

# Presentation to the Financial Community

2011 Half Year Results



**ERA**

Energy Resources of Australia Ltd

# Forward-looking statement

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## 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, 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.

The information in this report that relates to Ranger and Jabiluka Mineral Resources or Ore Reserves is based on information compiled by Geologists Greg Rogers (a full time employee of Energy Resources of Australia Ltd) and Arnold van der Heyden (a full time employee of Hellman & Schofield Pty Ltd and consultant to Energy Resources of Australia) and Mining Engineer Reid Miller (full time employee of Energy Resources of Australia Ltd) who are all members of the Australasian Institute of Mining & Metallurgy. Greg Rogers, Arnold van der Heyden and Reid Miller have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Greg Rogers, Arnold van der Heyden and Reid Miller consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

# Acknowledge Traditional Owners

**The mining 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**

- Executive summary

- 2011 Half Year Results

- Uranium market outlook

- Ranger 3 Deeps project

- Exploration

- Water management

- Funding

# Executive summary

- **H1 2011 revenue and net loss of \$245 million and \$122 million respectively**
  - Underlying earnings of \$(22) million, after adjusting for the negative impact of a one-off low grade inventory adjustment of \$99 million
  - Results heavily impacted due to suspension of processing from late January 2011 to mid June 2011 following significantly above average rainfall
- **The previously announced Business Review has been completed, and has identified targeted cumulative cost savings of \$150 million in the next 3.5 years, of which \$60 million is targeted by end of 2012**
- **ERA Board has approved the construction of the Ranger 3 Deeps exploration decline, with preparatory works commencing in August 2011**
- **Heap Leach Facility project will not be progressed**
- **Planning for expanded exploration program targeting highly prospective areas within the Ranger Project Area**
- **Financial statement provision for rehabilitation increasing from \$314 million (December 2010) to \$550 million (June 2011) (net present cost)**
- **Investment in water management to support ERA's future and to meet rehabilitation requirements as previously announced in April 2011**
- **ERA is advanced in assessing and developing its long term funding plan**
- **ERA to continue as a leading uranium company with strong exploration upside, supported by a favourable long term uranium demand outlook**

# Update on business strategy

## Cost savings and business optimisation

- Ensure the business is focused on the most strategically important and value enhancing activities
- First phase of targeted cumulative cost savings of \$150 million by end of 2014 (\$60 million of savings targeted by end of 2012)
- Primarily targeting reduction in the use of contractors, working capital and improvements in procurement and mining and processing efficiencies

## Intention to progress with Ranger 3 Deeps exploration decline

- Board approval to construct the Ranger 3 Deeps exploration decline to conduct closed space underground exploration drilling and to explore areas adjacent to the Ranger 3 Deeps resource
- Current mineral resource of 34,000 tonnes of uranium oxide at cut off grade of 0.15%
- Estimated cost of \$120 million
- Exploration decline will act as production decline in the event that Ranger 3 Deeps becomes a fully operational mine

## Additional exploration on the wider Ranger Project Area

- ERA has identified a number of highly prospective exploration targets on the Ranger Project Area
- Program primarily targeting underground high grade resources that could complement the Ranger 3 Deeps resource
- Total estimated spend of \$40 million from 2012 to 2014
- It is important that ERA understands the full extent of the resources on the Ranger Project Area

# Update on business strategy cont.

## Water management

- Investment in Brine Concentrator to progressively reduce process water inventories to support future production and rehabilitation as previously announced in April 2011
- Brine Concentrator pilot facility progressing well and almost complete
- Four metre Tailings Storage Facility wall lift currently underway, and scheduled for completion by Quarter 4 2011 - this will provide additional process water storage capacity
- Additional pond water treatment capacity installed to help provide earlier and longer access to the bottom of Pit 3

## Heap leach facility project will not be progressed

- Is technically feasible
- High capital costs and current economic assumptions limit value
- Uncertainty over stakeholder support
- ERA will continue to investigate other solutions for extracting the value from the existing low grade stockpiles

## Continue to provide a vital social and economic contribution within the Northern Territory

- One of the largest employers in Northern Territory
- Vital supporter of the town of Jabiru and the wider region of West Arnhem
- Indigenous employment represents 16% of workforce
- ERA has made royalty payments of \$127 million in the last five years,
  - \$98 million distributed to the Territory based Indigenous organisations
  - \$29 million to the Northern Territory Government
- ERA is committed to providing ongoing social and economic support to the Northern Territory and the local region

