



ERA Energy Resources of Australia Ltd

Presentation to the Financial Community 2013 Full Year Results

Andrea Sutton | Chief Executive

Steeve Thibeault | Chief Financial Officer

31 January 2014





Acknowledgement of Traditional Owners

- The mining operations of Energy Resources of Australia Ltd (ERA) are located on Aboriginal land and are surrounded by, but separate from, Kakadu National Park
- ERA respectfully acknowledges the Mirarr, Traditional Owners of the land on which the Ranger mine is situated



Forward-looking statement

- This presentation has been prepared by Energy Resources of Australia Ltd (“ERA”) and consists of the slides for a presentation concerning ERA. By reviewing/attending this presentation you agree to be bound by the following conditions.

Forward-looking statements

- This presentation includes forward-looking statements. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding ERA’s financial position, business strategy, plans and objectives of management for future operations (including development plans, rehabilitation estimates and subjectives relating to ERA’s products, production forecasts and reserve and resource positions), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of ERA, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.
- Such forward-looking statements are based on numerous assumptions regarding ERA’s present and future business strategies and the environment in which ERA will operate in the future. Among the important factors that could cause ERA’s actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, adverse weather conditions, levels of actual production during any period, levels of demand and market prices, the ability to produce and transport products profitably, the impact of foreign currency exchange rates on sales revenues, market prices and operating costs, operational problems, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as changes in taxation or regulation and such other risk factors identified in ERA’s most recent Annual Report. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this presentation.
- Nothing in this presentation should be interpreted to mean that future earnings per share of ERA will necessarily match or exceed its historical published earnings per share.
- All currency mentioned in this presentation is in Australian dollars unless otherwise stated.
- The information in this report that relates to Ranger Mineral Resources or Ore Reserves is based on information compiled by Geologist Greg Rogers and Mining Engineers John Murphy and Stephen Pevely (full time employees of Energy Resources of Australia Ltd) who are all members of the Australasian Institute of Mining & Metallurgy. Greg Rogers, John Murphy and Stephen Pevely have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Greg Rogers, John Murphy and Stephen Pevely consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Agenda

- 2013 overview
- Safety and people
- Operational performance
- Financial performance
- Ranger 3 Deeps
- Progressive rehabilitation
- Summary



Ranger 3 Deeps

2013 overview

- While still strong, safety performance did not match the high standard of 2012
- Operational performance impacted by leach tank failure in December
 - Total ore treated was third highest on record
 - Majority of high grade ore mined in 2012 processed in first half of 2013
 - Production of 2,960 tonnes of uranium oxide within guidance (2,800-3,200 tonnes)
 - Operations suspended on 7 December 2013 following Leach Tank No. 1 failure
- Delivering our strategic initiatives
 - Ranger 3 Deeps exploration decline reached 1,694 metres from surface by end of 2013
 - Initial results from underground exploration drilling of Ranger 3 Deeps resource are in line with expectations and include several high grade intersections
 - Process for environmental approval for Ranger 3 Deeps commenced
 - Ranger 3 Deeps underground mine Prefeasibility Study progressing well
 - Ranger Project Area surface exploration continuing
 - Brine Concentrator constructed and opened on schedule and within budget
 - Achieved an additional \$52 million of cost savings for the year. Total cumulative savings of \$127 million since 2011 and on track to meet \$150 million target by end of 2014
- Rehabilitation progressing well
- Financial results reflect continued transition from open cut mining
 - Net after tax loss of \$136 million, cash costs and capital expenditure were lower than 2012

Safety remains key focus

- **Safety**
 - Record 188 injury free days recorded
 - All Injury Frequency Rate of 0.91 - strong but safety performance did not maintain high level achieved in 2012 (0.52)
 - Three medical treatment cases and four lost time injuries
 - Process safety reviews undertaken on operational fire management and suppression systems
 - Passed independent surveillance audits of safety and health management system
 - ERA was nominated for Rio Tinto Chief Executive Safety Award
- **People and diversity**
 - Workforce reduced by 18 per cent with completion of open cut mining and shift to stockpile processing and rehabilitation
 - Most employees impacted by the reduction were redeployed within Rio Tinto Group
 - ERA remains a significant employer in West Arnhem region - 519 employees and contractors at the end of December 2013
 - 16 per cent indigenous employees (79 indigenous employees working at ERA)
 - 18 per cent female employees



