



Chief Executive's Address

Annual General Meeting

16 April 2006

I would like to begin with an update on the weather event at the Ranger mine that caused the company to declare *force majeure* on our contracts last month.

David has already spoken about the exceptionally high rainfall associated with cyclone George which dropped nearly 850 millimetres of rain on the Ranger mine and surrounds in the seven days to 4 March. In a 72 hour period some 750 millimetres of rain fell. The rainfall experienced in the first three months of 2007 has far exceeded the usual annual average for the region. There has been widespread flooding in the area, and the Arnhem highway, the mine's main access road, was closed for most of March.

Mining and processing operations at Ranger were shut down during the worst of the rainfall. Mining ceased on 27 February and restarted on 7 March. Processing shut down on 28 February and restarted on 12 March.

I am very pleased to report there were no injuries associated with the event, which is a real achievement by all staff, and a testament to good management, and good safety behaviour. Water inventories were managed effectively and there was no adverse environmental impact.

Approximately 300 tonnes of uranium oxide production was lost during the time that the processing plant was shutdown and brought back into full production.



Looking forward, the elevated water level in the operating pit resulting from the high rainfall will restrict access to high grade ore in 2007 and probably into 2008. The company will process high grade ore, stockpiled in late 2006 and earlier this year, to assist production in the first half of 2007.

Nevertheless, full year production will be affected. In 2007 production is likely to be similar to 2006 (4,748 tonnes of uranium oxide) while production in 2008 could be 25 to 30 per cent lower than this. Sales for 2007 and 2008 are expected to be generally in line with production.

ERA has identified a number of potential opportunities to reduce the impact of the weather event, including accelerating the treatment and disposal of water. These options are currently being evaluated and in most cases regulatory approvals from a variety of stakeholders will be required.

We have also been discussing with customers the new delivery schedules following the *force majeure* declaration.

To keep the recent events in perspective, ERA remains Australia's biggest producer of uranium oxide, and one of the world's biggest suppliers. We also have some important initiatives for the future, as David outlined, perhaps the most interesting of which is our feasibility study into an extension of the current operating pit. We will be announcing the outcome of this study towards the end of the year. It will target 6,100 tonnes of contained uranium oxide already included in the Ranger resources estimate.

If the pit extension proceeds it has the potential to extend actual mining operations, as distinct from processing, from 2008 to 2011. The critical issues of water and tailings



management, and rehabilitation and closure obligations, are key elements of the feasibility study now taking place.

Before turning to a review of our production efforts in 2006 I would like to express my satisfaction with the strong safety and environmental performance of the company over the past year.

This is my first AGM as Chief Executive, but as the General Manager Operations of the company safety improvement was one of my strongest values, and I am proud to report a further 28 per cent improvement in the All Injury Frequency rate in 2006. Reportable injuries dropped from 14 to 10 year for the year. We also recorded an 80 per cent reduction in the severity rate, the measure of injury significance.

Our major focus was improving and embedding the health and safety systems established in previous years, and supporting changes in safety behaviour, particularly among contractors, and there have been substantial improvements in these areas.

The focus on continuous improvement and strong system design was also reflected in the company's retention of certification to the Australian and New Zealand Standard 4801 for health and safety management.

Sound environmental management is the basis for ERA's licence to operate and 2006 saw the company retain its certification to international standard ISO 14001 for its environment management system – this was in spite of a difficult wet season including a tropical cyclone in April.

This strong management system has now allowed us to operate through two record wet seasons without adverse impact to the surrounding environment.



The 20 per cent fall in production between 2005 and 2006 was mainly due to the elevated water level in the operating pit resulting from the high rainfall associated with the heavy wet season culminating in cyclone Monica in April last year. This prevented access to high grade ore in the second and third quarters.

In the second quarter production was also impacted by operational difficulties in the sulphuric acid plant. These setbacks were overcome in the final three months of 2006 when, as David mentioned, a quarterly record production was achieved (1,662 tonnes of uranium oxide).

After extensively assessing options to improve the security of the sulphuric acid supply, the company has decided to move to bulk importation of acid via Darwin, and the existing plant at Ranger will be closed later this year.

David has mentioned our increase in reserves, adding six years to the company's operations as more of the low grade stockpiles are to be processed, and has also mentioned the construction of the radiometric sorter, and the laterite treatment plant both of which will begin operations next year. The radiometric sorter is an exciting opportunity aimed at deriving more value from resources that are already mined. The first module is seen as a trial unit, and application of the technology could be expanded, dependent on results.

We are also planning another important year of exploration on the Ranger lease, after the \$7.2 million spent last year - this expenditure will increase in 2007. Expenditure in the first quarter was \$3.7 million and for the first time we have continued the drilling program during the wet season. As David has said, we have received encouraging results from all exploration targets.

Ranging more widely, the company has also made a bid for an exploration permit over the Pamela and Angela deposits south of Alice Springs, with the Northern Territory government likely to make a decision from a wide field of bidders later this year.



While revenues last year rose as a consequence of the rise in the average realised price of uranium, this was offset to some extent by a rise in employee and contractor numbers and associated costs, and increased expenditure on consumables, particularly sulphuric acid and diesel. Costs were also adversely affected as a result of the additional work required to recover from the wet season including pumping and irrigation costs. Total operating costs on a unit of production basis rose reflecting the combined effect of the lower output and higher costs. Prudent cost management remains a focus despite the operational challenges.

Efforts continue to strengthen relationships with the Mirarr people, Traditional Owners of the Ranger and Jabiluka leases. There have been important cooperative efforts to improve cross-cultural training for our operational staff, with Mirarr input. As well, the local Traditional Owners have assisted in our rehabilitation efforts and drawing up protocols for access for exploration purposes.

Among the prime objectives for 2007 is to improve Aboriginal employment and training at Ranger. At the end of 2006 people of Indigenous background made up 12 percent of our workforce, but I believe this could be higher, and careers at the mine could be made more attractive to regional Aboriginal people. As well, the company is involved in examining training options for Aboriginal people who may not necessarily want to be directly employed by ERA, but would like to develop business opportunities in the region. There are a number of small Indigenous enterprises in the region which the company is supporting. This work will develop during the course of 2007. Under the Uranium Industry Framework, set up by the Federal Government, I am pleased to be chairing a group looking at Indigenous engagement and hope to provide guidelines for others in the industry to follow, in due course.



ERA continues to play a role in other Federal Government working groups aimed at improving opportunities in the uranium industry, including regulation, transport and royalty groups. ERA is also playing a leading role in the newly formed Australian Uranium Association, designed to support the expansion of uranium mining in Australia.

So, in summary, despite some difficult challenges in 2006 and into this year, the company's overall performance remains sound, and we are moving forward with a number of important options to expand and extend our operating life into future years.

Thank you.