

**ERA****Energy Resources of Australia Ltd**ABN 71 008 550 865

INVESTOR TELECONFERENCE BRIEFING

Wednesday 26 July 2006

by Harry Kenyon-Slaney, Chief Executive
on ERA's 2006 half year financial results

GOOD AFTERNOON LADIES AND GENTLEMEN

MY NAME IS HARRY KENYON-SLANEY AND I AM THE CHIEF EXECUTIVE OF ERA. I WOULD LIKE TO WELCOME YOU ALL TO THIS DISCUSSION OF THE COMPANY'S FINANCIAL RESULTS FOR THE FIRST HALF OF 2006. THIS IS THE SECOND OF THESE EVENTS, THE FIRST OF WHICH TOOK PLACE IN EARLY FEBRUARY FOLLOWING THE ISSUING OF OUR FULL YEAR RESULTS FOR 2005.

I AM JOINED BY CHRIS BATEMAN, THE CHIEF FINANCIAL OFFICER AND BY AMANDA BUCKLEY – MANAGER EXTERNAL RELATIONS AND BY SUSIE CRESSWELL - MANGER INVESTOR RELATIONS. CHRIS BATEMAN RECENTLY JOINED ERA FROM RIO TINTO'S KENNECOTT UTAH COPPER OPERATION IN THE US AS A REPLACEMENT FOR ROD ANTAL. ROD HAS MOVED TO ANOTHER ROLE WITHIN RIO TINTO AFTER ALMOST 3 YEARS WITH ERA.

THE PURPOSE OF TODAY'S DISCUSSION IS TO PROVIDE YOU WITH A BRIEF OVERVIEW OF OUR RESULTS FOR THE FIRST HALF OF 2006 AND, FOLLOWING THIS, TO GIVE YOU AN OPPORTUNITY TO ASK CHRIS AND ME SOME QUESTIONS.

THE FIRST HALF OF 2006 HAS BEEN A DIFFICULT PERIOD FROM AN OPERATIONAL PERSPECTIVE AND I WILL COME ON TO SOME OF THE ISSUES THAT AROSE JUST NOW. FROM A FINANCIAL PERSPECTIVE, HOWEVER, THE RESULTS WERE SOLID REFLECTING A CONTINUED STRENGTHENING IN THE AVERAGE REALISED PRICE AND A RISE IN SALES VOLUMES.

EARNINGS FOR THE HALF YEAR ROSE 16.9% TO \$19.9 MILLION. THIS WAS DRIVEN BY A RISE IN THE AVERAGE REALISED PRICE OF URANIUM OXIDE TO US\$15.57 PER POUND COMPARED TO US\$14.64 PER POUND IN THE CORRESPONDING PERIOD



LAST YEAR. HISTORICALLY THE WEIGHTED AVERAGE CONTRACT PRICE RECEIVED HAS BEEN LOWER IN THE FIRST HALF OF THE YEAR THAN IN THE SECOND HALF, AND IT IS EXPECTED THAT THIS WILL AGAIN BE THE CASE IN 2006

WHILE CLEARLY THIS AVERAGE REALISED PRICE FALLS SHORT OF THE IMPROVEMENT IN THE MONTHLY AVERAGE LONG TERM MARKET PRICE OF URANIUM OXIDE, WHICH ROSE A FURTHER 23% TO US\$46.75 PER POUND BETWEEN DECEMBER 2005 AND JUNE THIS YEAR, IT WAS A STEADY PERFORMANCE THAT REFLECTS THE FACT THAT EXISTING CONTRACTS WERE LET UNDER VERY DIFFERENT MARKET CONDITIONS.

TOTAL SALES OF URANIUM OXIDE FOR THE PERIOD WERE HIGHER THAN THE CORRESPONDING PERIOD LAST YEAR, RISING 6.6% TO 3,198 TONNES. I SHOULD EMPHASISE THAT THE TIMING AND DISTRIBUTION OF SALES DELIVERIES VARIES CONSIDERABLY ACROSS REPORTING PERIODS IN ACCORDANCE WITH CUSTOMER'S SPECIFIC REQUIREMENTS.

ERA'S REVENUE IS ONLY PARTIALLY INFLUENCED BY MARKET PRICES AND THIS WILL PERSIST AS WE CONTINUE TO MAINTAIN A BALANCED CONTRACT PORTFOLIO. NEW CONTRACTS ARE BEING PLACED AT HIGHER PRICES, AS OLD ONES EXPIRE. THE IMPROVEMENT IN EARNINGS WAS ALSO DRIVEN BY THE STRONGER SALES VOLUME, AND A SLIGHT WEAKENING OF THE A\$/US\$ EXCHANGE RATE.