- Executive summary

- **2011 Half Year Results**

- Uranium market outlook

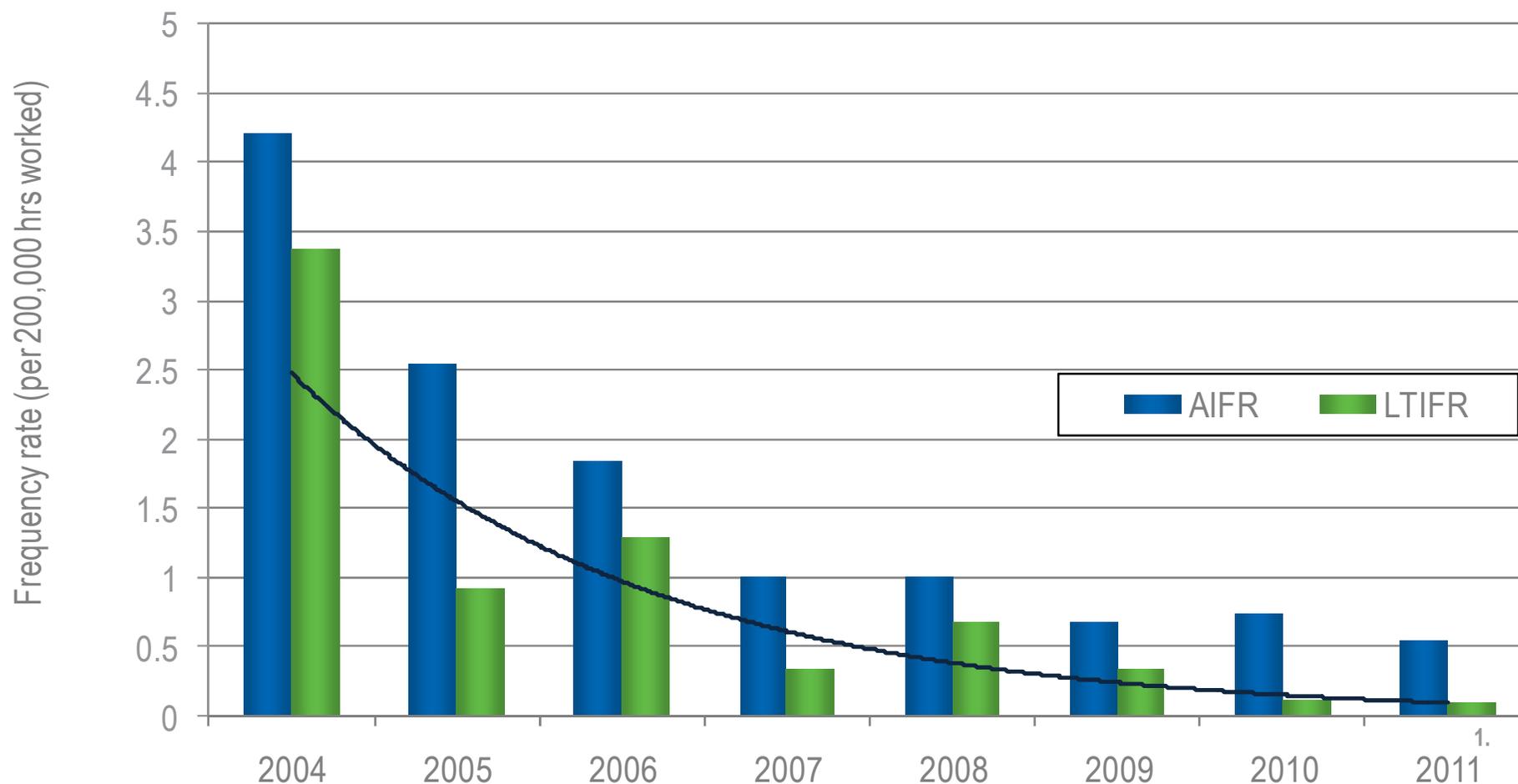
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## All injury frequency rate (AIFR) and lost time injury frequency rate (LTIFR)



1. 12 month rolling average (2011 year to date LTIFR is zero)

# Operational performance

	H1 2011	H1 2010	Change
Material mined (million tonnes)	4.2	4.3	- 3%
Ore mined (million tonnes)	0.2	0.3	- 22%
Ore treated (million tonnes)	0.3	1.3	- 80%
Average mill head grade (%)	0.21	0.15	+ 40%
Mill recovery (%)	87.9	88.9	- 1%
Production drummed– U <sub>3</sub> O <sub>8</sub>			
- tonnes	601	1,717	- 65%
- 000 lbs	1,325	3,786	

