



ASX Announcement

4 May 2016

Strategic review outcomes

- Energy Resources of Australia Ltd (**ERA**) has concluded the strategic review of its business. The review has determined three near-term strategic priorities for the Company:
 - continue the progressive rehabilitation of the Ranger Project Area and provide assurance to stakeholders that rehabilitation can be fully delivered and funded in all business scenarios;
 - maximise the generation of cash flow from the processing of stockpiled ore, which can potentially be sustained until late 2020 (the current Ranger Authority expires in January 2021); and
 - preserve the option for the future development of Ranger 3 Deeps via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure.

Background

ERA announced a review of its business in October 2015 following the formal advice from the Mirarr Traditional Owners that they did not support an extension to the Ranger Authority. The objective of the review has been to identify executable options to maximise shareholder value. The review took account of a range of factors, including the outlook for the uranium industry which remains weak. The review was conducted by the ERA Board and Management between December 2015 and April 2016.

The Company's vision is to be a world-class supplier of uranium that contributes to environmental sustainability and is trusted by Traditional Owners and the community. The review has established three near-term strategic priorities to support the Company's progression toward delivery of the Company's vision:

- continue the progressive rehabilitation of the Ranger Project Area and provide assurance to stakeholders that rehabilitation can be fully delivered and funded in all business scenarios;
- maximise the generation of cash flow from the processing of stockpiled ore, which can potentially be sustained until late 2020 (the current Ranger Authority expires in January 2021); and



- preserve the option for the future development of Ranger 3 Deeps via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure.

Each of these priorities is further explained below.

Progressive rehabilitation

A key priority for the Company is the continued and efficient delivery of high quality progressive rehabilitation of the Ranger Project Area. The Ranger Authority requires ERA to cease production by January 2021 and complete all rehabilitation activities by January 2026. ERA has a robust rehabilitation plan supported by strong technical capabilities, risk management and collaboration with key stakeholders.

A key objective is to maximise certainty around the delivery of progressive rehabilitation and the Company's ability to fully fund its rehabilitation programme in all business scenarios. In doing so, the Company aims to provide maximum assurance to stakeholders of its capability and financial capacity to deliver rehabilitation.

Credit facility

ERA has entered into a \$100 million credit facility agreement with Rio Tinto. The credit facility agreement provides additional assurance to stakeholders that rehabilitation of the Ranger Project Area can be fully funded in a range of business scenarios.

At 31 December 2015, ERA had \$433 million in total cash resources and a rehabilitation provision of \$509 million. Under current assumptions relevant to ERA's cash position¹ and having regard to the expected years of future production, the Company expects to have sufficient financial resources without drawing on the facility to fully fund its rehabilitation programme.

However, should those assumptions not be realised, and in the absence of any other successful developments or asset sales, the Company may draw on the facility. The credit facility can be terminated at any time by ERA. Further details of the credit facility are the subject of a separate ASX release dated 29 April 2016.

Stockpiled ore processing

ERA is focussed on maximisation of cash flow generated from current operations. As at 31 December 2015, the stockpile ore reserves at Ranger were 10,383 tonnes U₃O₈. Based on current assumptions including forecasts for uranium prices and the Australian dollar exchange rate, processing from stockpiled ore can potentially be sustained until late 2020.

¹ Such assumptions include foreign exchange rate, uranium oxide prices, input and consumable costs, stockpile mining and other operational plans.



The Company continues to focus on operational excellence in order to maximise cash flow from the safe and efficient production and sale of uranium oxide. A major operational focus in the near term is to offset the impact of declining grades in stockpiled ore with productivity improvements and targeted cost reductions.

The Company's achievement of a price premium relative to the uranium spot price has been a key factor in sustaining the generation of cash flow from stockpiled ore processing since the cessation of mining from Pit 3 at Ranger in 2012.

Maximisation of cash flow from the processing of stockpiled ore enables the Company to strengthen its financial position, build confidence in its delivery of high quality rehabilitation outcomes and provides a foundation for the Company to examine future growth options.

Ranger 3 Deeps

Given the current operating environment, the option to develop the Ranger 3 Deeps project in the future will be preserved via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure, at a cost of approximately \$4 million per year.

Ranger 3 Deeps can only be viably developed with an extension to the current Ranger Authority which permits processing operations until January 2021. An amendment to the *Atomic Energy Act 1953* (Cth) would be required to enable an application for an Authority extension.

ERA will maintain its dialogue with all stakeholders to ensure it continues to understand their perspectives in relation to an Authority extension.

Reactivation of the project later than mid-2018 would likely require the Company to manage a production gap between the cessation of low-grade stockpiled ore processing in late 2020 and commencement of Ranger 3 Deeps production at a later point and more broadly risks compromising the project's viability.

No further expenditure has been authorised on Ranger 3 Deeps as an outcome to the review. The Company will periodically review whether it is appropriate to initiate targeted studies on Ranger 3 Deeps aimed at optimising the value of the project.

If developed, Ranger 3 Deeps would be expected to provide around ten years of additional production at Ranger, in a period where forecast consensus prices are expected to have recovered from the current historical lows.

If executed, an appropriate financing solution will need to be identified and implemented to fund the project's development. The solution would need to be compatible with stakeholder interests and a long-term financial commitment to funding rehabilitation on the Ranger Project Area.



Jabiluka

The Company continues to recognise that Jabiluka is a large, high-quality uranium ore body of international significance and that the Jabiluka Mineral Lease remains one of ERA's key assets. The Company acknowledges the Long Term Care and Maintenance Agreement and its importance to Traditional Owners.



Competent Person

The information in this release that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2015 Annual Statement of Reserves and Resources which was released to the market on 28 January 2016 and is available to view at:

<http://www.asx.com.au/asxpdf/20160128/pdf/434mvv710j6nhn.pdf>.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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 more than three decades. During that time, Ranger has produced in excess of 120,000 tonnes of uranium oxide.

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

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

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