Shift plant technician Alistair Gontscharow



Process operator Robert Thomas



Operational performance impacted by leach tank incident

	2013
Mill operation	
Tonnes produced	2,960
Ore milled (million tonnes)	2.310
Mill head grade	0.15%
Recovery (%)	84.4
Plant utilisation (%)	83.1
Mining operation	
Pit 3 initial backfill (million tonnes)	20.8

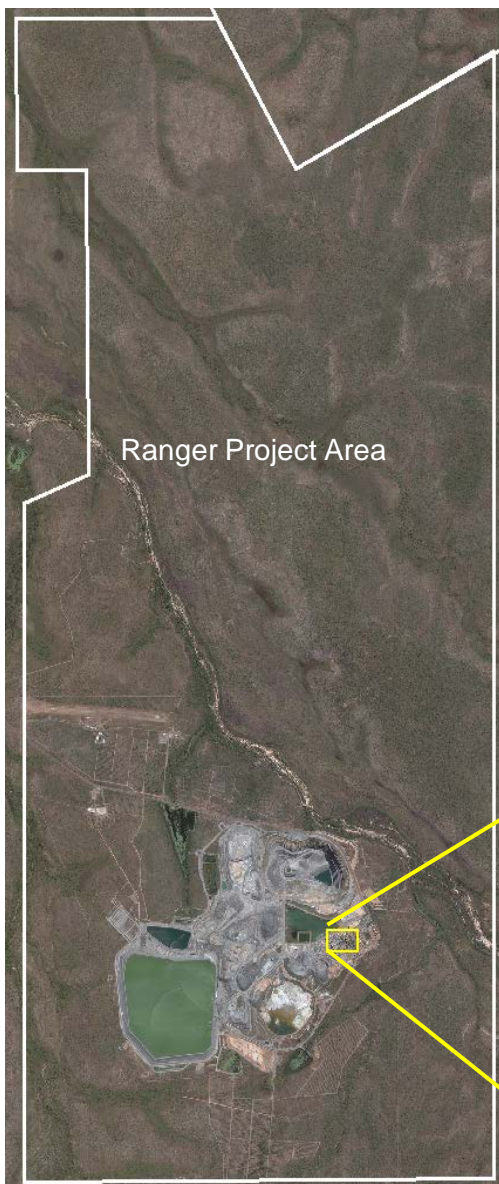
- **Mill Operation**

- Third highest recorded volume of ore treated - 2.3 million tonnes
- Uranium oxide production of 2,960 tonnes
- Most of high grade ore, mined at the end of 2012, processed in first half of 2013
- Strong plant utilisation rates helped offset lower production associated with processing lower grade stockpiles

- **Mining Operation**

- Significant progress in backfilling of Pit 3 with 20.8 million tonnes of waste material placed into the mine in 2013. Total of 22.8 million tonnes of waste material has now been moved out of total of 30 million tonnes.
- Strong fleet performance enabled truck numbers to be reduced from 15 to 8 – efficiency has been maintained
- Mine Manager of the Year - *Australian Mining* Prospect Awards

Leach Tank No. 1 failure



- Occurred 7 December 2013
- No injured personnel
- Spilled slurry contained within process area with no impact on environment

Response to incident

- Plant processing voluntarily suspended
- Clean-up undertaken
- Independent root cause investigation and review site processing infrastructure

- Joint Northern Territory and Federal Government joint taskforce investigation and review
- Recommencement of processing subject to regulatory sign-off

Operational and Financial Implications

- Large inventory of uranium oxide to meet sales commitments in first half
- \$1.7M clean up cost including \$1.3M provision for completion – all included in 2013 financial statements
- Full financial impact for 2014 being assessed



Leach Tank No. 1 (arrowed) and spill area

Financial performance

	2013
Earning - \$ million	
• Net profit/(loss) after tax	(136)
• Underlying earnings ¹	(121)
Sales	
• Revenue from sales of uranium oxide (\$ million)	356
• Sales volume (tonnes uranium oxide)	2,815
• Average realised price – US\$/lb	53.92
Cash - \$ million	
• Cashflow from operating activities	(18)
• Cash flow generated ²	112
• Major project capex	84
• Sustaining capex	7
• Dividends (cents per share)	-

1. Underlying earnings represents net profit excluding a finished goods inventory adjusted to net realisable value (\$14.9 million post tax)

2. Cashflow generated represents receipts from customers (incl. GST) less payments to suppliers (incl. GST). Refer consolidated cashflow statement (appendix 4E).

