



**ERA** Energy Resources of Australia Ltd

ABN 71 008 550 865  
A member of the Rio Tinto Group

Head office Level 3, Energy House,  
18-20 Cavenagh St, Darwin NT 0800  
GPO Box 2394, Darwin NT 0801, Australia  
T +61 8 8924 3500 F +61 8 8924 3555

Ranger mine Locked Bag 1,  
Jabiru NT 0886 Australia  
T +61 8 8938 1211 F +61 8 8938 1203

[www.energyres.com.au](http://www.energyres.com.au)

## **CHIEF EXECUTIVE'S ADDRESS**

### **ANNUAL GENERAL MEETING**

**9 April, 2014**

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Thank you Peter

I would also like to acknowledge the Larrakia people, custodians of the land on which we meet, and the Mirarr people, custodians of the land on which we operate the Ranger mine.

#### **Overview**

I'm pleased to be able to speak to you directly for the first time since being appointed in September last year, as Energy Resources of Australia's Chief Executive.

Since joining ERA I have found that this is a business with a strong dedicated team of highly professional people.

In my remarks today I will focus on safety, our people and community engagement and protection of the environment, including our water management measures, our progressive rehabilitation programme, operational performance and the Ranger 3 Deeps project.



## **Health & Safety**

I would like to begin with some comment on the health and safety performance of the business. In 2013 while our performance was still strong, it did not match the very high standards we set in 2012. The business had three medical treatment cases and there were four lost time injuries. During 2013, the business did set a new record of 188 injury free days but the all injury frequency rate has increased year-on-year. The all injury frequency rate measures all reportable injuries and includes lost time injuries, restricted work injuries and medical treatment cases for every 200,000 hours worked. This was 0.91 in 2013, compared to 0.52 in 2012.

It has been a reminder of the need for a constant focus on safety.

Management of risk is a critical component in safety and our approach is reflected in the critical control management plans introduced in 2012. The plans document control measures to manage risk such as process safety, classified plant, crane and electrical competencies, road travel, and working at heights.

In 2013 our process safety, which is also risk-based, was focused on our systems and operational processes for ammonia, acid and fire management.

Specific process safety initiatives for 2014 include reviewing and auditing our potable water management systems, completing a revised fire system operation manual, as well as further developing critical control management plans so we can better monitor and assess our safety controls.

We continue to emphasise the importance of process safety through leadership training as well as targeted safety campaigns including pre-start safety planning for maintenance crews.



The importance of this work was underlined by the leach tank incident and we have undertaken a detailed review of our asset integrity and maintenance systems and are currently implementing the recommendations from that work. I will comment further on the leach tank incident later in my remarks.

ERA is committed to its objective of achieving zero harm. This means having no injuries or occupational illnesses by creating a workplace where everyone goes home safely. Safety remains a core value and is being reinforced across the business every day.

### **People**

Turning to the ERA team and working with the local community. As a result of the change from open pit mining to stockpile mining the workforce has continued to decrease. At the end of 2013 we had 18 per cent fewer individuals with a total team of 519 employees and contractors. As we have reduced our employment numbers we have worked with Rio Tinto, our majority shareholder, to identify redeployment opportunities.

We continue to be a leading employer of indigenous people and at the end of 2013 the team at ERA included 79 indigenous employees, which represents approximately 16 per cent of our total workforce. We have also maintained the diversity of our workforce with female employees accounting for 18 per cent of our team.

ERA maintains a focus on local skills development and we have continued to provide apprenticeship and trainee opportunities. We directly employed 19 apprentices, four school-based apprentices and 10 indigenous trainees. Earlier this year we offered full-time traineeships to two students who graduated from West Arnhem College in Gunbalanya. They are part of a group of students engaged with ERA. This reflects ERA's ongoing commitment to provide career pathways and opportunities to students from Jabiru and Gunbalanya schools,



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as part of the Education Partnership with West Arnhem College and the Northern Territory Department of Education.

We are proud to say that the Education Partnership is now in its fifth year. It provides quality education and training opportunities. The programme is designed to provide a coordinated approach to build capacity in the local economy, support sustainable regional development and improve education and employment outcomes for local community members.

