



## ASX Announcement

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28 February 2022

### ERA ANNOUNCES FULL YEAR RESULTS FOR 2021

- On 8 January 2021, production ceased at the Ranger mine after 40 years of operations.
- Total cash resources of \$699 million at 31 December 2021, comprised of \$164 million cash at bank and \$535 million held in the Ranger Rehabilitation Trust Fund. ERA's strategic focus is the comprehensive rehabilitation of the Ranger Project Area.
- A major reforecast of rehabilitation at the Ranger mine commenced in 2021, this has identified a significant impact to cost and schedule.
- As at 31 December 2021, a revision of the rehabilitation provision cost estimate occurred resulting in an unfavourable adjustment of \$668 million.

#### Overview

Energy Resources of Australia Ltd (**ERA** or the **Company**) today announces its results for the 2021 financial year.

Energy Resources of Australia Ltd (**ERA** or the **Company**) incurred negative cash flow from operating activities of \$38 million in 2021 compared to negative \$19 million in 2020. Cash rehabilitation spend for the year ending 31 December 2021 was \$153 million compared to \$80 million in 2020.

ERA held total cash resources of \$699 million at 31 December 2021, comprised of \$164 million in cash at bank and \$535 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund. The Company has no debt.

#### Review of operations

ERA recorded a net profit before tax and rehabilitation adjustment of \$21 million for the year ending 31 December 2021. The net loss after tax was \$650 million for 2021 compared to a net profit after tax of \$11 million in 2020. The 2021 net loss was adversely impacted by an increase to the rehabilitation provision. Favourable impacts were experienced from significantly lower operating costs as a result of cessation of operations in January 2021 and strong sales revenue, with the completion of all contracted sales and a substantial sell down of remaining uranium inventories. As at 31 December 2021, a revision of the rehabilitation provision cost estimate occurred resulting in an unfavourable adjustment of \$668 million. The major reforecast is ongoing, with finalisation expected in 2022.

In response to the ongoing COVID-19 pandemic, ERA continues to maintain controls and protocols in accordance with the Company's COVID-19 Management Plan to protect our employees and local communities as our first priority and ensure full compliance with Government requirements. ERA has continued to operate throughout this period with minimal impacts.



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A total of 34 tonnes of Uranium oxide was produced for the year ended 31 December 2021. Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activity on the Ranger Project Area after 40 years of operations, during which time more than \$540 million of Royalty payments have been made to governments and Indigenous interests.

Revenue from the sale of uranium oxide was \$190 million for the year ending 31 December 2021 (2020: \$242 million). Revenue was heavily exposed to the spot market, with higher spot prices providing a favourable impact. ERA continues to maximise the value from uranium holdings through opportunistic spot sales.

Sales volume for 2021 was 1,302 tonnes compared with 1,721 tonnes for 2020. In 2021, ERA completed sales of 680 tonnes of uranium oxide into the spot market and completed contract sales of 622 tonnes. The balance of inventories will likely be sold into the spot market in 2022.

The average realised sales price for 2021 was US\$47.17 per pound compared to US\$42.60 per pound in 2020. The average realised price was favourably impacted by increased sales into a stronger second half spot market.

With uranium oxide sales denominated in US dollars, the strengthening of the Australian dollar had an adverse impact on ERA's financial results. The average exchange rate, inclusive of foreign exchange hedges, was 71 US cents, compared with 67 US cents for 2020.

In 2020, ERA sought to maximise exposure to the favourable movement in the Australian dollar whereby ERA entered into a number of forward foreign exchange contracts for USD denominated sales. These forward exchange contracts completed in early 2021 at an average exchange rate of 65 cents, resulting in a benefit of \$9.6 million.

Cash costs for 2021 were substantially lower than the corresponding period in 2020. This was mainly driven by the cessation of processing operations in January 2021 and the move to full scale rehabilitation. Operating costs are now purely those of a corporate or sales nature.

Interest income for 2021 was \$1.9 million, compared to \$5.6 million for 2020. The weighted average interest rate received on term deposit for the period was 0.3 per cent (2020: 0.8%).

### **Cessation of production on the Ranger Project Area**

Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activities on the Ranger Project Area after 40 years of operation, totalling greater than 132,000 tonnes of drummed uranium and during which time more than \$540 million of royalty payments have been made to governments and Indigenous interests.

In 2018, the Company initiated the "My Future Plan" employee support program to prepare mining and processing employees for "life after ERA". The program provides participants with opportunities to expand their skills and capabilities following the cessation of production at Ranger. The program also provides support to employees seeking to be redeployed within the broader Rio Tinto group and to those who may wish to explore other opportunities or retire. The Company has supported the preparation of career plans for approximately 95 per cent of the workforce. Following cessation of production in January 2021, ERA successfully redeployed a number of employees into other Rio Tinto business units with the remainder of employees not required to execute the rehabilitation phase progressing the plans made through the "My Future Plan" program.



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## Rehabilitation

At 31 December 2021, the ERA rehabilitation provision is \$1,251 million<sup>1</sup>.

