



## ASX Announcement

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26 February 2020

### ERA ANNOUNCES FULL YEAR RESULTS FOR 2019

- In 2019, ERA produced 1,751 tonnes of uranium oxide, towards the upper end of production guidance of 1,400 to 1,800 tonnes.
- Total cash resources of \$285 million at 31 December 2019, comprised of \$209 million cash at bank and \$76 million held in the Ranger Rehabilitation Trust Fund.
- Net profit after tax of \$6 million.
- Successful completion of Entitlement Offer with proceeds of \$476 million to fund Ranger Project Area rehabilitation.
- Commonwealth Government review of Annual Plan of Rehabilitation on track to complete in quarter 1 2020.

#### Overview

Energy Resources of Australia Ltd (**ERA** or the **Company**) today announces its results for the 2019 financial year.

During the year ERA produced 1,751 tonnes of uranium oxide, towards the upper end of production guidance of 1,400 to 1,800 tonnes. ERA approved and implemented the Ranger Project Area closure feasibility study (**Feasibility Study**) in February 2019 and has continued the progressive rehabilitation of the site. ERA also addressed its need to fund the rehabilitation of the Ranger Project Area via the recently completed fully underwritten entitlement offer to raise \$476 million.

ERA's Chief Executive, Paul Arnold, said: "This has been an important period for ERA. Through completion of the entitlement offer announced in November, we have comprehensively addressed ERA's funding shortfall for its Ranger rehabilitation obligations. We would like to thank all our investors for their support of ERA and our commitment to the rehabilitation of the Ranger Project Area, and, in particular, the Mirarr traditional owners and other stakeholders for their understanding while we have been working to deliver a funding solution.

"We now look forward to delivering on the successful rehabilitation of the Ranger Project Area. As we have said previously, this is our strategic priority and we believe it will demonstrate ERA's commitment to long-term sustainable operations in the region, creating a lasting, positive legacy and supporting the prospect of any future growth opportunities for the Company."

#### Review of operations

ERA incurred negative cash flow from operating activities of \$100 million in 2019 compared to negative \$76 million in 2018. This was largely due to an increased rehabilitation spend on the Ranger Project Area of \$92 million and the continuing build-up of production inventories for



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sale into future periods. Despite negative cash flow ERA continued to generate a positive cash margin<sup>1</sup> from the sale of uranium oxide.

ERA held total cash resources of \$285 million at 31 December 2019, comprised of \$209 million in cash at bank and \$76 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 profit after tax of \$6 million compared to a net loss after tax of \$435 million in 2018. The 2018 earnings were adversely impacted by a change in the rehabilitation estimate and impairment charge of \$433 million after tax. The 2019 results were supported by the settlement of a dispute regarding the design, manufacture and supply of certain infrastructure and the successful execution of the ongoing “Safely Transforming ERA Together” program.

Uranium oxide produced for the year ended 31 December 2019 was 1,751 tonnes, 12 per cent lower than 2018 production of 1,999 tonnes. Production was impacted by the declining ore grades recovered from existing stockpiles.

Revenue from the sale of uranium oxide was \$210 million (2018: \$201 million). Revenue was favourably impacted by higher sales volumes and a favourable movement in the Australian/US dollar exchange rate. This was partially offset by a lower average realised sales price.

Sales volume for 2019 was 1,597 tonnes compared with 1,467 tonnes for 2018. The average realised sales price on contracted sales in 2019 was US\$48.53 per pound compared to US\$47.67 per pound in 2018. The average realised price on all sales (including uncontracted material sold into the spot market) in 2019 was US\$41.89. The average realised price compares favourably against the average spot price for 2019 of US\$25.90 per pound.

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar had a positive impact on ERA’s financial results. With sales weighted towards the first half, the average exchange rate was 70 US cents, compared with 77 US cents for 2018.

Costs for 2019 were lower than the corresponding period in 2018. This result has benefited from the successful execution of a business transformation program. The program has realised savings by increasing efficiencies and lowering input prices. However, these savings have largely been offset by the recognition of an additional provision for payment of employee benefits on termination.

Minor depreciation has been recorded in 2019 due to implementation of Australian Accounting Standard 16 “Leases” for leased assets. No other depreciation was recorded due to the Ranger Cash Generating Unit remaining fully impaired.