Another important involvement has been the Kakadu West Arnhem Social Trust, which administers funding for cultural, educational and other social programmes in the region. ERA and the Gundjeihmi Aboriginal Corporation, representing the Traditional Owners, are represented on the trust and we each contribute funds annually. Last year the trust approved several million dollars in support for local programmes, including the Children's Ground initiative, which is designed to improve the lives of children and families across the West Arnhem Region. Other initiatives include the Culture First programme at the West Arnhem College, On-Country training, a language project and a voluntary coalition of community, business and government agencies focused on reducing risks from volatile substances.

The trust is one of several areas where we continue to work with the Gundjeihmi Aboriginal Corporation, representing the Mirarr Traditional Owners. This is an important relationship to ERA and while there is no doubt that the leach tank incident interrupted our engagement with the Gundjeihmi Aboriginal Corporation, we do continue to engage on a range of matters of mutual interest.



## **Environment and Water**

Protection of the environment is a priority for ERA. We undertake a range of preventative and monitoring activities to ensure that our operations do not affect the surrounding environment. Independent of our activities the Australian Government's Supervising Scientist also closely monitors the impact of uranium mining on the environment and people in the Alligator Rivers region.

In addition, ERA's operations are closely supervised and monitored by key statutory bodies that apart from the Supervising Scientists Division include the Northern Territory Department of Mines and Energy, and the Commonwealth Department of Industry. There are two statutory committees that play an important part in facilitating stakeholder consultation on environmental matters in relation to Ranger and these are the Alligator Rivers Region Advisory Committee, and the Alligator Rivers Region Technical Committee, which includes an environmental non-government organisation representative and independent scientists. Furthermore the Ranger Minesite Technical Committee is a key forum for considering environmental matters relating to our operations, progressive rehabilitation and potential development projects. The Gundjeihmi Aboriginal Corporation, which represents the traditional owners, and the Northern Land Council are represented on both the Minesite Technical Committee and the Alligator Rivers Region Advisory Committee.

With the leach tank incident in December there were questions raised about our environmental performance. Ongoing monitoring has confirmed that the surrounding area has not been affected and that there has been no impact on Kakadu National Park.



Results from statutory monitoring programmes in 2013 showed that ERA continued to protect the surrounding environment. Our performance has been confirmed by the Supervising Scientists Division, which stated in its 2012-2013 annual report that the environment remained protected during this period.

Water management is an important component in protecting the environment. It is fair to say that this wet season has again underlined the critical importance of this for effective environmental protection and to support the success of ERA's operation.

Over the past decade Energy Resources of Australia (ERA) has improved its ability to treat and manage water effectively. Measures undertaken have included the installation of ground water monitoring bores and continuous real time water quality monitoring stations, surface water and seepage interception trenches around stockpiles, the lifting of the embankment of the tailings storage facility and development of retention pond 6.

Water management will continue to be an integral part of ERA's Environment, Safety and Health Management System and encompasses all aspects of water capture, storage, supply, distribution, use and disposal at Ranger mine.

In 2012 an independent surface water working group was established to review surface water management associated with our operations at Ranger. The working group involved representatives from ERA, the Gundjeihmi Aboriginal Corporation, the Supervising Scientist Division, the Northern Land Council, an independent chair and independent science advisor. The findings were released last year and found that our surface water management and regulatory systems were of a very high standard. To ensure they remain at a high standard, an implementation plan was developed and is progressing well in collaboration with stakeholders.



The construction of the Brine Concentrator was a significant investment in ERA's ongoing commitment to safeguard the water management system and deliver on our life of mine closure obligations. Construction was completed during 2013 and the facility was opened late in the year.

### **Rehabilitation and backfilling**

In addition to water management, the rehabilitation of the disturbed areas within the Ranger project area is a priority for the business.

In 2013 we completed a major study into progressive rehabilitation and the life of mine management of water and tailings. As a result of this study the Board approved the construction of a tailings transfer and brine management system that will involve the dredging and transfer of tailings from the tailings storage facility into Pit 3 from 2015.

