



**ERA** Energy Resources of Australia Ltd

# 2019 Full Year Results

## Additional Information for the Financial Community

March 2020





# Forward-looking statements

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.

## Competent Person

The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2019 Annual Statement of Reserves and Resources which was released to the market on 26 February 2020 and is available to view at <https://www.asx.com.au/asxpdf/20200226/pdf/44fh75xlybyy2l.pdf>. ERA 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. ERA 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.

# Acknowledgement of Traditional Owners

The 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



*Artist: Tim Djandjomerr (Community Relations Office wall painting)*



# ERA continued to deliver on strategic priorities in 2019

## Near term strategic priority

**Continue the progressive rehabilitation of the Ranger Project Area**

## 2019 outcomes

- Bulk backfill of Pit 1 continued
- Additional dredging capacity commissioned
- Continued dredging of the Tailings Storage Facility
- Rehabilitation provision of \$770 million<sup>1</sup>

**Maximise the generation of cash flow from the processing of stockpiled ore**

- Produced 1,751 tonnes of uranium oxide
- Total cash resources of \$285 million<sup>2,3</sup> (as at 31 December 2019), a decrease of \$103 million in the year
- Productivity and cost reduction program implemented and delivering benefits
- Ranger 3 Deeps has transitioned to a reduced care and maintenance program

**Resolve funding position**

- Fully underwritten 6.13 for 1 pro rata renounceable entitlement offer to raise approximately \$476 million completed in February 2020

<sup>1</sup> As at 31 December 2019. Discounted at 2 per cent and real dollars

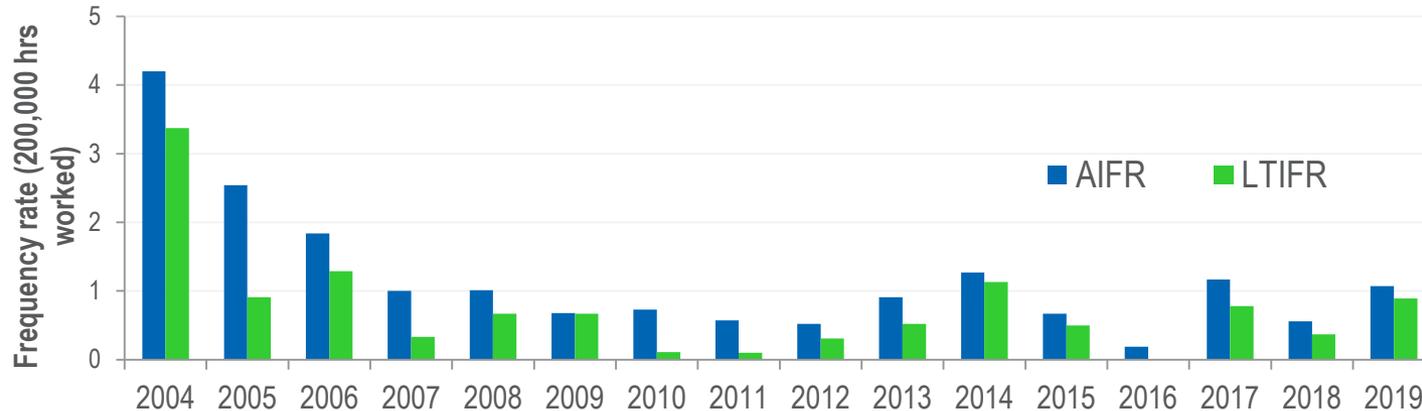
<sup>2</sup> Comprising \$209 million cash at bank and \$76 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund

<sup>3</sup> Cash balance is pre funds raised through the entitlement offer



# Health and safety

*Demonstrated commitment to the health and safety of our teams, community and environment in which we operate*



- All Injury Frequency Rate for 2019 was 1.07 with six recordable injuries
- 2019 health and safety initiatives have focused on:
  - Safety Maturity Model implementation
  - Leadership development and Mental Wellness program
  - Embedding our 'maintaining Process Safety excellence through closure' program
  - Injury management and incident investigation
  - Risk Assessment Facilitation courses



# Operational performance

*Production guidance for 2020 of between 1,200 tonnes to 1,600 tonnes*

Mill Operation	2019	2018
Ore milled ('000 tonnes)	2,484	2,486
Recovery (%)	86.8	86.6
Mill head grade (% $U_3O_8$ )	0.08	0.09
Tonnes produced ( $U_3O_8$ )	1,751	1,999
Pounds ('000 lbs) produced ( $U_3O_8$ )	3,860	4,407

- Production was towards the higher end of the production guidance range
- Strong plant performance with favourable uranium recoveries
- Production was impacted by declining ore grades
- Production guidance for 2020 of between 1,200 tonnes to 1,600 tonnes



