



28 January 2011

ERA ANNOUNCES FULL YEAR RESULTS FOR 2010

A year of mixed outcomes:

- Mining operations were severely affected by the prolonged 2009/2010 wet season, an early start to the 2010/2011 wet season and geotechnical issues.
- Increasingly complex geology in the bottom of Pit 3 led to lower than anticipated mined ore grade.
- Record plant performance was hampered by the mining and lower ore grade issues.
- Stronger Australian dollar and lower average realised uranium sales price also adversely affected earnings.
- Net profit after tax was \$47 million, down 83% (2009: \$272.6 million).

| | Year ended 31 December 2010 | Year ended 31 December 2009 | Change |
|---|-----------------------------------|-----------------------------------|--------|
| Revenue – sales of uranium oxide (\$ million) | 572.0 | 767.8 | -26% |
| Revenue – total (\$ million) | 586.0 | 780.6 | -25% |
| Earnings before interest and tax (\$ million) | 47.7 | 374.8 | -87% |
| Underlying earnings (\$ million) | 52.8 | 272.6 | -81% |
| Net profit after tax (\$ million) | 47.0 | 272.6 | -83% |
| Total dividends (cents per share) | 8.0 | 39.0 | -79% |
| Uranium oxide | | | |
| - production (tonnes drummed) | 3,793 | 5,240 | |
| - production (thousand pounds drummed) | 8,362 | 11,553 | -28% |
| Uranium oxide | | | |
| - sales (tonnes) | 5,026 | 5,497 | |
| - sales (thousand pounds) | 11,080 | 12,119 | -9% |

Reconciliation of net earnings to underlying earnings

| <i>All after tax figures in \$ million</i> | 2010 | 2009 |
|---|-------------|--------------|
| Net profit for the year | 47.0 | 272.6 |
| One-off charge for the write-off of trial water treatment process | (5.8) | - |
| Underlying earnings | 52.8 | 272.6 |

All currency is denominated in Australian currency, unless otherwise stated.



Review of operations

Energy Resources of Australia Ltd's (**ERA**) net profit after tax for the year ended 31 December 2010 was \$47 million, down from a record of \$273 million in 2009. Earnings before interest and tax (**EBIT**) were \$48 million (2009: \$375 million).

In 2010, underlying earnings excluded a one-off charge related to the write-off of previously capitalised expenditure for a trial water treatment process project, which was discontinued after the results of the trial did not meet the expected performance. In 2009, underlying earnings were the same as net profit after tax.

Sales of uranium oxide for the year were 5,026 tonnes (2009: 5,497 tonnes). Revenue from the sale of uranium oxide for the year was \$572 million; a decrease of \$196 million when compared with a record of \$768 million in 2009. The decrease in sales revenues from uranium oxide was due to lower sales volumes resulting from reduced production, as well as a lower average realised sales price of uranium oxide and the strengthening of the Australian dollar against the US dollar.

Sales of uranium oxide are denominated in US dollars causing revenue from sales to be exposed to movements in the Australian currency. ERA does not conduct hedging activities to mitigate this impact. The average realised sale price of uranium oxide was US\$48.16 per pound in 2010 (2009: US\$50.84 per pound). The lower average realised sales price of uranium oxide for the year was largely due to a decline in the global long term market price indicator relative to 2009. This decline adversely affected ERA's contract price portfolio.

Purchased materials and consumables costs rose substantially due to the necessity to purchase uranium oxide to meet sales commitments. In 2010, due to lower than planned production, ERA purchased a total of 925 tonnes of uranium oxide, of which 653 tonnes related to 2010 sales commitments.

Employee and contractor costs increased primarily due to additional expenditure related to projects. This expenditure included further studies on process water treatment options, the Ranger Heap Leach Facility Project and accommodation facility options.

Royalties costs declined due to reduced sales volume of Ranger production. Royalties on purchased material are not payable by ERA.

Other expenses were adversely impacted by the one-off charge for the write-off of the trial water treatment process project.