• Earnings

- Sales revenue of \$356 million compared to \$395 million in 2012, predominately related to lower sales volume and average realised price, somewhat offset by favourable foreign exchange rate
- Achieved an additional \$52 million of cash savings in 2013, related to the 2011 Business Review Programme
- Write-down of finished goods inventory of \$21 million (pre tax) mainly due to high levels of non-cash costs, combined with lower market uranium prices (excluded from underlying earnings)

• Sales

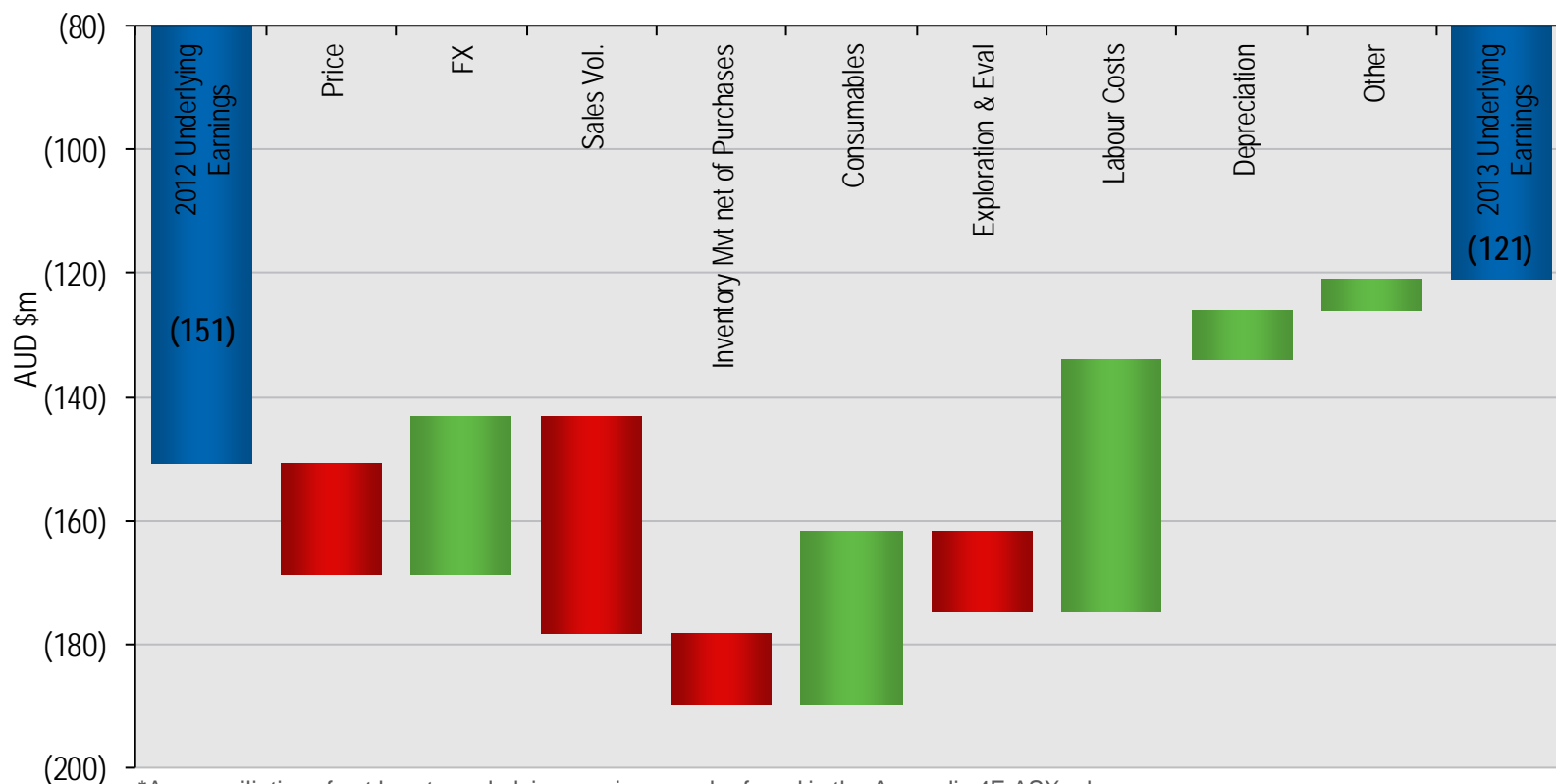
- Sales volume of 2,815 tonnes
- Average realised price decreased to US\$53.92 per pound from US\$58.33 in 2012 due to a significant decline in market conditions