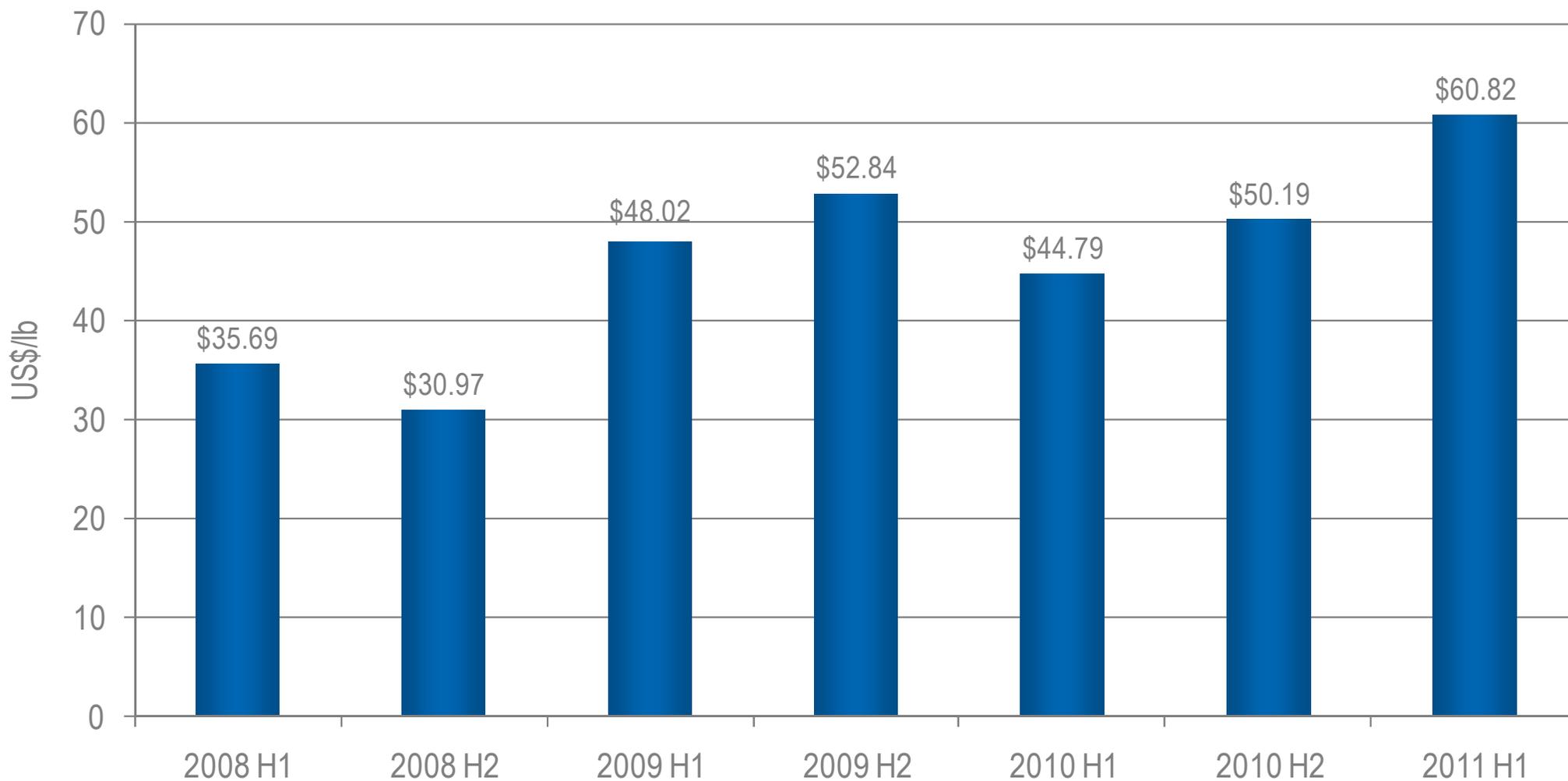
# Financial overview

	H1 2011	H1 2010	Change
Net profit/(loss) after tax - \$ million	(121.7)*	22.7	-637%
Underlying earnings - \$ million	(22.3)	22.7	- 198%
Revenue from sales of uranium oxide - \$ million	235.6	209.6	+ 12%
Net cash flow - \$ million	(2.6)	(88.4)	+ 97%
Capital expenditure - \$ million	30.0	18.9	+ 59%
Sales volume - tonnes uranium oxide	1,825	1,892	- 4%
Average realised sales price – US\$/lb	60.82	44.79	+ 36%
Total dividends for the half year - cents per share	-	8	N/A

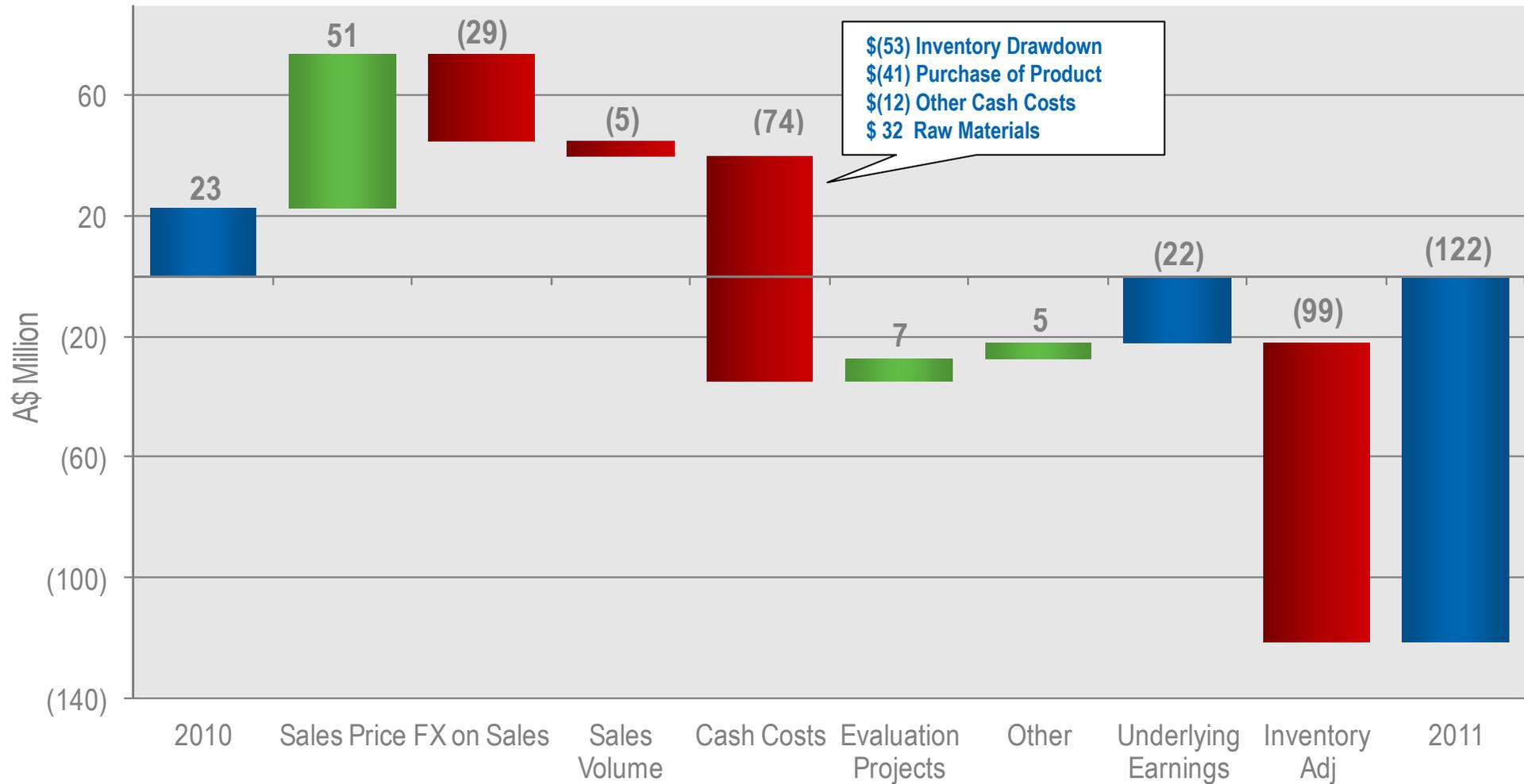
\*Includes a net unfavourable inventory adjustment of \$99 million