A brine injection system will also be installed to pump brines from the Brine Concentrator deep into the base of Pit 3 for permanent storage. Subject to statutory approvals, the tailings and brine management system is scheduled to be commissioned from 2015.

This will cost an estimated \$69 million and is part of the rehabilitation provision which is \$603 million.

In line with ERA life of mine closure plan, we progressed our site rehabilitation activities significantly during 2013. The backfilling of Pit 3 continued and by the end of December 2013 we had placed 22.8 million tonnes of low grade material into Pit 3. This year we have placed a further 4.1 million tonnes into Pit 3. Upon completion of backfill activities, an underdrain and requisite tailings and brine management infrastructure will be installed in the pit ahead of commissioning the system in 2015. Ultimately the tailings in Pit 3 will be capped with waste rock and a revegetated landform created.



In addition to the ongoing backfilling of Pit 3, we also started capping Pit 1. This was Ranger's first operational pit and was exhausted in 1994. It was then used for tailings and process water storage. The early closure and rehabilitation of Pit 1 is an important part of our land rehabilitation and closure strategy.

Vertical wick drains were installed in Pit 1 to draw water from backfilled material deposited in the pit. We then commenced the capping of Pit 1 which involves placing low grade rock over the tailings. We had placed 70 per cent of the initial capping by the end of 2013. The final 30 per cent of capping of Pit 1 is due for completion this year.

We are also pleased to note the progression of rehabilitation at Jabiluka. We removed the interim water management pond during last year and have been undertaking extensive revegetation work. Native tube stock from an indigenous business, Kakadu Native Plant Supplies, has been used to replant the rehabilitated area. We planted some 3,500 seedlings prior to the wet season involving 26 different species and we will eventually plant a total of around 10,000 seedlings on the site. This project has involved ongoing consultation with the Mirarr Traditional Owners and provided support and training to indigenous employees.

### **Operational Performance**

Turning now to our operational performance.

Strong performance from our truck fleet has allowed us to reduce the number of trucks involved in backfilling operations from 15 to 8, which has delivered cost savings while remaining ahead of schedule.



Our mining operations have been well managed and this was recognised during the year by the naming of our mining operations manager, Mike Stone, as Mine Manager of the Year at the Australian Mining Prospect Awards in Sydney.

Prior to the leach tank incident at the end of the year, ERA maintained good levels of plant performance during 2013. The plant output was among the top five years of production and the 2.3 million tonnes of ore that we treated was the third highest on record.

In 2013 we produced 2,960 tonnes of uranium oxide, which was 20 per cent less than the 3,710 tonnes produced in 2012, but consistent with our market guidance of between 2,800 and 3,200 tonnes.

Strong plant utilisation rates helped to offset the lower production associated with processing lower grade stockpiles in the second half of the year.

In 2013 the mills were fed with material remaining from the completion of Pit 3 in 2012 and stockpiled ore. Average mill head grade was 0.15 per cent in 2013, compared with 0.17 per cent in 2012.

Milling rates of 288 tonnes per hour were slightly down on the previous year. The lower grade also affected extraction and recovery rates.

Plant operations were suspended last year following the failure of Leach Tank 1 on the 7<sup>th</sup> of December 2013. The Chairman has outlined the outcome of the ERA commissioned investigation with the findings released to the market on the 27<sup>th</sup> of March.

The Board has approved a scope of work to implement them and bring the processing plant to readiness for restart. This is in line with the independent



asset integrity and maintenance review commissioned by ERA. The scope of work is scheduled to be completed this month.

As part of the work we also are replacing the baffles in all leach tanks.

Restart is subject to regulatory and Board approval. We continue to work with the Government taskforce which is overseeing the regulatory response to this incident and we are meeting all requests for information and input to help meet the objective of a rigorous, thorough and timely investigation. Since the incident we have continued to facilitate site visits by the Commonwealth Department of Industry, the Supervising Scientist Division, the Northern Territory Department of Mines and Energy and Northern Territory WorkSafe, the Gundjeihmi Aboriginal Corporation and other key stakeholders.