*Final product ready for transport*

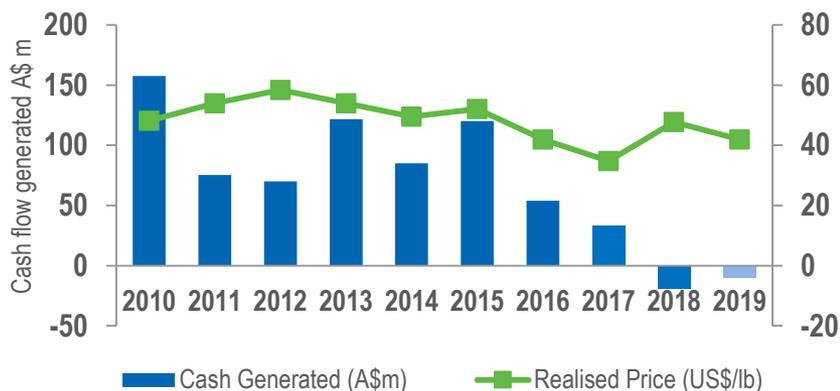


# Full year financial performance

Ranger continues to generate positive margins from the sale of U<sub>3</sub>O<sub>8</sub>

	2019	2018
<b>Cash flow – (A\$ million)</b>		
• <b>Opening cash balance</b>	<b>313</b>	<b>395</b>
• Cash flow generated <sup>3</sup>	(9)	(19)
• Exploration and evaluation expenditure	-	-
• Capital expenditure (net of disposals)	(3)	(4)
• Rehabilitation expenditure	(92)	(59)
• <b>Closing cash balance</b>	<b>209</b>	<b>313</b>
<b>Sales</b>		
• Revenue from sales (A\$ million)	210	201
• Sales volume (tonnes)	1,597	1,467
• Average realised price (US\$/lb)	41.89	47.67
• Realised exchange rate (USD/AUD)	0.70	0.77

## Historical cash generated (including interest and financing costs)<sup>3</sup>



## Cash resources decreased in the year

- ERA continued to generate a positive cash margin from the production and sale of uranium oxide. Negative cash flow of \$9 million<sup>3</sup> was unfavourably impacted by building drummed U<sub>3</sub>O<sub>8</sub> inventory for sale into future periods
- Total cash resources on hand of \$285 million at 31 December 2019 (including \$76 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund)

## Uranium price premium sustained

- Achieved average realised price of US\$41.89 per pound, representing a US\$15.99 per pound premium to the average spot price (average contracted sales price was US\$48.53 per pound)
- Achieved price premium consistent with long-term marketing strategy and continues to underpin cash performance
- Future sales will have a higher exposure to the spot market than in 2019

## Continued focus on cash conservation

- Business transformation program delivers increased cash flow from cost saving and productivity initiatives, despite the challenges of declining grade.

<sup>3</sup> Cash flow generated is a non-IFRS measure and represents receipts from customers (incl. GST), net interest and foreign exchange, less payments to suppliers (incl. GST). It excludes payments for exploration and evaluation and rehabilitation which are included in the total of cash flows from operating activities. Refer consolidated cash flow statement (Appendix 4D) for respective periods.