COST PRESSURES REMAIN EVIDENT ACROSS THE MINING INDUSTRY. IN ADDITION TO THE INFLUENCE OF RISING CONSUMABLE COSTS SUCH AS DIESEL FUEL, WE HAVE ALSO INCURRED ONCE OFF EXPENDITURE ON EXPEDITING THE REMOVAL OF WATER FROM THE BOTTOM OF PIT 3, COMPLETING THE MAINTENANCE WORK ON THE ACID PLANT AND COMMENCING THE IMPORTATION OF SUPPLEMENTARY ACID SUPPLIES. AS A CONSEQUENCE OF THE LOWER URANIUM OXIDE OUTPUT, UNIT COSTS HAVE RISEN OVER THE CORRESPONDING PERIOD LAST YEAR.

NET OPERATING CASHFLOW OF A\$77.7 MILLION WAS HIGHER THAN THE PREVIOUS YEAR DUE TO THE HIGHER REVENUE AND THE FAVOURABLE EXCHANGE RATE.



CAPITAL EXPENDITURE WAS ALSO HIGHER IN THIS PERIOD FOLLOWING COMPLETION OF A RANGE OF CAPITAL PROJECTS INCLUDING THE PURCHASE OF ADDITIONAL MINING FLEET, IN-FILL DRILLING IN THE PIT AND THE INSTALLATION OF SAP. THE BOARD OF DIRECTORS HAS RECOMMENDED AN INTERIM DIVIDEND OF 6 CENTS PER SHARE FULLY FRANKED AT 30% PAYABLE ON 31 AUGUST 2006.

MOVING ON TO THE OPERATIONAL ISSUES NOW, DRUMMED PRODUCTION FOR THE HALF YEAR WAS 1,988 TONNES OF URANIUM OXIDE. THIS WAS LOWER THAN THE 2714 TONNES PRODUCED IN THE CORRESPONDING PERIOD LAST YEAR.

THERE WERE TWO REASONS FOR THIS. THE FIRST IS THE UNUSUALLY HIGH RAINFALL THROUGHOUT THE RECENT WET SEASON, EXACERBATED BY CYCLONE MONICA AT THE END OF APRIL THAT PREVENTED ACCESS TO HIGH GRADE ORE IN THE BOTTOM OF THE OPERATING PIT. THE SECOND WAS A REDUCTION IN THE VOLUME OF ORE TREATED DUE TO DIFFICULTIES EXPERIENCED IN BRINGING THE ACID PLANT BACK TO FULL PRODUCTION AFTER A PLANNED MAINTENANCE SHUTDOWN.

I WOULD NOW LIKE TO EXPLAIN IN A LITTLE MORE DETAIL WHAT WE HAVE DONE TO ADDRESS EACH OF THESE ISSUES.

FIRSTLY WATER. THE DELAY IN ACCESSING THE HIGHER GRADE ORE AT THE BOTTOM OF THE OPERATING PIT MEANT THAT THE AVERAGE PLANT FEED GRADE WAS LOWER, RESULTING IN LOWER THAN PLANNED URANIUM OXIDE PRODUCTION. AS THE WET SEASON ABATED A NUMBER OF PROGRAMS TO EXPEDITE THE REMOVAL OF WATER FROM THE OPERATING PIT, LARGELY THROUGH ACCELERATING EVAPORATION, WERE INITIATED. I AM PLEASED TO ADVISE THAT ACCESS TO THIS ORE IS EXPECTED TO BE REACHED IN EARLY AUGUST ALLOWING A RETURN TO NORMAL PRODUCTION RATES. I SHOULD ADD THAT THE WATER TREATMENT PLANT, WHICH WAS CONSTRUCTED DURING 2005 AT A COST OF \$28 MILLION, WAS COMMISSIONED TO TREAT THIS WATER AND HAS BEEN PERFORMING WELL.



MOVING ON TO THE ISSUES IN THE ACID PLANT, DURING THE SECOND QUARTER A NUMBER OF OPERATIONAL DIFFICULTIES WERE EXPERIENCED WITH THE ACID PLANT.

A SHUTDOWN OF THE PLANT TO CARRY OUT PLANNED REPAIRS AND MAINTENANCE TOOK PLACE IN APRIL. CYCLONE MONICA CAUSED THE SHUTDOWN SCHEDULE TO BE EXTENDED AND THE RESULTING SHORTAGE OF ACID CURTAILED PROCESSING OF ORE. THE SHORTAGE OF ACID CONTINUED FOLLOWING DIFFICULTIES EXPERIENCED IN THE PLANT AFTER THE START-UP. THE ISSUES RELATED TO THE REPLACEMENT OF SEVERAL DISCRETE PIECES OF EQUIPMENT AND THE REBALANCING OF THE PLANT AS IT WAS BROUGHT BACK ON LINE. THESE PERSISTED UNTIL LATE MAY. THE PLANT WAS RETURNED TO FULL PRODUCTION IN EARLY JUNE AND ACID INVENTORY LEVELS HAVE SINCE RECOVERED.