This has been a serious incident, but I would like to acknowledge the efforts of our employees in responding safely to the incident and ensuring no one was injured. I want to also thank our employees and our contractors for safely dismantling the tank and its associated infrastructure and in undertaking the necessary reparation work that is underway.

### **Cash management**

In addition to the operational impact of the leach tank incident and suspension of processing, the overall business environment for uranium producers remains difficult. For the reasons outlined by the Chairman in his remarks, the uranium market remains weak for producers with low spot prices continuing.

Given this challenging business environment ERA has continued to focus on reshaping the business for leaner operations. The business review conducted in 2011 targeted \$150 million in cost savings by the end of 2014 and we are well on track to reaching those targeted savings.



At the end of 2013 the cumulative savings amounted to \$127 million with savings of \$52 million achieved during the year.

This year we have reassessed our target and as part of a business transformation we are looking at ways to generate additional cash and savings from our operations.

We have demonstrated over the past two and half years the capacity of ERA's people to meet these challenges. Achieving these savings will ensure we continue to be a lean operation into the future and will ensure we are in a good position before a decision regarding the Ranger 3 Deeps project is taken.

### **Ranger 3 Deeps**

Work on the Ranger 3 Deeps exploration decline has continued and by the end of March the face had reached 2,026 metres from the surface.

The Ranger 3 Deeps underground exploration drilling has progressed well with close-spaced drilling of the fourth, fifth and sixth cross sections completed. As we advised the market on 28 February, these underground drilling results are consistent with the expected geological understanding of the continuity of mineralisation within this zone of the mineral resource.

In parallel to the underground exploration, work was continued on the \$57 million Prefeasibility Study into the potential development of a Ranger 3 Deeps underground mine. The Prefeasibility Study is on schedule, fully funded and on budget. Resource drilling will continue throughout 2014 in support of the Prefeasibility Study.

The process for formal environmental approval for a Ranger 3 Deeps underground mine began in January 2013 when ERA submitted the Ranger 3 Deeps mine referral to the Northern Territory and Commonwealth Governments. Approval is required under the Commonwealth Environmental



Protection and Biodiversity Conservation Act and the Northern Territory Environmental Assessment Act.

We are now preparing the necessary Environmental Impact Statement for the project.

This will be submitted in the second half of this year. An important part of the statement is the Social Impact Assessment. The Social Impact Assessment is necessary for all resource development projects that require an Environmental Impact Statement, and identifies the social impacts directly related to the project and proposes strategies to capitalise on social opportunities and to avoid, manage, mitigate or offset any predicted impacts.

We have consulted more than 30 stakeholders including the Gundjeihmi Aboriginal Corporation on behalf of the Mirarr Traditional Owners, the Northern Land Council, Commonwealth and Northern Territory agencies and departments and we will continue to do so.

The Ranger 3 Deeps project remains on schedule and within budget. Any decision to proceed with this project remains subject to ERA Board and regulatory approvals.

## **Conclusion**

In summary, during 2013 ERA continued to respond to a very challenging operating environment and to make the transition from large scale open-cut mining to processing lower grade stockpile material and hence lower product output.

The business is focussing on the implementation of the scope of work to bring the processing plant to readiness for restart following the leach tank failure.



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In addition we are continuing to work with members of the Government-appointed taskforce in order to satisfy the taskforce's terms of reference in a timely manner.

Importantly, given this challenging operating period, we have continued to protect the environment and enhance our water management. Progressive rehabilitation is well underway. We've made strong progress on backfilling Pit 3, dewatering Pit 1 and the completion of the Integrated Tailings Water and Closure Study.

The Ranger 3 Deeps exploration decline, which is a key development initiative, is on budget and on schedule. We are continuing with our studies that will help determine the feasibility of Ranger 3 Deeps, as well as finalising the Environmental Impact Statement.

I would like to thank you, our shareholders for your support.

I would also like to support the Chairman's thanks and appreciation to the team at ERA. There are not many businesses that have faced the challenges that ERA has faced on all fronts in recent years. The support and determination of our leaders, team members, contractors, suppliers and major project providers has been at very high levels and I thank everyone for their efforts, loyalty, commitment and importantly safety performance. Thank you.