Capital expenditure for the year was consistent with 2018 at \$4 million. All expenditure in 2019 related to sustaining capital activities. In 2019, 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 remaining fully impaired.

## **Rehabilitation**

ERA approved and implemented the 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 2019.

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<sup>1</sup> Comparing the marginal production cost to the uranium spot price.



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The Ranger Project Area continued to be progressively rehabilitated during 2019, with expenditure of \$92 million. Expenditure was primarily associated with the dredge operating to transfer tailings from the Tailings Storage Facility to Pit 3, construction and commissioning of water treatment capacity, the backfill of waste material to Pit 1 and various studies. Additional dredging capacity was launched in the second quarter, with full commissioning completed during the third quarter.

At 31 December 2019, the ERA rehabilitation provision is \$770 million.<sup>2</sup> The strategy and estimate remain consistent with 31 December 2018.

## Funding

On 15 November 2019, the Company announced a pro-rata renounceable entitlement offer of 6.13 new fully paid ERA ordinary shares for each fully paid ordinary share, raising approximately \$476 million, to fund its rehabilitation obligations for the Ranger Project Area (**Entitlement Offer**).

The Entitlement Offer was fully underwritten by North Limited (the **Underwriter** or **North**), a wholly-owned subsidiary of Rio Tinto, pursuant to an Underwriting Agreement dated 15 November 2019 (**Underwriting Agreement**).

On 11 December 2019, the Takeovers Panel (**Initial Panel**) made a declaration of unacceptable circumstances and orders in relation to an application dated 18 November 2019 by Zentree Investments Limited in relation to the affairs of ERA.<sup>3</sup> On 13 December 2019, Rio Tinto lodged an application for a review of the Initial Panel's decision. On 20 January 2020, the review Panel (**Review Panel**) affirmed the decision of the Initial Panel to make a declaration of unacceptable circumstances and varied the Initial Panel's orders.<sup>4</sup>

New shares under the Entitlement Offer were issued on 25 February 2020. Following the issue of new shares to Rio Tinto under the Entitlement Offer and Underwriting Agreement, Rio Tinto's relevant interests increased from 68.4 per cent to 86.3 per cent.

## Outlook

The strategic priority for ERA is the successful rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment to long-term sustainable operations in the region, create a sustainable, positive legacy and underpin potential future growth opportunities.

The uranium spot price remained volatile in 2019 with a closing December spot price of US\$24.82 per pound, approximately 14 per cent lower than the closing December 2018 price.

The market surplus is expected to continue into the medium term. China-led demand growth is expected to support a rebalancing of the market over the longer term 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.

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<sup>2</sup> 31 December 2019 provision discounted at 2 per cent and presented in real terms (undiscounted in real terms of \$818 million and \$874 million undiscounted in nominal terms).

<sup>3</sup> Copies of the Initial Panel's declaration and orders are reproduced on the Panel's website at: [http://www.takeovers.gov.au/content/Media\\_Releases/2019/downloads/MR19-078.pdf](http://www.takeovers.gov.au/content/Media_Releases/2019/downloads/MR19-078.pdf).

<sup>4</sup> Copies of the Review Panel's declaration and the variations ordered by the Review Panel are reproduced on the Panel's website at: [https://www.takeovers.gov.au/content/Media\\_Releases/2020/downloads/MR20-005.pdf](https://www.takeovers.gov.au/content/Media_Releases/2020/downloads/MR20-005.pdf).



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At this time, ERA expects uranium production for 2020 to be within the range of 1,200 tonnes to 1,600 tonnes. The average realised selling price for contracted sales for 2020 is expected to be between US\$50 and US\$55 per pound. However, as at the end of 2019, ERA had sufficient drummed inventory to meet supply commitments under its existing long term contract portfolio. Therefore 2020 production and future sales volumes will have a greater exposure to the spot market than in 2019.

### **Dividends**

ERA has decided not to declare a final dividend for the 2019 financial year. No final dividend was paid in respect to the 2018 financial year.

### **Exploration**

There was no exploration expenditure for the year ended 2019.

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

Energy Resources of Australia Ltd (**ERA**) operates the Ranger mine, 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 oxide has been produced at Ranger for more than 35 years. During that time, Ranger has produced in excess of 130,000 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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