



ERA

Energy Resources of Australia Ltd

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## ASX Announcement

27 July 2020

### ERA ANNOUNCES JUNE 2020 HALF YEAR RESULTS

- Energy Resources of Australia Ltd (**ERA**) produced uranium from stockpiled ore of 798 tonnes, in line with full year guidance of 1,200 to 1,600 tonnes.
- Net profit after tax of \$40 million, supported by contract sales being weighted to the first half and lower cash costs.
- Cash flow of \$25 million from operating activities and \$38 million spent on rehabilitation activities for the first half of 2020, resulting in total cash resources of \$783 million.
- Sales revenue of \$168 million underpinned by a favourable Australian/US dollar exchange rate.
- As announced on 20 February 2020, ERA's \$476 million fully underwritten renounceable entitlement offer closed successfully on 18 February 2020.
- Rehabilitation provision of \$744 million at 30 June 2020.

			June 2020 \$000	June 2019 \$000
<b>Cash flow</b> from operating activities	-29%	to	25,329	35,816
<b>Revenue</b> from sales of uranium oxide	-1%	to	168,161	170,148
<b>Revenue</b> from ordinary activities	-7%	to	176,465	190,477
<b>Profit / (Loss)</b> from ordinary activities before tax attributable to members	-22%	to	38,469	49,270
<b>Profit / (Loss)</b> from ordinary activities after tax attributable to members	-18%	to	40,215	49,270
<b>Net Profit / (Loss)</b> for the period attributable to members	-18%	to	40,215	49,270
<b>Earnings per share</b> (cents)	-83%	to	1.5	8.6



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## Review of operations

ERA generated positive cash flow from operating activities of \$25 million for the half-year ended 30 June 2020 compared to \$36 million for the same period in 2019. Cash rehabilitation spend for the half-year ended 30 June 2020 was \$38 million compared to \$48 million for the same period in 2019. This largely offset the compensation payment received in the half-year ended 30 June 2019.

ERA held total cash resources of \$783 million at 30 June 2020, comprised of \$252 million in cash at bank and \$531 million of cash held by the Commonwealth Government under the Ranger Rehabilitation Trust Fund. The Company has no debt.

ERA's net profit after tax for the half-year ended 30 June 2020 was \$40 million compared with \$49 million for the same period in 2019. The 2020 net profit was supported by lower cash costs resulting from the continued successful execution of the "Safely Transforming ERA Together" program.

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. On 5 June 2020, the Commonwealth Government lifted the Biosecurity Determination applicable to the West Arnhem region, permitting unrestricted travel between Darwin and Jabiru (and therefore the Ranger mine). ERA has continued to operate throughout this period with minimal impact to production or sales volumes. The extent of the impacts on the rehabilitation project will continue to be evaluated through the second half of 2020.

Uranium oxide production for the half-year ended 30 June 2020 was 798 tonnes, compared to 937 tonnes for the same period in 2019. 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. This is forecast to continue until the cessation of processing activities on expiry of the current Ranger Authority, scheduled to occur on 8 January 2021.

Revenues from sales of uranium oxide were \$168 million for the half year compared to \$170 million for the same period in 2019.

Sales volume for the period was 1,044 tonnes, compared to 1,123 tonnes for the June 2019 half-year. As a result of timings within the contract portfolio, sales volumes in 2020 are weighted towards the first half, with ERA having now substantially fulfilled its contracted sales for the year. The average realised sales price on contracted sales in the June 2020 half-year was US\$52.99 per pound compared to US\$48.73 per pound in 2018. The average realised price on all sales (including uncontracted material sold into the spot market) in 2020 was US\$47.32. The average realised price compares favourably against the average spot price of US\$32.95 per pound as at 30 June 2020.

The average Australian/US dollar exchange rate for the first half of 2020 was US65 cents compared to US71 cents in the first half of 2019. As sales of uranium oxide are denominated in US dollars, this weakening of the Australian dollar has had a favourable impact on revenue when compared to 2019.

In April 2020, ERA entered into a number of forward foreign exchange contracts in order to manage exposure to foreign exchange risks arising from USD denominated sales. Forward contracts were entered in respect of certain contracted sales due for delivery between May 2020 and March 2021. At 30 June 2020, ERA retained \$64 million in forward contracts. Forward exchange contracts have been entered into at an average exchange rate of US62 cents for 70 per cent of the contracted US denominated sales proceeds.

