA as a whole.
- ERA has implemented a reduced care and maintenance program for the Ranger 3 Deeps exploration decline.
- ERA rehabilitation provision is \$799² million at 30 June 2019.

			June 2019 \$000	June 2018 \$000
Cash flow from operating activities	+519%	to	35,816	(8,554)
Revenue from sales of uranium oxide	+6%	to	170,148	160,187
Revenue from ordinary activities	+12%	to	190,477	169,647
Profit / (Loss) from ordinary activities before tax attributable to members	+150%	to	49,270	(99,371)
Profit / (Loss) from ordinary activities after tax attributable to members	+163%	to	49,270	(78,322)
Net Profit / (Loss) for the period attributable to members	+163%	to	49,270	(78,322)
Earnings per share (cents)	+163%	to	9.5	(15.1)

¹ Inclusive of \$76 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund.

² 30 June 2019 provision discounted at 2 per cent and presented in real terms (\$857 million undiscounted in real terms).



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Review of operations

ERA generated positive cash flow from operating activities of \$36 million for the half-year ended 30 June 2019 as a result of higher sales receipts and lower payments to suppliers in aggregate, offset by increased expenditure on rehabilitation activities. This compares to cash outflow from operating activities of \$9 million for the same period in 2018.

ERA had total cash at bank of \$349 million at 30 June 2019 compared to \$313 million on 31 December 2018. In addition to cash at bank, ERA had \$76 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund, bringing total cash resources to \$425 million.

ERA's net profit after tax for the half-year ended 30 June 2019 was \$49 million compared with a net loss of \$78 million for the same period in 2018. The 2018 net loss was a result of ERA recognising an impairment charge of \$90 million (after tax) on the Jabiluka Undeveloped Property.

Uranium oxide production for the half-year ended 30 June 2019 was 937 tonnes. This compares to 842 tonnes of uranium oxide production for the same period in 2018, which was negatively impacted by mill maintenance. In accordance with the Company's mine plan, continued uranium production is based on the processing of existing primary ore stockpiles, applying a declining grade strategy.

Revenues from sales of uranium oxide were higher at \$170 million for the half year compared to \$160 million for the same period in 2018. Revenue was impacted by a higher average realised sales price and a favourable movement in the Australian/US dollar exchange rate. This was partially offset by a marginal decrease in sales volume.

Sales volume for the period was 1,123 tonnes, compared to 1,186 tonnes for the June 2018 half-year. As a result of timings within the contract portfolio, sales volumes in 2019 are weighted towards the first half of the year, with ERA having substantially fulfilled its contracted sales for the year.

During the second half of 2019, ERA expects to produce sufficient drummed inventory to meet supply commitments under its existing long term contract portfolio. As a result, a greater proportion of future sales will be exposed to the spot market.

The average realised sales price of uranium oxide for the half-year ended 30 June 2019 was US\$48.73 per pound compared with US\$47.56 per pound for the same period in 2018. The increase to the average realised sales price is a result of the structure of the Company's long term contract portfolio. The average uranium oxide spot price was US\$26.56 per pound and long-term price indicator was US\$32.00 per pound for the first half of 2019. This compares to US\$21.78 per pound and US\$29.25 per pound, respectively, for the same period in 2018.

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 2018. The average Australian/US dollar exchange rate for the first half of 2019 was US71 cents compared to US78 cents in the first half of 2018.

Cash costs for the June 2019 half-year were lower than the corresponding period in 2018. This was mainly driven by successful ongoing delivery of ERA's business transformation program. This program has delivered significant savings across the business.



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Following the increase in the estimated cost of rehabilitation of the Ranger Project Area in February 2019, there has been a comparative increase in non-cash financing costs attributed to unwinding the discount rate applied to rehabilitation spend during the first half.

No depreciation has been recorded in 2019 due to ERA fully impairing the Ranger Cash Generating Unit in 2016.

Capital expenditure for the June 2019 half-year was marginally lower at \$1.1 million when compared to the comparative period in 2018. Capital expenditure relates to sustaining capital activities. Capital expenditure was immediately written off to the Statement of Comprehensive Income as a result of the Ranger Cash Generating Unit being fully impaired in 2016.

Rehabilitation

ERA finalised the Ranger Project Area closure feasibility study (**Feasibility Study**) in February 2019. Following completion of the study, ERA has a consolidated, executable plan (inclusive of progressive rehabilitation activities and post closure activities) to meet the obligations of the Ranger Authority. Rehabilitation activities continued to progress in line with this study during the first half of 2019.