• Cash

- Cash balance of \$357 million at 31 December 2013
- Cash flow from operating activities of (\$18) million (including Ranger 3 Deeps exploration decline)
- Cash flow generated by the sales and production of uranium oxide was \$112 million.² It excludes all exploration and rehabilitation activities.
- Total capital expenditure of \$91 million, with the majority of this expenditure related to the construction of the Brine Concentrator.

Key variances – 2013 versus 2012

- 2013 net loss after tax of \$136 million includes a write-down of finished goods inventories to net realisable value of \$21 million. 2012 net loss after tax of \$219 million included a non cash impairment charge of \$68 million.*
- To provide a clear statement explaining the key earnings variances, ERA provides the following variance analysis of underlying earnings:
 - 2013 Underlying earnings were positively influenced by the transition of open pit mining to pit backfill activities
 - Lower sales price and volume in 2013 were offset by a favourable exchange rate
 - Increased exploration and evaluation expenditure relates to the advancement of the exploration decline and R3D Prefeasibility Study



*A reconciliation of net loss to underlying earnings can be found in the Appendix 4E ASX release.

Note: all variances are expressed post tax

Significant progress on Ranger 3 Deeps

- **Ranger 3 Deeps exploration decline on schedule and budget**
 - As at 31 December 2013, the face position of the decline was 1,694 metres from the surface
 - Underground exploration drilling of resource continues with total 13,924 metres completed
 - Initial drilling results reported to market and were in line with expectations – 4th cross section drilling underway
- **Ranger 3 Deeps mine Prefeasibility Study**
 - \$57M underground mine Prefeasibility Study progressing in parallel to decline construction
 - On schedule, fully funded and within budget
 - Completion by end of 2014
- **Approvals process**
 - EIS submission scheduled for second half 2014
 - Targeting late 2015 for commencement of production, subject to regulatory and ERA Board approvals



Core samples from Ranger 3 Deeps mineral resource

Ranger 3 Deeps Forecast milestones to production	Target	Status
Regulatory approval for exploration decline granted	August 2011	✓
Box cut excavation completed	October 2012	✓
Decline tunnel construction commences	November 2012	✓
Ranger 3 Deeps mine referral submitted to government	Jan 2013	✓
Exploration drilling starts	June 2013	✓
Exploration drilling completed	Mid 2014	
Resource drilling and completion PFS	End 2014	
Regulatory and ministerial approval	Mid 2015	
Underground mine production	Late 2015	

Progressive rehabilitation

- **Pit 3 backfilling ahead of schedule**
 - 22.8 million tonnes of waste material placed in Pit 3 to the end of 2013 out of total 30 million tonnes
- **Rehabilitation of Pit 1 well advanced with initial 2.5 metre capping**
 - Dewatering wicks installed
 - Approximately 70% of pre-load material placed
- **The Integrated Tailings Water and Closure Study completed**
 - Identifies optimal rehabilitation plan for Ranger Project Area
 - No significant changes in the provision following the completion of the study. Rehabilitation provision of \$603 million at 31 December 2013
- **Jabiluka Interim Water Management Pond removed and rehabilitation well advanced**



Jabiluka Interim Water Management Pond



Initial rehabilitation of site after pond removal



Summary

- Continued to respond to challenging environment and transition to lower production levels
- Ongoing management of Leach Tank No. 1 incident and recovery.
 - Too early to evaluate impact on 2014 production and the financial position.
 - Work closely with regulators to restart operations as soon as practicable.
- Progress on strategic initiatives
- Business review programme on track for \$150 million savings
- Key rehabilitation projects, particularly Pit 3 initial backfill and Pit 1 initial capping, progressing well
- Key development initiatives - Ranger 3 Deeps exploration decline and Ranger 3 Deeps Mine Prefeasibility Study - progressing on budget and on schedule
- ERA will continue to adapt and position itself for stronger market in longer term