During the second half of 2021 ERA commenced a major reforecast of both cost and schedule in relation to the calculation of the rehabilitation provision and timing for completion for the Ranger Project Area. To assist with that reforecast, Bechtel was engaged to perform an independent review and gap analysis of ERA's forecast cost and schedule data. The preliminary findings by ERA from its reforecast exercise indicates that:

- (i) the revised total cost of completing the Ranger Project Area rehabilitation, including incurred spend from 1 January 2019, is forecast to be approximately between \$1.6 billion and \$2.2 billion. The previously announced closure estimate, which was based on the Ranger Project Area closure Feasibility Study finalised in 2019 ("Feasibility Study"), was \$973 million<sup>2</sup>; and
- (ii) the revised date for completing the Ranger Project Area rehabilitation is forecast to be between Quarter 4, 2027 and Quarter 4, 2028.

ERA notes that the above revised estimates, as to both cost and schedule, are based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan.

Work has commenced on the assessment of further options for the completion of the rehabilitation project, including a proposed revision to the methodology for capping Pit 3 to more traditional methods that could be subject to lower execution risk than ERA's current approved Mine Closure Plan. Any change to the execution methodology for the rehabilitation project is likely to necessitate further revision to the forecast cost and schedule for completing the project. Based on work performed to date, an increase to the rehabilitation provision of \$668 million has been made.

On 15 February 2021 a significant milestone was achieved with the completion of the bulk dredging works at the Tailings Storage Facility (TSF). Following this, progressed floor and wall cleaning activities were subsequently completed in December 2021. This is a significant milestone for the closure project. Final stakeholder notification and approvals to use the TSF as a Water Storage Facility are expected to be completed in early 2022.

In addition, the first phase of revegetation planting at Pit 1 was completed. The final planting for Pit 1 is planned to be completed in early 2022. All seeds have been propagated in the nursery ready for planting.

The Pit 3 early works wicking contract has now been awarded. The wicking and capping of Pit 3 are critical path activities to be completed prior to the commencement of Pit 3 bulk backfill.

Following the successful granting of land and execution of the Section 19A township lease for Jabiru to the Mirarr Traditional Owners in June 2021, ERA's Jabiru housing refurbishment program continues to progress. ERA is progressively working with Jabiru Kabolmakmen Ltd (JKL) for the transfer of properties to enable tenancing by third parties, the first tranche of which occurred in the December quarter. Rectifications will continue in 2022.

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<sup>1</sup> 31 December 2021 provision discounted at 1.5% per cent and presented in real terms (\$1,314 million undiscounted in real terms). This equates to an estimated \$1379 million in undiscounted nominal terms.

<sup>2</sup> Based on 31 December 2018 rehabilitation provision, (\$973 million undiscounted in nominal terms, excluding not yet recognised termination benefits in line with Australian Accounting Standards and including an allowance of \$1 million in relation to the estimated cost of Jabiruka Mineral lease rehabilitation expense).



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## **Funding**

As a result of the increase in rehabilitation provision, ERA has commenced an assessment of potential 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 reiterated its commitment to ensuring the rehabilitation of the Ranger Project Area is successfully achieved to a standard that will establish an environment similar to the adjacent Kakadu National Park. ERA is commencing discussions with major shareholders about a funding solution.

## **Ranger 3 Deeps**

Given the current Ranger Authority requirement for cessation of processing on 8 January 2021 and the uranium market environment, the Ranger 3 Deeps project faces material barriers to development. Due to ongoing constrained market conditions the project remains uneconomic. Consequently, in August 2021 ERA completed backfill works on the Ranger 3 Deeps decline.

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

## **Outlook**

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

Consequently, ERA's near-term strategic priorities include:

- Secure a suitable funding option to meet future rehabilitation obligations;
- Complete rehabilitation of the Ranger Project Area;
- Maximise the generation of cash flow from the remaining inventories of drummed uranium oxide; and
- Preserve optionality over the company's undeveloped resources.

A key constraint for ERA is the Atomic Energy Act 1953 which currently requires completion of rehabilitation activities by January 2026. ERA has been engaging with Government and key stakeholders to amend the Atomic Energy Act 1953 and extend the expiry date of ERA's tenure on the Ranger Project Area.

## **Dividends**

ERA has decided not to declare a final dividend for the 2021 financial year. No final dividend was paid in respect to the 2020 financial year.

## **Exploration**

There was no exploration expenditure for the year ended 2021.

**This announcement is approved by ERA's Disclosure Committee.**



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

Energy Resources of Australia Ltd (ERA) has been one of the nation's largest uranium producers and operated Australia's longest continually producing uranium mine.

The operations of ERA are located on Aboriginal land and are surrounded by, but separate from, Kakadu National Park. ERA respectfully acknowledges the Mirarr, Traditional Custodians of the land on which the Ranger mine is situated.

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 was mined and processed at Ranger for four decades. During that time, Ranger produced in excess of 132,000 tonnes of uranium oxide.

ERA's Ranger Project Area (100%) is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in Australia's Northern Territory. ERA holds title to the Jabiluka Mineral Lease (100%). ERA is a major employer in the Northern Territory and the Alligator Rivers Region.

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