



ASX Announcement

28 January 2016

ERA ANNOUNCES FULL YEAR RESULTS FOR 2015

- Net cash flow of \$72 million in 2015 increasing total cash resources to \$433 million at 31 December 2015.¹
- Net loss after tax of \$275 million, impacted by \$197 million non-cash write down of ERA's deferred tax assets at 30 June 2015.
- Solid operational performance producing 2,005 tonnes of uranium oxide.
- Ore Reserves in the Ranger stockpiles have been upgraded to 10,383 tonnes of uranium oxide.
- Current mine plan assumes processing of stockpiled ore is economically viable until late 2020.
- Strategic review has been initiated with an update to be provided in the March 2016 quarter.
- Key rehabilitation milestones achieved, with provision of \$509 million at 31 December 2015.

Review of operations

ERA increased its cash balance by \$72 million during 2015, ending the year with \$365 million in cash at bank and no debt. In addition to cash at bank, ERA had \$68 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund at 31 December 2015, bringing total cash resources to \$433 million.

ERA generated cash flow from operating activities of \$85 million in 2015 (2014: \$(54) million). This improvement was the result of a determined focus on maximising cash flow from the production of uranium oxide from stockpiles, a focus on lower exploration expenditure, completion of key rehabilitation milestones and favourable foreign exchange.

Uranium oxide produced for the year ended 31 December 2015 was 2,005 tonnes, 72 per cent higher than 2014 production of 1,165 tonnes. 2015 saw a full year of production, compared to approximately six months of production in 2014. Milled grade was slightly below 2014 but in line with expected stockpile grades. Strong milling rates and improved recoveries underpinned a solid operational performance in the year.

Revenue from the sale of uranium oxide was \$333 million (2014: \$379 million). ERA achieved an average realised price in excess of the average spot price in 2015 and saw favourable movements in the USD/AUD exchange rate. However, reduced sales volume impacted overall revenue.

¹ Comprising \$365 million cash at bank and \$68 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund.



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Sales volume for 2015 was 2,183 tonnes compared with 3,148 tonnes for 2014. The average realised sales price that ERA received for uranium oxide in 2015 was US\$51.99 per pound compared to US\$49.50 per pound in 2014. This compares favourably against the average spot price for 2015 of US\$36.86 per pound.

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar against the US dollar was beneficial to ERA. The average USD/AUD exchange rate during the year was US\$0.75, compared with US\$0.91 for 2014.

Cash costs for 2015 were significantly lower than 2014 due to an ongoing focus on cash preservation, reduced exploration and evaluation expenditure, favourable movements in consumable input prices and no purchases of uranium oxide (2014: \$67 million of uranium oxide purchases).

The Company's cash generation programme continued to identify further opportunities for savings and efficiency improvements across the business in 2015. Work on pursuing additional opportunities will continue in 2016. Favourable input costs were achieved through ongoing negotiation of procurement contracts and productivity improvement.

ERA recorded a net loss after tax of \$275 million compared to a net loss after tax of \$188 million in 2014. The net loss after tax was impacted by a \$197 million non-cash write down of ERA's deferred tax assets at 30 June 2015. As a result of the decision not to progress the Ranger 3 Deeps project to Final Feasibility Study in the current operating environment, ERA considered that the carried forward tax losses no longer satisfied the recognition criteria under the Australian Accounting Standards.

Total exploration and evaluation spend for 2015, including the Ranger 3 Deeps Exploration Decline, Prefeasibility Study and other exploration activities, was \$9 million compared to \$83 million in 2014. Capital expenditure of \$12 million remained constant in 2015 (2014: \$12 million). Capital expenditure in 2015 was focused on completing the remaining water management infrastructure associated with the Company's rehabilitation programme and targeted sustaining capital expenditure.

Ranger Stockpile Ore Reserves

Stockpile Ore Reserves at Ranger have been increased by 4,177 tonnes of uranium oxide to 10,383 tonnes of uranium oxide. This was principally due to optimisation of the stockpiled ore mine plan. The cut-off grade was reduced from 0.08% U₃O₈ to 0.06% U₃O₈. The mine plan which supports the Ore Reserves statement assumes processing of stockpiled ore is economically viable until late 2020.

