

**ERA****Energy Resources of Australia Ltd**

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CHIEF EXECUTIVE'S ADDRESS

ANNUAL GENERAL MEETING

10 April 2019

Acknowledgements

Thank you Peter.

Before I begin, let me also acknowledge the Mirarr people the Traditional Owners of the country on which our operation is situated and their elders past, present and emerging. I'd also like to acknowledge the Larrakia people, the Traditional Owners of the land on which today's meeting is taking place.

It is an honour to serve as your Chief Executive and I am pleased to have the opportunity to report on the Company's achievements in 2018.

A highlight for me over the last year and a half is to be witness to the commitment and dedication of the ERA team of employees and contractors, working together to achieve our purpose: to provide clean energy to the world and, as a trusted partner, care for people and country.

Despite some challenges, ERA has performed well across all facets of its business.

In 2018:

- We recorded half the number of reportable injuries incurred in 2017;
- We advanced the progressive rehabilitation of Ranger with the Brine Concentrator achieving and then exceeding annual nameplate capacity;
- We achieved a daily throughout record from a mill nearing 40 years in operation;
- We implemented a business transformation programme to increase cashflow from cost saving and productivity initiatives;



- We continued the My Future Plan employee programme to ready our team members for the transition to closure;
- We publically released the inaugural Ranger Mine Closure Plan by first presenting to the Mirarr Traditional Owners which has since received Ministerial approval from the Commonwealth and Northern Territory governments; and
- We finalised the Closure Feasibility Study.

Let me now expand upon these accomplishments.

Health and safety

Our Company's number one priority is each other's wellbeing, health and personal safety. The halving in injuries from what we experienced in 2017 reflected the conscious effort and commitment from all levels of our workforce to our goal of zero harm.

We measure personal safety by the occurrence of all *reportable* injuries – lost time injuries, restricted work day injuries and medical treatment cases. In 2018, our All Injury Frequency Rate was 0.56, with 3 injuries compared to an All Injury Frequency Rate of 1.17, with six injuries in 2017. Despite falling short of our goal of zero harm, I am pleased with this improved performance.

Our People

Our goal is for everyone in ERA to contribute to their full potential. Of our workforce, 13% are Indigenous, 18% female and 42% are Jabiru locals. I am proud of our diversity at Ranger and note that our female participation rate is higher than the industry average of 16%.

ERA's Ranger Women's Network continued to go from strength to strength – since forming in 2017, with over 50 members now participating. In recognising the incredible support provided to women working at Ranger mine and living in the local community of Jabiru, the Network won the Northern Territory's



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Women in Resources Excellence in Diversity Programs and Performance Award in 2018 and was a finalist at the Women in Resources National Awards held in Canberra. It is a privilege for me to be the sponsor of this energetic and enthusiastic cohort of impressive women.

Our Operations

In 2018, ERA produced 1,999 tonnes of uranium oxide from processing stockpiled ore, compared with 2,294 tonnes the previous year.

Achieving a daily mill throughput record in September of last year is particularly noteworthy in light of the age of the mill infrastructure.

Our 2019 production guidance is between 1,400 and 1,800 tonnes of uranium oxide and will continue to be produced from existing ore stockpiles.

Financial performance

ERA continues to generate positive cash margins from the sale of uranium oxide.

Revenue from the sale of uranium oxide was \$201 million. During the year, we achieved an average realised price of US\$47.67 based on ERA's continued long-term marketing strategy and contracts. This compares favourably against the average spot price of uranium oxide for 2018 of US\$24.59 per pound.

We have realised sustained improvements to cash flow through the Safely Transforming ERA Together program, which has driven cost reductions and productivity improvements. The team throughout ERA has been critical to the success of the transformation program. Under the program, we will continue to identify and implement cash saving opportunities in 2019.



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Total cash resources on hand as at 31 December were \$388 million, comprising \$313 million in cash at bank and \$75 million held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund.

Future supply

Looking to the future, ERA owns three principal assets; the stockpiles at the Ranger operation, the Ranger 3 Deeps resource and the Jabiluka Mineral Lease.

During 2018, the Ranger Ore Reserves decreased by 2,048 tonnes to 3,735 tonnes of uranium oxide. All processed ore was sourced from either run of mine stocks or low grade stockpiles.

In June 2015, ERA announced that the Ranger 3 Deeps project would not progress to a final feasibility study. Since that time the Ranger 3 Deeps project has continued to face material barriers to development. Without a sustained and rapid recovery of the uranium market, the project is not economically viable.

As a result of this, ERA plans for a reduced care and maintenance program for the Ranger 3 Deeps exploration decline to be implemented on receipt of final regulatory approval. The implementation of this reduced program will maintain project optionality, however amendments to legislation to effect an extension of the Ranger Authority, which requires processing to cease in January 2021, would be required.