# Average realised sales price (US\$/lb)

Strong long term prices combined with the completion of a legacy contract provided ERA with a record average realised sales price



# Half year net profit (loss) after tax (2011 vs 2010)



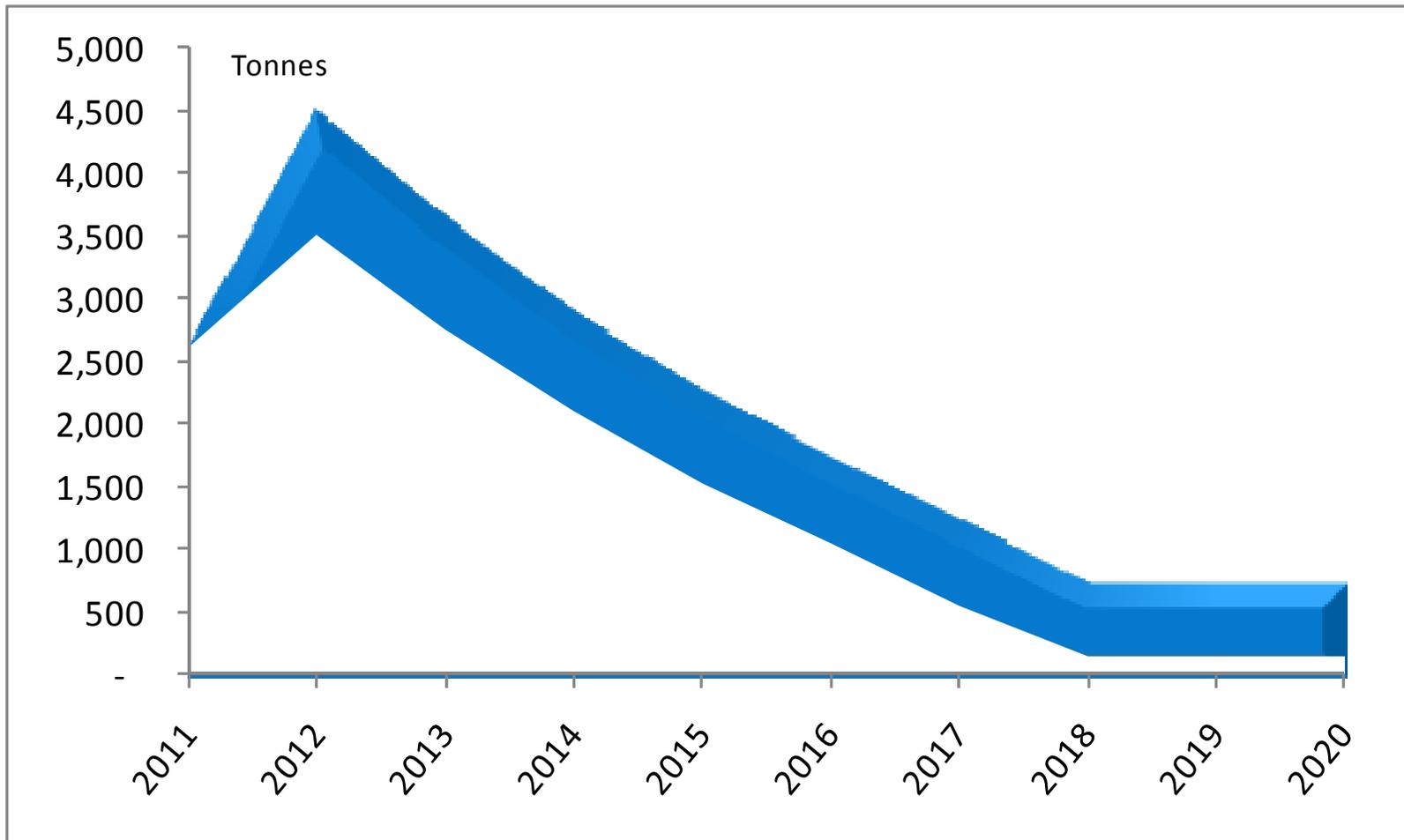
# Rehabilitation provision

- ERA is committed to ensuring the Ranger Project Area is rehabilitated to the required and agreed standard
- The Ranger s41 Authority requires ERA to cease all mining and processing operations at the Ranger Project Area by 2021, with rehabilitation to be complete by January 2026, so that the environment at the site is similar to adjacent areas of the Kakadu National Park
- ERA has undertaken a detailed desk top review during the first half of 2011
- This review resulted in the financial statement provision for rehabilitation increasing from \$314 million (Dec 2010) to \$550 million (June 2011) (net present cost)\*
- The main drivers for the increase are:
  - Increase in estimated costs for pit backfill
  - Change in expected method of Tailings Storage Facility reclamation from load and haul to dredging
  - Increased water management costs
- ERA notes the current rehabilitation estimate:
  - Is at an order of magnitude level (-15% / +30%) and reflects an estimate of closure costs at this point in time
  - Includes an allowance for salt management, however a final option will not be selected until completion of the detailed studies
  - Based on the installation of a Brine Concentrator of a capacity of 1.83 GL per year
- **As previously communicated in April 2011, detailed rehabilitation studies which will further refine these cost estimates are continuing, with expected completion by the end of 2012. This may result in increased estimates for rehabilitation work and a corresponding increase in the provision for rehabilitation in our financial statements**

\* Further information on the assumptions for the provision is outlined in the interim report for the period ended 30 June 2011, lodged with the ASX on 4 August 2011

# Ranger Production Range

Current operations including Pit 3 (ending at the end 2012) and excludes Ranger 3 Deeps