The stockpile reserves mine plan is based on a number of key economic assumptions including forecasts for uranium prices and the Australian dollar. Continued processing of low grade stockpiled ore would be at risk of ceasing sooner than 2020 if future realised uranium prices and exchange rates are materially unfavourable to current assumptions.

Outlook

ERA expects that the uranium market will remain challenging in the near term, however, the long term outlook remains encouraging for established producers. According to the World Nuclear Association, at the start of 2016 China had 30 reactors in operation, 24 reactors under construction and a further 40 reactors planned. The second half of 2015 also saw two Japanese reactors recommissioned. A rebalancing of supply and demand is expected to occur in the latter part of the decade.

At this time, ERA expects uranium production for 2016 to be within the range of 1,900 tonnes to 2,300 tonnes. ERA expects sales of uranium oxide in 2016 to be broadly in line with production.



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Ranger 3 Deeps

The Ranger 3 Deeps project involved the construction of a 2,710 metre Exploration Decline and an associated underground exploration drilling programme.

In June 2015, ERA announced that the Ranger 3 Deeps project would not proceed to Final Feasibility Study in the current operating environment. The decision was driven primarily by two key factors. First, the Board's view that the uranium market had not improved as ERA previously expected and there was uncertainty regarding the uranium market's direction in the immediate future. Second, having finalised and considered the Prefeasibility Study, the economics of the project required operations beyond the current Ranger section 41 Authority.

In October 2015, representatives of the Mirarr Traditional Owners withdrew from negotiations with the Company on the possibility of an extension to the Ranger section 41 Authority.

The Ranger section 41 Authority is granted under the *Atomic Energy Act 1953 (Cth)* (**Atomic Energy Act**). The Atomic Energy Act permits one renewal only of the section 41 Authority. The existing section 41 Authority, which was renewed in 1999, allows mining and processing operations until 8 January 2021 and access for rehabilitation activities until 8 January 2026. As the renewal has been exercised, the Atomic Energy Act would need to be amended to enable a further renewal by ERA.

As part of the Prefeasibility Study, ERA announced to the market in July an updated Ranger 3 Deeps Mineral Resource to 19.58 million tonnes at an overall grade of 0.224% U₃O₈, representing 43,858 tonnes of contained uranium oxide.

The Ranger 3 Deeps Exploration Decline remains under care and maintenance.

Strategic Review

ERA has initiated a strategic review of its business following advice from the Gundjeihmi Aboriginal Corporation that the Mirarr Traditional Owners do not support an extension to the Ranger section 41 Authority. ERA expects to provide an update on the strategic review in the March 2016 quarter.

Rehabilitation

Progressive rehabilitation continued with expenditure of \$27 million incurred during 2015. Expenditure was primarily associated with the construction and commissioning of the dredge and associated tailings infrastructure necessary to relocate the tailings from the Tailings Storage Facility to the final deposition point in Pit 3.

In parallel with the rehabilitation works to transfer tailings to Pit 3, the conversion of Pit 1 from a process water catchment to a pond water catchment was also progressed in 2015. This will enable ERA to minimise the process water inventory at Ranger.

Dividends

In light of the challenging market conditions, the ERA directors have decided not to declare a final dividend for the 2015 financial year (2014: nil).

Competent Person

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by geologist Stephen Pevely (a full time employee of ERA). Stephen Pevely is a Member of the Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Stephen Pevely consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.



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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.

ERA has an excellent track record of reliably supplying customers. Uranium has been mined at Ranger for three decades. Ranger mine is one of only three mines in the world to produce in excess of 110,000 tonnes of uranium oxide.

ERA's Ranger mine is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, located in Australia's Northern Territory.

ERA is a major employer in the Northern Territory and the Alligator Rivers Region.

For further information, please contact:

Media Relations

Candice Sgroi
Office: +61 8 8924 3514
Mobile: +61 476 807 502
Email: candice.sgroi@era.riotinto.com

Investor Relations

Rachel Storrs
Office: +61 (0) 3 9283 3628
Mobile: +61 (0) 417 401 018
Email: rachel.storrs@riotinto.com

Website: www.energyres.com.au
Twitter: Follow @ERARangerMine on Twitter