Cash costs for the June 2020 half-year were lower than the corresponding period in 2019. This was mainly driven by the successful ongoing delivery of ERA's business transformation program "Safely Transforming ERA Together". During the first half of 2020, ERA launched the next phase of the program, "Transformation 2.0", which will have a greater focus on the rehabilitation



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project. The program targets idea generation and initiative implementation, with the objectives to deliver cost reductions and avoidance without compromising safety or environmental outcomes.

Following a sharp decline in the crude oil price with a corresponding decrease in gasoil (or diesel), ERA entered into gasoil swap contracts to lock in favourable prices when compared to plan. ERA agreed to purchase forward gasoil swaps at a weighted average price of US\$40.30/barrel ex-Singapore. The forward contract covers an 18-month period from 1 June 2020 to 31 December 2021 for a total quantity of 288,575 barrels. At 30 June 2020, ERA retained US\$10.9 million in swap contracts. The contracts were entered in US dollars and are settled monthly in arrears.

Interest income for the period was \$2.1 million, compared to \$3.2 million for the June 2019 half-year. The weighted average interest rate received on term deposits for the period was 1.1 per cent. This compares to 1.5 per cent assumed in the recently completed entitlement offer.

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 as the Company plans for 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 start their own business or retire. To date, the Company has supported the preparation of 330 career plans (representing approximately 91 per cent of the workforce).

### **Rehabilitation**

At 30 June 2020, the ERA rehabilitation provision is \$744 million.<sup>1</sup> During the first half of 2020, ERA incurred expenditure of \$39 million on rehabilitation activities (\$38 million in cashflow and \$1 million in utilisation of leased assets). This expenditure was primarily associated with dredging 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, successful planting of stage 13 (section of Pit 1) revegetation program and various studies.

During the first half of 2020, the productivity of the Company’s dredging operations was constrained due to ongoing interstate travel restrictions in place as a result of the COVID-19 pandemic and lower free process water volumes. ERA has now implemented a revised dredge plan which reduces the potential impacts of lower free process water volumes through the remainder of the year. While interstate travel restrictions are expected to ease during the second half of 2020, ERA continues to monitor all COVID-19 developments. The resulting impact to the Ranger rehabilitation program, if any, will be further evaluated during the second half of 2020.

ERA continues to monitor the rate of tailings consolidation in Pit 3 compared to the consolidation model assumed for the purposes of the rehabilitation feasibility study. It is becoming apparent that a greater proportion of process water is being retained within the tailings than planned. The impact to the Ranger rehabilitation program, if any, will be further evaluated during the second half of 2020.

### **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**).

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<sup>1</sup> 30 June 2020 provision discounted at 2 per cent and presented in real terms (\$785 million undiscounted in real terms). This equates to an estimated \$835 million in undiscounted nominal terms.



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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.

Following the receipt of the proceeds from the Entitlement Offer, ERA deposited \$454 million into the Ranger Rehabilitation Trust Fund held by the Commonwealth Government in order to satisfy its obligations to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). The remaining proceeds from the Entitlement Offer have been invested in short duration term deposits with Australian deposit taking institutions.

### **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. Furthermore, with the 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 highly remote and continues to decrease with time.

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 2020.

### **Dividends**

ERA has decided not to declare an interim dividend in respect of the 2020 half-year. No final dividend was paid in respect to the 2020 financial year.

### **Outlook**

The strategic priority of ERA is the 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 the first half of 2020. Despite a recent uplift in the spot price, it is unclear whether this is sustainable and whether it will continue to rise. At 30 June 2020, the spot price was US\$32.95 per pound and the long-term spot 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 2020 to be within the range of 1,200 tonnes to 1,600 tonnes. Production will continue to draw from existing stockpiles. As a result, a greater proportion of future production will be exposed to the spot market. This is forecast to result in a reduction in the average realised price received over time.

This announcement is authorised by the Board.



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### **Competent Person**

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2019 Annual Statement of Reserves and Resources which was released to the market on 26 February 2020 and is available to view at <https://www.asx.com.au/asxpdf/20200226/pdf/44fh75xlybyy2l.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.

### **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 (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.

For further information, please contact:

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