# Ranger Project Area reserves and resources summary – July 2011

- Significant reclassification from reserves to resources
- Primarily caused by two issues:
  - Comprehensive drilling of stockpiles have determined that grades are lower than previously thought
  - As a result of processing economics and the decision not to proceed with Heap Leach Facility project, poorest low grade material is no longer economic
- As a result of comprehensive drilling, knowledge of stockpiles is now extensive
- Further work will be carried out to investigate other solutions to economically process low grade stockpiles
- As a consequence of the reserve reclassification, Ranger Project Area mineral resources (excluding reserves) have increased from 109 to 116 kilotonnes uranium oxide

Ranger Project Area Ore Reserves Reconciliation	Tonnes of Uranium Oxide
Reserves as at 31 December 2010	29,800
Depletion by processing from 1 January to 30 June 2011	600
Contained uranium oxide reduction due to grade adjustment	6,100
Reclassification from reserves to resources of low grade stockpiles	7,100
Ranger Project Area Ore Reserves at 30 June 2011	16,000

- Executive summary

- 2011 Half Year Results

- Uranium market outlook

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# Positive uranium market outlook in the longer term

- **Near term impact of Fukushima**

- Immediate loss of demand in Japan
- Germany moving from life extension to probable early shutdown
- Some slowing of reactor builds in the short term, while countries assess safety learnings
- Nuclear power is unique among the low carbon emitting generation technology in its ability to deliver large volumes of base load power, so ERA believes it will still be an important part of the global energy mix for decades to come

- **Long term uranium market outlook**

- Slower demand growth outside of China, but China may exceed current estimates
- New mine development will also be a challenge, so overall supply and demand expected to remain in balance
- Long term demand impact should not change significantly as China represents most of the growth
- Uranium demand further supported by emerging countries like India and new entrants such as United Arab Emirates
- New nuclear build is still underway in Korea, India, the US and parts of Europe
- 440 reactors continue in operation worldwide and will need to be refuelled

- Executive summary

- 2011 Half Year Results

- Uranium market outlook

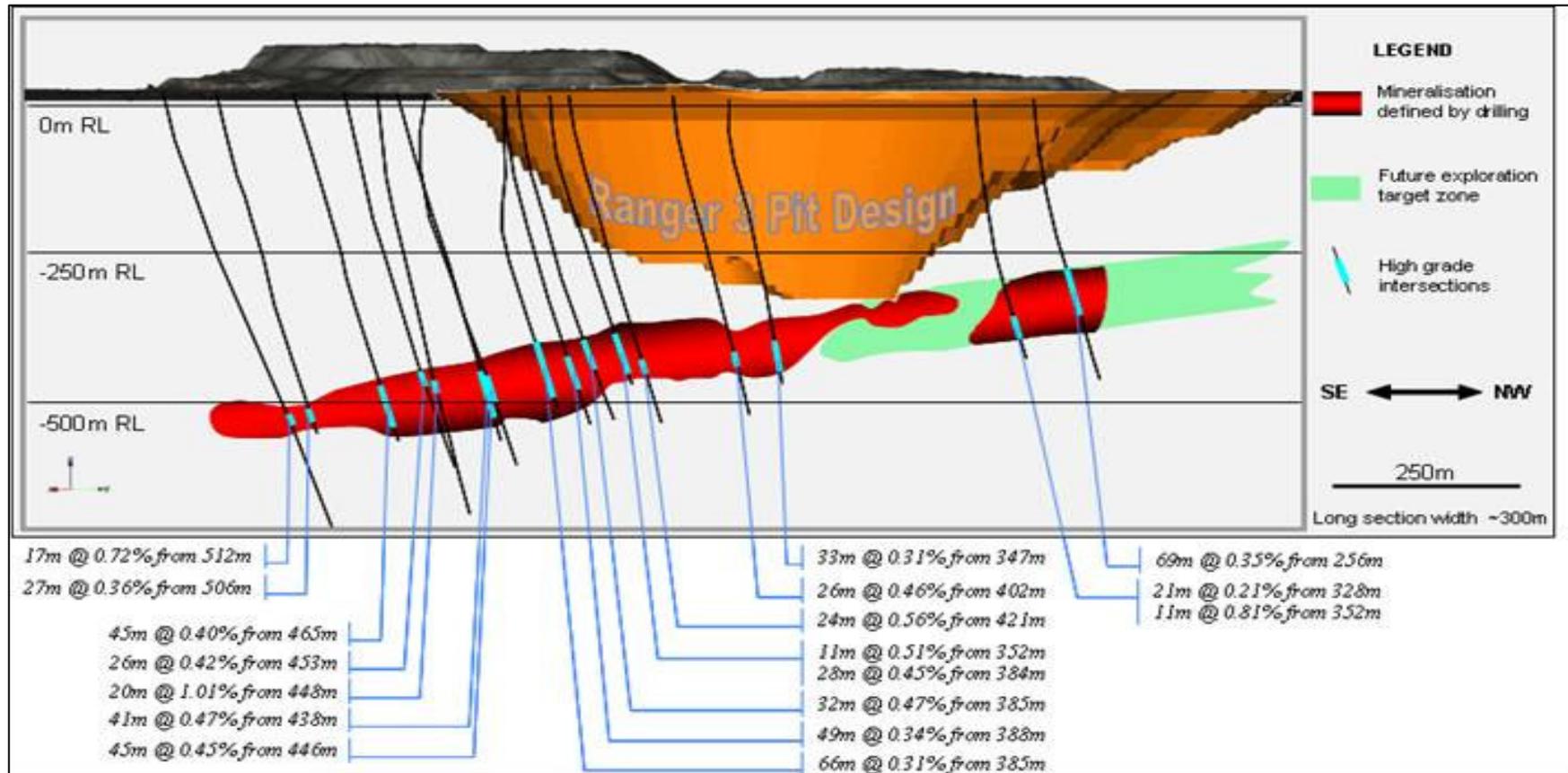
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- Funding