THE COMPANY CONTINUES TO PROGRESS ITS GEOLOGICAL EXPLORATION PROGRAMME. THE OBJECTIVES OF THE PROGRAMME ARE FIRSTLY TO DETERMINE WHETHER IT MIGHT BE ECONOMIC TO CONSIDER ANY EXPANSION OF THE EXISTING RANGER PIT AND SECONDLY TO DETERMINE IF THERE ARE ANY OTHER OPPORTUNITIES ON OUR EXISTING RANGER PROJECT AREA.

EXPLORATION DRILLING WILL CONTINUE IN THE SECOND HALF OF THE YEAR BOTH ON THE EASTERN VICINITY OF THE CURRENT OPERATING PIT AND ON OTHER TARGETS ON THE RANGER PROJECT AREA FOLLOWING INTERPRETATION OF RESULTS OF THE AIRBORNE GEOPHYSICAL SURVEYS CONDUCTED IN 2005.

EXPENDITURE ON THE PROGRAMME ON THE EASTERN VICINITY OF THE PIT FOR THE HALF YEAR WAS \$3.3 MILLION AND THIS REPRESENTS APPROXIMATELY 62% OF THAT PLANNED FOR THE FULL YEAR. IN ADDITION A FURTHER \$1.5 MILLION WILL BE SPENT ON DRILLING NEW TARGETS ELSEWHERE ON THE RANGER PROJECT AREA. WE WISH TO COMPLETE THESE PROGRAMMES, AND THE ASSOCIATED INTERPRETATION OF THE DATA, BEFORE MAKING ANY COMMENT ON THE RESULTS.



WE RECOGNISE THAT IN THE PRESENT ENVIRONMENT THERE IS SPECULATION ABOUT THE PROSPECTS FOR THE DEVELOPMENT OF OUR JABILUKA PROJECT. I WISH TO REITERATE OUR CLEAR POSITION ON THIS. IN FEBRUARY LAST YEAR WE SIGNED AN AGREEMENT WITH THE MIRARR PEOPLE AND THE NORTHERN LAND COUNCIL IN WHICH WE UNDERTOOK NOT TO DEVELOP THE PROJECT WITHOUT THE CONSENT OF THE TRADITIONAL OWNERS. WE INTEND TO HONOUR THIS AGREEMENT. WHAT I CAN SAY, HOWEVER, IS THAT ALL PARTIES WITH AN INTEREST IN THE WEST ARNHEMLAND REGION – TRADITIONAL OWNERS, GOVERNMENT, PARKS AUSTRALIA NORTH, COMMUNITY AND BUSINESS, ARE ALL ACTIVELY CONSIDERING THE IMPLICATIONS OF THE ULTIMATE CLOSURE OF RANGER AND I AM CONFIDENT THAT THIS PROCESS WILL CONTINUE IN A CONSTRUCTIVE ATMOSPHERE.

LOOKING FORWARD, FROM AN OPERATIONAL PERSPECTIVE, PRODUCTION OF URANIUM OXIDE WILL BE LOWER THAN IN 2005 ON ACCOUNT OF THE DIFFICULTIES EXPERIENCED IN THE FIRST HALF. THE COMPANY STILL EXPECTS FULL YEAR SALES IN 2006 TO BE AT A SIMILAR LEVEL TO 2005 AND, OF THIS, NEARLY ALL WILL BE SOLD INTO EXISTING CONTRACTS. ANY SHORTFALL WILL BE COVERED THROUGH INVENTORY MANAGEMENT, ADJUSTMENTS TO OUR SHIPPING AND LOGISTICS SCHEDULES AND, WHERE NECESSARY, POSSIBLY SOME SHORT TERM URANIUM LOANS.

AS ADVISED ON PREVIOUS OCCASIONS WE HAVE ALWAYS MAINTAINED A BALANCED PORTFOLIO OF CONTRACTS AND THIS SERVED US WELL DURING THE DIFFICULT YEARS OF THE 1990S WHEN SPOT PRICES WERE VERY LOW. AS PRICES HAVE RISEN CUSTOMERS HAVE EXERCISED THEIR UPWARD VOLUME FLEXIBILITIES AND THIS CONTINUES TO LIMIT OUR ABILITY TO PLACE MATERIAL INTO NEW CONTRACTS UNTIL THESE OLDER CONTRACTS ARE PROGRESSIVELY CLOSED OUT.

WITH THAT CHRIS AND I ARE HAPPY TO TAKE ANY QUESTIONS.

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