



31 January 2013

## ASX Announcement

### ERA ANNOUNCES FULL YEAR RESULTS FOR 2012

- Net loss after tax was \$219 million, down from a loss of \$154 million in 2011.
- Underlying earnings were a loss of \$151 million, in line with guidance.
- Very strong operational performance maintained throughout the year.
- ERA is in a stronger position to manage extreme weather events.
- Relationship with Mirarr Traditional Owners enhanced with signing of Mining Agreement.
- Brine Concentrator and Ranger 3 Deeps exploration decline projects on schedule and budget.

	Year ended 31 December 2012	Year ended 31 December 2011	Change
Revenue – sales of uranium oxide (\$ million)	395.4	649.2	-39%
Revenue – total (\$ million)	422.8	667.8	-37%
Net profit/(loss) after tax (\$ million)	(218.8)	(153.6)	-42%
Total dividends (cents per share)	0	0	-
Underlying earnings (\$ million)	(150.7)	(54.2)	-178%
Uranium oxide			
- production (tonnes drummed)	3,710	2,641	40%
- production (thousand pounds drummed)	8,179	5,822	
Uranium oxide			
- sales (tonnes)	3,223	5,167	-38%
- sales (thousand pounds)	7,105	11,391	

#### Reconciliation of net earnings to underlying earnings

<i>All after tax figures in \$ million</i>	2012	2011
Net profit/(loss) for the year	(218.8)	(153.6)
Non-cash impairment charge	(68)	-
Low grade inventory value adjustment	-	(99.4)
<b>Underlying earnings</b>	<b>(150.7)</b>	<b>(54.2)</b>

## **Review of operations**

Energy Resources of Australia Ltd's (**ERA**) net loss after tax for the year ended 31 December 2012 was \$219 million, which included a non-cash impairment charge of \$68 million. This compares to a net loss after tax for the year ended 31 December 2011 of \$154 million which included a \$99 million post tax inventory adjustment resulting from low grade stockpiled material being reclassified from Ore Reserves to Mineral Resources.

Underlying earnings in 2012 were a loss of \$151 million compared to underlying earnings in 2011 of a loss of \$54 million. The variance was predominately related to a significant increase in depreciation.

In light of the decline in the spot and long term uranium price during the second half of 2012 and its consequential impact on the uranium price outlook, coupled with the continuing strength of the Australian dollar and the increase in the asset base (primarily related to water management initiatives and rehabilitation) over the last two years, the ERA Board has recognised a non-cash impairment charge of \$68 million.

Revenue from the sale of uranium oxide in 2012 was \$395 million (2011: \$649 million). Sales of uranium oxide were 3,223 tonnes, down from 5,167 tonnes achieved in 2011. The average realised sale price of uranium oxide achieved by ERA in 2012 was US\$58.33 per pound (2011: US\$59.32 per pound).

ERA's sales strategy focuses on ensuring a long term reliable supply of uranium oxide to customers, with a corresponding pricing strategy that focuses on the long term price rather than the spot price. The spot price weakened considerably during 2012 and finished the year at US\$43.38 per pound (US\$51.88 per pound at 31 December 2011). The long term price declined in the second half of the year and ended 2012 lower at US\$56.50 per pound (US\$62.00 per pound at 31 December 2011).

Sales of uranium oxide are denominated in US dollars. In 2012, the continued strength of the Australian dollar compared to the US dollar had a negative impact on ERA's financial results. ERA does not presently conduct hedging activities to mitigate the impact of movements in the Australian currency relative to the US dollar.

Production of uranium oxide in 2012 was 3,710 tonnes compared to 2,641 tonnes in 2011. Uranium oxide production in the second half of 2012 benefited from access to higher grade ore located at the bottom of the pit, which helped to maintain higher mill head grade. Full year mill throughput and plant utilisation achieved record levels in 2012. Uranium oxide produced in 2011 was significantly impacted by the suspension of processing operations from 28 January 2011 until 15 June 2011.

In November 2012, ERA completed mining in Pit 3 ahead of schedule, following the earlier than expected completion of dewatering of the pit in May 2012 and strong operational performance by the mining and maintenance teams.

In December 2012, ERA commenced the backfilling of Pit 3 utilising its existing mining fleet. This is an important step in ERA's rehabilitation programme.