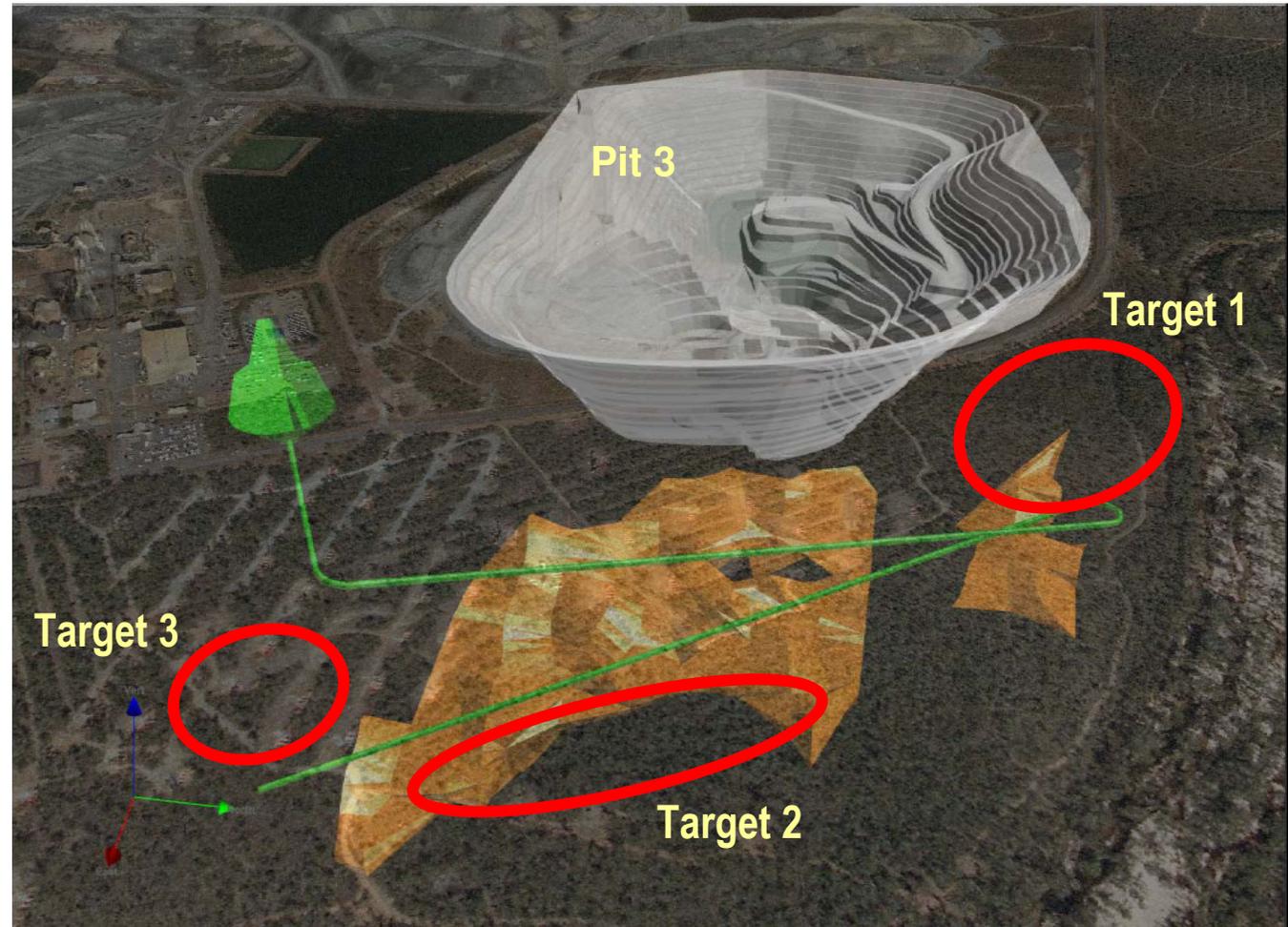
# Further exploration potential exists within Ranger 3 Deeps mineral resource



- The Ranger 3 Deeps mineral resource has 34,000 tonnes of contained uranium oxide (at a cut-off grade of 0.15% uranium oxide)
- Future exploration target zone provides further upside potential for resource definition
- The existing mineral resource is one of the most significant uranium deposits recently discovered

# The exploration decline provides access to explore for significant resource upside

- Potential beyond the known mineral resource
- Includes areas not accessible from surface including -
  - Northern extension under Magela Creek (Target 1)
  - Deeper resource along interpreted structure (Target 2)
  - Mineralisation within lower mine sequence (Target 3)
  - South east extension
  - Other adjacent prospective areas



# Ranger 3 Deeps – indicative milestones

Milestones	Target Date
Exploration decline approval	August 2011
Award site preparation work	August 2011
Targeted commencement of draft Environmental Impact Statement and associated studies	2012
Box cut excavation and completion	October 2012
Commencement of decline construction	October 2012
Commencement of drilling	June 2013
Targeted commencement of feasibility study	2014
Targeted commencement of production*	Late 2015

\* Assuming operational mine is feasible

# Ranger 3 Deeps exploration decline approval process

- **Ranger 3 Deeps exploration decline**

- ERA Board approval received
- An application has been submitted to the Minesite Technical Committee and the Northern Territory Department of Resources and extensive consultation has been undertaken with key stakeholders.
- It is expected that the Northern Territory Minister for Resources will make a decision on the application shortly.