Progressive rehabilitation of the Ranger Project Area in the first half of 2019 focused on the dredge transferring tailings from the Tailings Storage Facility to Pit 3. Additional dredging capacity was launched in the second quarter, with full commissioning expected in quarter 3. This additional capacity is necessary to complete rehabilitation activities within the regulated timeframe.

In addition, construction and commissioning activities continued on alternative process water treatment capacity to complement the existing Brine Concentrator.

At 30 June 2019, the ERA rehabilitation provision is \$799 million.¹ The strategy and estimate remain consistent with 31 December 2018, with \$48 million spent on rehabilitation activities in the first half of 2019.

Funding

On 8 February 2019, ERA confirmed the approval and implementation of the Feasibility Study for the rehabilitation of the Ranger Project Area, resulting in an increase in the rehabilitation provision. Following this increase, ERA identified that it will require additional funding to meet its future obligations and business needs. ERA continues its assessment of available funding options.

As part of this process, ERA and Rio Tinto continue to engage in active discussions regarding a funding solution for ERA, with the objective of ensuring that ERA is able to meet in full its likely future rehabilitation obligations for the Ranger Project Area. Responsibility for this engagement has been delegated by the ERA Board to a committee comprised only of Independent Directors.

Following extensive discussions regarding a number of potential funding options, Rio Tinto has advised ERA that it is only willing to provide additional financial support to ERA via a renounceable entitlement offer undertaken by ERA. In that event, subject to the

¹ 30 June 2019 provision discounted at 2 per cent and presented in real terms (\$857 million undiscounted in real terms).



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offer's terms, Rio Tinto has indicated it would subscribe for its 68.4% entitlement of new shares. Rio Tinto has also offered to underwrite the balance of a renounceable entitlement offer (on terms to be agreed) if an alternative underwriting solution is not available to ERA. ERA is considering the size, structure and terms of any potential renounceable entitlement offer, having regard to the interests of ERA as a whole.

In parallel, ERA continues to investigate whether there are other potential funding sources. ERA will provide a further update in due course.

Ranger 3 Deeps

ERA has implemented a reduced care and maintenance program for the Ranger 3 Deeps exploration decline. Whilst the implementation of this reduced program maintains project optionality, a rapid and sustained recovery of the uranium market is required for the Ranger 3 Deeps Project to be economically viable. Amendments to legislation to effect an extension of the Ranger Authority would be required to manage a gap between the cessation of processing in January 2021 and the commencement of Ranger 3 Deeps production at a later point. This gap, together with an extensive care and maintenance program for the mill and a required pause on rehabilitation activities, would add fixed cost to the operation, further challenging the Ranger 3 Deeps Project's viability.

With the current Ranger Authority requiring processing to cease in January 2021 and with decommissioning and rehabilitation of the Ranger Project Area continuing through to January 2026, the prospect of any development is remote and further compromised once the Ranger mine infrastructure begins decommissioning.

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

Exploration

There was no exploration expenditure for the half-year ended 30 June 2019.

Dividends

ERA has decided not to declare an interim dividend in respect of the 2019 half-year. No final dividend was paid in respect to the 2018 financial year.

Outlook

The uranium spot price remained volatile in the first half of 2019. At 30 June 2019, the spot price was US\$24.55 per pound and the long-term price indicator was US\$32.00 per pound.

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, given a considerable market surplus remains, ERA expects that the uranium market will remain challenging in the near term.

ERA continues to expect uranium production for 2019 to be within the range of 1,400 tonnes to 1,800 tonnes. Production will continue to draw from existing stockpiles. During the second half of 2019, ERA expects to produce sufficient drummed inventory



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to meet supply commitments under its existing long term contract portfolio. As a result, a greater proportion of future sales will be exposed to the spot market.

Competent Person

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2018 Annual Statement of Reserves and Resources which was released to the market on 8 February 2019 and is available to view at <https://www.asx.com.au/asxpdf/20190208/pdf/442gg6rxwywcpj.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.



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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.

Together, ERA provides clean energy to the world and cares for people and country.

ERA has an excellent track record of reliably supplying customers. Uranium has been mined at Ranger for more than 35 years. During that time, Ranger has produced in excess of 128,000 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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