The Jabiluka Mineral Lease remains under long term care and maintenance in accordance with our agreement with the Mirarr Traditional Owners.

Stakeholder engagement and mine closure

2018 was an intensive year for stakeholder engagement, and we thank our key stakeholders for their continued and critical support.



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Throughout the year ERA engaged with Traditional Owner representatives, regulators and other key stakeholders on a range of issues including environmental management, cultural awareness, progressive rehabilitation, closure planning and the future of Jabiru.

It was a personal highlight for me to be able to present the Mirarr, our Traditional Owners, with the first copy of the inaugural Ranger Mine Closure Plan. A significant milestone and one of the first mine closure plans to feature cultural closure criteria. Our Ranger Mine Closure Plan was released publicly in June, and has been subsequently approved by relevant Ministers and will be updated annually.

With many of our people making Jabiru their home, we make a substantial contribution to the economy and social fabric of the town. We estimate the value of ERA's contribution to the Jabiru economy, through salaries and local spend, at over \$100 million each year. A proportion of the rehabilitation workforce will continue to reside in Jabiru, which means we will have an ongoing presence in the town.

We welcome the progress made during 2018 in planning for the future of Jabiru. As the Jabiru town head lease expires in June 2021, ERA has been working closely with the Commonwealth Government, the Northern Territory Government and with Traditional Owner representatives to plan for the future of the town.

I would like to take this opportunity to acknowledge the leadership of the Mirarr and Gundjeihmi Aboriginal Corporation in creating a vision for the town. The Jabiru Masterplan was released in 2018 and forms the basis for planning the future of the town.



A five year services guarantee from the Northern Territory Government and a recent commitment of \$216 million from the Commonwealth Government for the future of Jabiru and Kakadu National Park have been major milestones to create confidence in the town's future.

We will continue to work with these key stakeholders through rehabilitation and through the transition of the town post Ranger.

Building on the future post Ranger, our workforce initiative "My Future Plan" continued and we have had significant uptake from our staff. This initiative provides employees with options to diversify their skill sets, experience and career opportunities over the coming years.

Progressive rehabilitation

Our Sustainability Report highlights the great work of the ERA team in striving for safety leadership, environmental protection and strong and enduring relationships. During 2018, results from statutory monitoring programs demonstrated that ERA continued to maintain our environmental values and objectives.

ERA remains committed to rehabilitating the land at Ranger to 'best in class'. In accordance with the existing Ranger Authority, all mining and processing activities at Ranger must cease by January 2021 and rehabilitation must be completed by January 2026. Effective and timely rehabilitation is highly important to our stakeholders and ERA. We progressed activities and demonstrated our commitment to our stakeholders, the land and local environment to ensure our ongoing social licence to operate.

Progress in our rehabilitation activities such as water treatment and tailings management has been pleasing, highlighted by the Brine Concentrator reaching and subsequently exceeding nameplate capacity, with production output of 1,992 megalitres of pure distillate water. In 2018, we spent



\$59 million on rehabilitation activities, including the transfer of tailings from the Tailings Storage Facility to Pit 3, the backfill of waste material into Pit 1 and the completion of our closure Feasibility Study.

The study further refined our scheduled rehabilitation activities and plan of execution. This year's rehabilitation spend brings our total rehabilitation expenditure since 2012 to \$511 million.

The approval and implementation of the Feasibility Study resulted in an increase in the rehabilitation provision as at 31 December 2017 of \$526 million to \$830 million as at 31 December 2018.

The increase was largely driven by:

- costs associated with tailings transfer to Pit 3, additional water treatment and related infrastructure, and revegetation requirements;
- higher forecast costs relating to site services and owners' costs; and
- an increase in contingency.

The findings of the Feasibility Study further increase confidence to stakeholders that ERA's planned rehabilitation strategy will satisfy regulatory obligations, including the January 2026 milestone.

Funding

Following the approval of the closure feasibility study and increase in the provision, ERA's rehabilitation program will require significant additional funding which is beyond our current resources. The Company's \$100 million credit facility agreement with Rio Tinto is now insufficient to meet the funding shortfall.



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As a result, we continue to review all funding options. An inability to obtain sufficient funding would have a material impact on ERA's business, financial performance and assessment as an ongoing concern.

Rio Tinto has advised ERA, that it will work with ERA and its other shareholders and stakeholders with the objective of ensuring that ERA is in a position to meet in full the likely future rehabilitation requirements of the Ranger Project Area. ERA and Rio Tinto are continuing to engage in active discussions regarding a funding solution.

Conclusion

Looking forward, our goal of zero harm ensures that the safety of our people and the protection of our surrounding environment is our priority.

I am pleased to say that the ERA team continues to find new opportunities to deliver savings and productivity gains to generate cash whilst caring for people and country.

I look forward to working with the team and our stakeholders in safely and successfully delivering our priorities in 2019.

Thank you.