# Pathway to potential production at Ranger 3 Deeps

ERA Board approval for  
Ranger 3 Deeps  
exploration decline

Prove up business  
case for mine  
development

Stakeholder  
Consultation



- Construct exploration decline
- Identify additional resources and reserves
- Resource delineation to convert resources into reserves
- Provide business case for mine development

- Continue to fulfil commitments to environment and surrounding region
- Discuss future options for ERA with key stakeholders

Undertake close communication and consultation with regulators, Traditional owners and other key stakeholders at every stage

- Executive summary

- 2011 Half Year Results

- Uranium market outlook

- Ranger 3 Deeps project

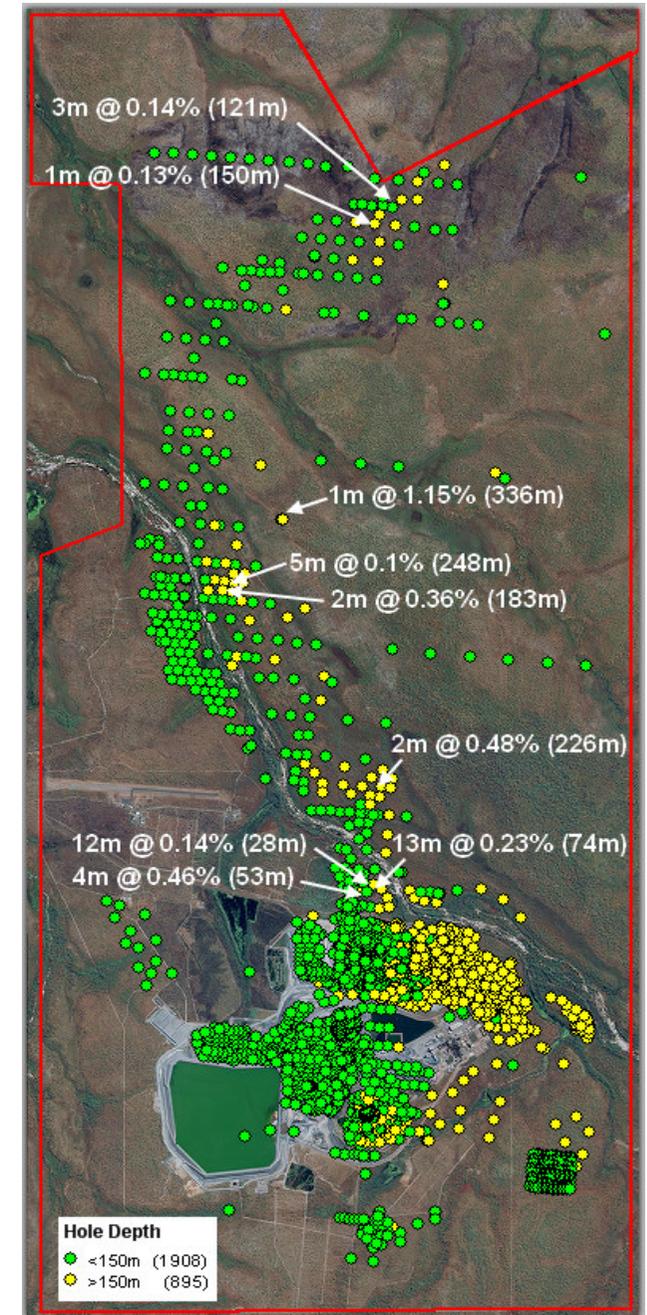
- **Exploration**

- Water management

- Funding

# ERA exploration – Ranger Project Area past drilling 1987-2011

- A number of anomalies over the Ranger Project Area were identified, but drilling depths at around 150 m were relatively shallow and resulted in incomplete knowledge of the Ranger Project Area
  - Exploration focused on highly prospective Cahill Formation contact which hosted the high grade world class Ranger 1 and 3 ore bodies
  - These ore bodies are very small in size but typically contain high grade ore
  - Past drilling has identified targets of interest across the Ranger Project Area
  - Future exploration will focus on deeper drilling to target similar deposits to Ranger 3 Deeps
  - Methods for detecting uranium have greatly improved
  - There remains highly prospective underground exploration targets