In 2012, total costs were adversely impacted by the requirement to purchase a total of 501 tonnes of uranium oxide on the spot market. This material was required to meet ERA's 2012 sales schedule following the record level of rainfall in December 2011 which prevented access to the high grade ore located at the bottom of the pit in early 2012. A further contribution was the significant increase in non-cash costs and expenditure on construction of the Ranger 3 Deeps exploration decline. Savings in consumable costs were realised as a result of the processing plant continuing to be optimised for milling lower grades.

Non-cash costs associated with depreciation increased significantly during the year. The majority of depreciation is calculated on Ranger Ore Reserves. A reclassification of low grade stockpiles from Ore Reserves to Mineral Resources occurred in August 2011, accelerating the depreciation of a significant portion of the company's assets. Further contributions to the increase in depreciated were the significant investment in water management infrastructure and increased rehabilitation estimate since 2010.

Employee benefit and contractor costs remained in line with 2011 despite the increase in costs associated with the construction of the Ranger 3 Deeps exploration decline. These costs were largely offset by reduced use of consultants on studies and a continued focus on minimising the use of contractors.

Materials and consumables used rose in 2012 due to higher milling rates in 2012 compared to 2011. This increase was partially offset by savings achieved through the optimisation of the processing plant for the processing of low grade ore. In 2011, materials and consumables used were significantly impacted by the suspension of processing operations in the first half of that year.

Royalties increased despite lower sales volumes as a result of the repayment of uranium loans using Ranger material. Repayment of uranium loans with Ranger material attracts the payment of royalty at the time of repayment of the loan.

Capital expenditure increased in 2012 to \$161 million (2011: \$97 million). The majority of expenditure related to water management initiatives, including the 2.3 metre Tailings Storage Facility lift and construction of the Brine Concentrator.

### **Rehabilitation Provision**

In 2012, ERA commenced the Integrated Tailings, Water and Closure (ITWC) Prefeasibility Study to develop the optimal rehabilitation plan for the Ranger Project Area. This study has confirmed the timing and technology necessary to deliver a best practice rehabilitation plan in line with the current Ranger Authority. The provision for rehabilitation represents the net present cost at 31 December of the preferred rehabilitation plan.

As a result of the work undertaken to date as part of the ITWC Prefeasibility Study, the rehabilitation cost estimate for the Ranger Project Area has been revised which has led to an increase of \$22 million in the rehabilitation provision.

Further, ERA has reviewed the discount rate used in determining the rehabilitation provision and reduced the real terms discount rate by 0.5 per cent to 2.5 per cent. This is a result of reduced yields being achieved on risk free investments. This has resulted in the rehabilitation provision being increased by a further \$19 million.

Other recurring adjustments such as the unwinding of discount, additional disturbance due to operational activities and rehabilitation work undertaken has resulted in a net increase of \$34 million in the rehabilitation provision.

At 31 December 2012, the total rehabilitation provision has been increased to \$640 million (2011: \$565 million). Further details are provided on pages 11 and 12 of this report.

### **Dividends**

In light of investments currently being undertaken by ERA and the challenging market conditions faced, the ERA directors have decided not to declare a final dividend for the 2012 financial year. (2011: Nil)

### **Mining Agreement**

A suite of agreements covering the Ranger Project Area were executed by ERA, the Mirarr Traditional Owners, the Northern Land Council (NLC), and the Commonwealth Government on 24 January 2013. This was a significant achievement and reflects a strengthening in the relationship between ERA and the Gundjeihmi Aboriginal Corporation (GAC). The GAC played a pivotal role in representing the interests of the Mirarr Traditional Owners during these negotiations.

Key features of the agreements include:

- Mirarr Traditional Owners will receive an increased share of the financial benefits from the Ranger mine;
- a regional Sustainability Trust to be established to deliver social initiatives in the local region - the GAC and ERA are represented on the Trust and will each contribute funds on an annual basis;
- a Relationship Committee will be immediately established to ensure effective information sharing and review processes between ERA and GAC; and
- An agreed approach to increasing opportunities for local Aboriginal participation in business development, training and employment.

### **Ranger 3 Deeps exploration decline**

On 1 May 2012, ERA commenced construction of the Ranger 3 Deeps exploration decline at the Ranger mine. Construction continues to progress with the backfill of the

box cut now complete and construction of the underground decline well under way. At the end of December 2012, approximately 57 meters of underground decline had been constructed with underground progress to date slightly slower than scheduled due to poor ground conditions.