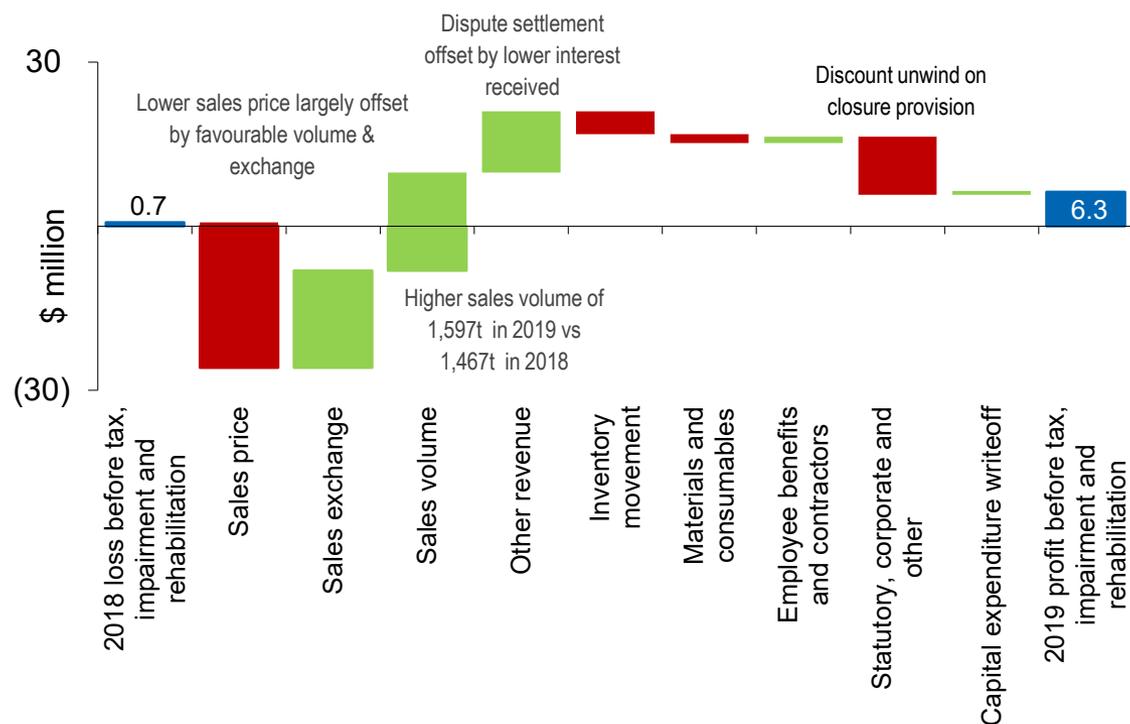


# 2019 earnings performance

Earnings improvement year on year

	2019	2018
Earnings (A\$ million)		
• Net profit/(loss) before tax, impairment and rehabilitation	6	1
• Net profit/(loss) before tax	6	(456)
• Net profit/(loss) after tax	6	(435)
Earnings before interest, tax, depreciation, amortisation and impairment	(1)	(353)

**Earnings variance analysis (before tax, impairment and rehabilitation)  
2019 versus 2018 (A\$ million)**



## Improved earnings performance before tax, impairment and change in provision

- Net profit before tax, impairment and rehabilitation adjustment of \$6 million for the year of 2019
- Lower sales price offset by higher volume
- Continued focus on business transformation and operational efficiencies
- Inventory has increased through the second half of the year for sale into higher priced term contracts in future periods
- The rehabilitation provision discount rate<sup>4</sup> unwind for the year increased as a result of the increase in the rehabilitation provision following the approval of the feasibility study at the start of 2019

<sup>4</sup> Discounted at 2 per cent and real dollars



# Progressive rehabilitation is underway with a number of milestones achieved

- **Approximately \$603 million spent on rehabilitation and water management projects since 2012<sup>1</sup>**
  - Key works include construction and operation of the brine concentrator, preliminary Pit 3 backfill, Pit 1 capping and design, and construction and operation of the tailings dredging system
- **Closure Feasibility Study finalised in February 2019**
  - Findings of the Feasibility Study increase confidence that ERA's planned rehabilitation strategy will satisfy the applicable regulatory obligations, including the January 2026 milestone
  - The study was supported by an experienced engineering services provider and examined the technical, costing and scheduling aspects of Ranger closure regarding the prescribed closure criteria, the progressive rehabilitation activities already undertaken and updated closure forecasts and modelling
- **Dredging continues to transfer tailings from the Tailings Storage Facility to Pit 3**
  - Additional dredging capacity was commissioned in Q3 2019
- **Construction and commissioning activities continue on water treatment capacity**
- **Following regulatory approval, Pit 1 final backfill and final landform commenced in May 2019**



*Kakadu Native Plants seed collecting*



*Workboat Ginga being placed into the Tailings Storage Facility*



# Regular engagement with key stakeholders

*ERA's operations are located on Aboriginal land, are surrounded by Kakadu National Park and significantly underpin the Alligator River's regional economy. Regular engagement with key stakeholders is an important, ongoing part of our business.*

- **ERA contributing to dialogue on future options for Jabiru**
  - ERA engaged extensively with stakeholders through the year on planning for the future of Jabiru once the town lease expires in 2021. Memorandum of Understanding (**MOU**) was signed by the Commonwealth, Northern Territory Government, GAC and ERA in August 2019
- **Positive engagement with stakeholders throughout 2019**
  - ERA updated the Ranger Mine Closure Plan in October, this has been submitted for stakeholder comment and approval
  - Partnering with Traditional Owners on community initiatives and regular meetings on matters of common interest including the future of Jabiru, land management and Ranger rehabilitation
  - Collaboration with the Supervising Scientist and other government agencies
  - Regular community meetings and updates provided on a range of operational and community matters
  - ERA provides direct funding and in-kind support to a range of community programs in the West Arnhem region



*Trial landform and natural vegetation sites.*



*MOU signing August 2019*

# CY2019 Summary

- Continued focus on all aspects of health, safety and environment
- Production of 1,751 tonnes of uranium oxide
- Achieved average realised price premium to the spot price during 2019
- Successful commissioning of the second dredge and additional tailings transfer infrastructure
- Post the end of the year the Company successfully completed the renounceable entitlement offer raising \$476 million
- Company-wide focus on business transformation
- Continued engagement with key stakeholders



*Transfer of ore for processing*



*Seedlings growing in the nursery,  
to be used for revegetation in 2020*