Uranium oxide production in 2010 was 3,793 tonnes (2009: 5,240 tonnes). Mining operations were severely hampered in the course of the year, due to an above average wet season which limited access to higher grade ore and geotechnical problems experienced with the south wall of the pit. Although, plant performance was strong in 2010 with a record volume of ore treated, the lower mill head grade due to the abovementioned mining difficulties resulted in lower uranium oxide production.

Capital spending increased in 2010 to \$45 million (2009: \$37 million), with projects completed including ERA's investment in further water management infrastructure, calciner replacement and deferred stripping related to the south wall of the pit.



Exploration and Evaluation

Work has continued on the feasibility study for the proposed heap leach facility at the Ranger mine. Preparation of ERA's draft Environmental Impact Statement (**EIS**) for the proposed heap leach facility is continuing. The draft EIS will be submitted for public notification and comment in the first half of 2011.

The study for the development of an exploration decline to conduct close spaced underground exploration drilling of the Ranger 3 Deeps resource has been completed. A proposal to develop the exploration decline is in the final stages of ERA's approval process with a final decision expected in the second quarter of 2011.

Total evaluation expenditure was \$33 million in 2010 (2009: \$25 million).

In 2010, exploration activities focused on targets within the immediate surrounds of the Ranger operations. Total expenditure on exploration for 2010 was \$5 million (2009:\$5 million).

Outlook

The longer term outlook for the global uranium industry remains robust. There continues to be sustained government and public interest around the world in nuclear energy as an element of national energy portfolios in a carbon constrained environment. Although some softening of both the spot and long term price was seen during 2010, prices have risen towards the end of the year with strong demand expected especially from Asian markets.

The La Niña weather pattern, which has brought extensive flooding to the eastern states of Australia, has also brought significantly higher than average rainfall to Ranger Mine since October 2010. In response to the higher than average wet season to date, ERA today announced the orderly suspension of plant processing operations for a period of 12 weeks. This action is a precautionary measure to ensure that water levels in the Tailings Storage Facility remain below the authorised operating limit throughout the remainder of the wet season. Details of the suspension can be found in a separate announcement released to the Australian Securities Exchange (**ASX**).

As a consequence of the processing suspension, ERA's 2011 production of uranium oxide is expected to be at a similar level to 2010, however, actual production will depend on the actual level of rainfall for the remainder of the wet season. As a result, further guidance on the outlook for 2011 production will be given with the March 2011 Quarter Operations Review. At this time, ERA believes that the adverse impact on production caused by this suspension can be managed by way of inventory management, product swaps and loans. ERA does not presently anticipate that it will need to purchase any material on the spot market as a consequence of this suspension. During this period, ERA will bring forward major maintenance work in the plant to help ensure increased on-going plant availability.

ERA expects sales of uranium oxide in 2011 to be approximately 4,500 tonnes, with sales deliveries continuing to be weighted towards the second half of the year. The 2011 average realised price achieved for sales of uranium oxide is expected to be above 2009 prices, due to the completion of a large volume and lower priced legacy contract in 2010. The average realised price achieved will be subject to the precise timing of sales deliveries during the period and movements in the long term and short term market prices for uranium oxide.

In 2011, approximately 450 tonnes of sales will be supplied by already arranged purchases from the spot market, which was necessary due to timing of production in 2010 and long product shipment lead time. A large portion of these purchases was executed in 2010 and held in inventory at year end. Contractual agreements related to the remaining purchases have already been executed.



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Dividends

In view of the uncertainty surrounding ERA's production in the first half of 2011, ERA Directors have decided that a final dividend for 2010 will not be paid (2009 final: 25 cents per share).

An interim dividend of 8 cents per share (2009: 14 cents) was paid on 27 August 2010 bringing the total dividends payable to shareholders for the 2010 year to 8 cents per share, fully franked (2009: 39 cents per share).

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For further information on the company's activities please access ERA's website at www.energyres.com.au