The current estimated cost to complete this work is \$120 million. The Ranger 3 Deeps resource currently contains an estimated 34,000 tonnes of uranium oxide. The overall project remains on time and within budget.

### **Ranger 3 Deeps underground mine prefeasibility study**

In 2012, the ERA Board approved the Ranger 3 Deeps mine prefeasibility study at an estimated cost of \$57 million. The study is progressing well and remains on schedule and within budget.

In parallel to the study, in January 2013, ERA formally commenced the statutory approval process for the proposed Ranger 3 Deeps underground mine with the submission of a referral to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities under the *Environment Protection and Biodiversity Conservation Act 1999*. At the same time, ERA separately lodged a notice of intent with the Northern Territory Environment Protection Authority under the *Environmental Assessment Act*.

### **Brine Concentrator**

On 1 February 2012, the ERA Board approved the design, construction and commissioning of a Brine Concentrator at the Ranger mine with the nominal capacity to produce 1.83 gigalitres of clean water per annum through the treatment of process water. The estimated total capital expenditure for the Brine Concentrator project is \$220 million, which includes an amount of \$65 million for the procurement of long lead time items previously approved by the Board.

Construction of the Brine Concentrator has progressed with major components now erected on site. Commissioning is anticipated to be during the second half of 2013. The overall project remains on time and within budget.

### **Exploration and evaluation**

ERA resumed its surface exploration programme during the second quarter of 2012 following the 2011/12 wet season. A summary of significant intercepts are detailed below.

PROSPECT	HOLEID	INTERVAL NO	FROM	LENGTH (M)	U <sub>3</sub> O <sub>8</sub> %
Ranger 19	R19PD52	1	647	1	0.159
		2	655	5	0.102
		3	668	10	0.243
Ranger 3 Deeps	R3D35	4	318	3	0.130*
		5	329	44	0.198*
		6	378	1	0.115*
	R3D37	2	257	3	0.186*
		3	276	23	0.645*
Ranger 4	A4D27	1	53	3	0.085
		2	61	3	0.123
		3	77	1	0.287
Ranger 18	R18PD185	1	926	1	0.374
		2	930	1	0.218
		3	942	2	0.147
		4	949	6	0.132

*NB: All intersections were determined using a 0.08% U<sub>3</sub>O<sub>8</sub> cut-off at a minimum one metres composite. Intersections are down-hole lengths and the true width of the intersections has not been calculated. (\* denoted eU<sub>3</sub>O<sub>8</sub>)*

In 2013, the expanded surface exploration programme on the Ranger Project Area will continue, however, due to the current market conditions, will be undertaken over a longer period of time than initially communicated.

### **Appointment of new Chairman**

ERA's Chairman, Dr David Klingner, has today advised the Board of his intention to retire as Chairman and a non-executive director of ERA effective at the close of business on 8 February 2013.

The Board is pleased to advise that Mr Peter McMahon has been appointed Chairman of the Board with effect from Dr Klingner's resignation. The Board expressed its thanks to Dr Klingner for his valuable contribution over the last eight years as Chairman.

Mr McMahon was appointed a non-executive director of ERA on 20 November 2012. Mr McMahon has been the principal of an independent advisory business, McMahon Advisory Pty Ltd, since 2010. Prior to this time, Mr McMahon spent 30 years with the Rio Tinto Group in senior commercial roles with emphasis on business and project development in Australia, UK, USA and Europe. Mr McMahon is also non-executive director and Chairman of Ivanhoe Australia Limited.

## Outlook

ERA expects that the uranium market will remain challenging in the near term, however, the long term outlook is still very encouraging for established producers.

Following the completion of mining in Pit 3 in November 2012, the mill will now be fed from stockpiled material, which includes some high grade ore mined in 2012.

At this time, ERA expects uranium production for 2013 to be within the range of 2,700 tonnes to 3,300 tonnes.

ERA expects that sales of uranium oxide in 2013, combined with the repayment of outstanding uranium loans, to be broadly in line with production.

In 2013, ERA will continue to reduce the costs of its operations to reflect expected production levels. At the same time, the company will vigorously pursue the continued exploration of underground resources and development opportunities.

### Competent Person

The information in this report relating to exploration results is based on information compiled by Greg Rogers, who is a member of the Australasian Institute of Mining and Metallurgy. Greg Rogers is a full-time employee of the company and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Greg Rogers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## About 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 100,000 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.

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