# Significant advancements in exploration techniques

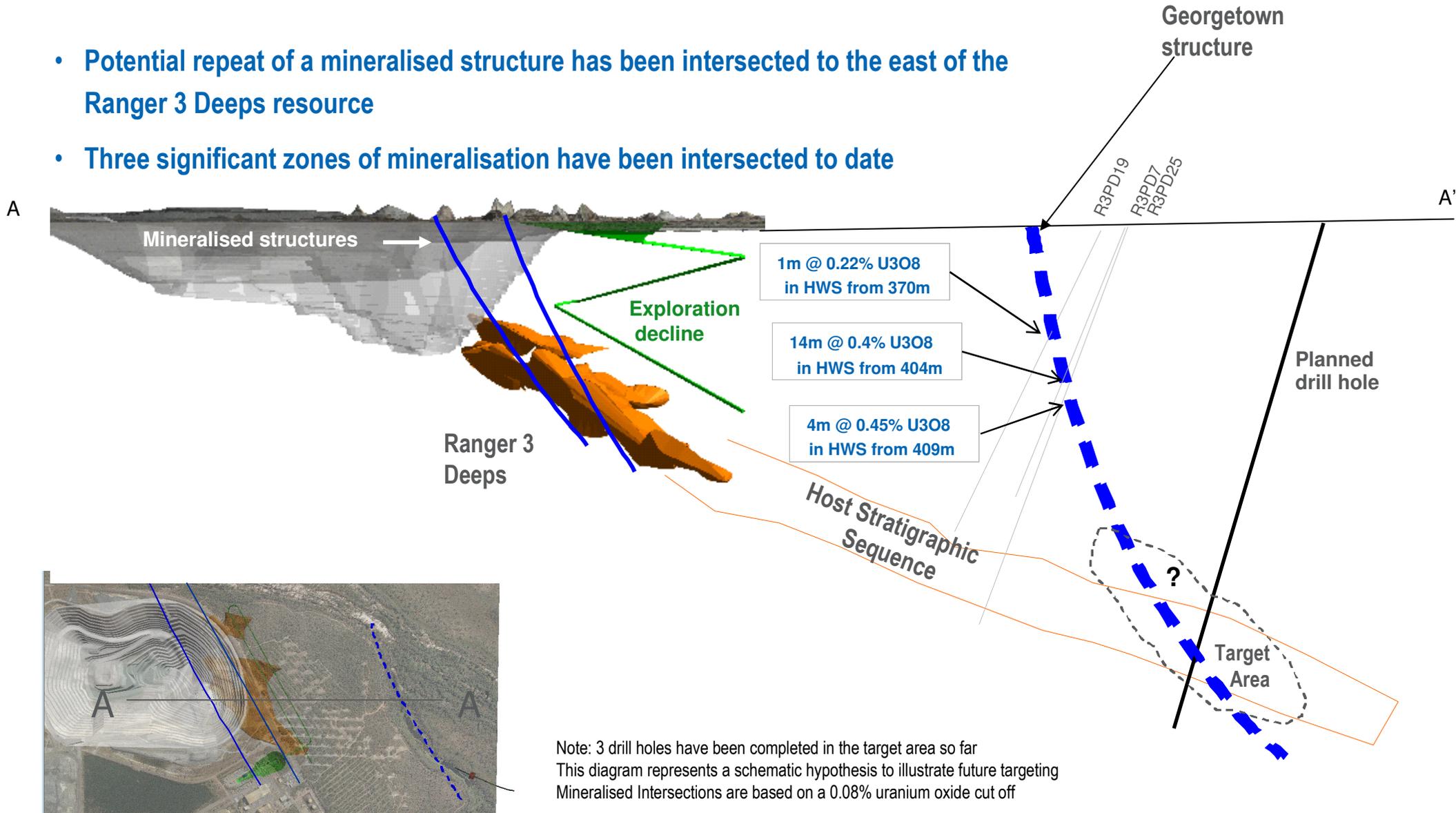
**There have been significant advancements in exploration techniques since the early exploration drilling of the Ranger Project Area:**

- Geochemical – using low level detection techniques on a wide range of path finder elements (vectoring) into uranium mineralisation
- Mineralogical - using Mineral Chemistry
- Geophysical - High Resolution Magnetics, Seismic, Gravity
- Structural - recognition of significant fault structures that strongly influence the location of the Ranger 3 Deeps mineralisation and identification of other similar structure targets

**These techniques, along with ERA's geological knowledge, will be utilised to shape the details of the expanded exploration program for the Ranger Project Area during 2012 - 2014**

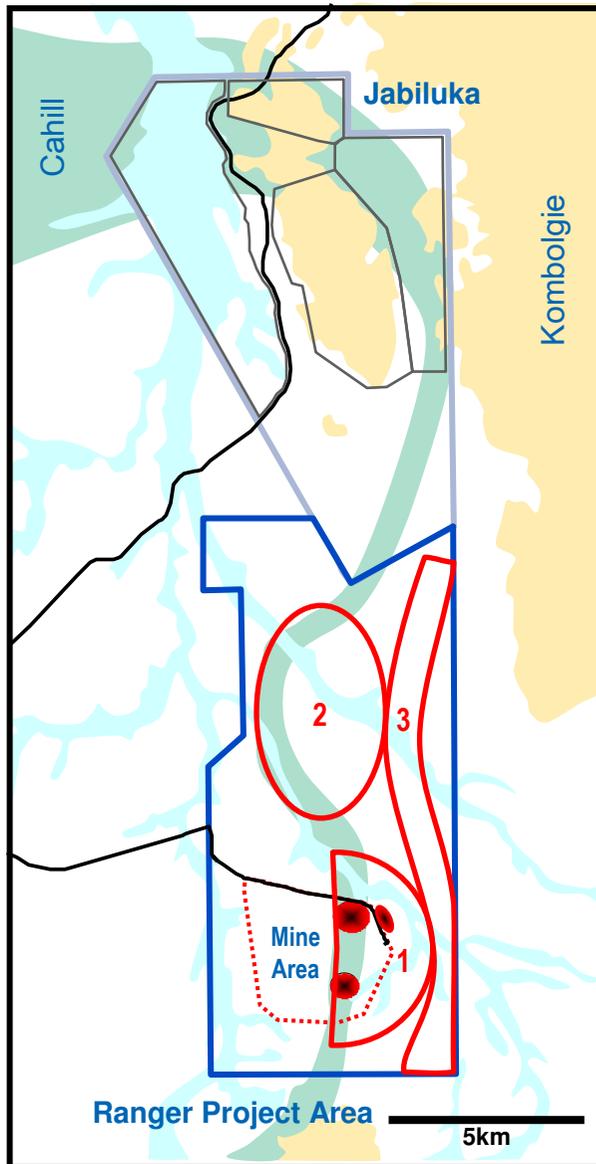
# Georgetown deep structural target

- Potential repeat of a mineralised structure has been intersected to the east of the Ranger 3 Deeps resource
- Three significant zones of mineralisation have been intersected to date



Conceptual diagram – not to scale

# Expected expenditure of \$40 million for expanded exploration program on Ranger Project Area



- 2011 Ranger exploration program in progress and further significant exploration activity planned for 2012-2014
- Three prospective areas being targeted:
  - 1. Ranger Mine Orbit**
    - Focus on prospects adjacent to Ranger 3 Deeps and other near mine anomalies
    - Significant zones of mineralisation have been intersected under the Georgetown structure, based on drilling to date
    - Prospective depth to 600m
  - 2. North Ranger Project Area**
    - Focus: standalone minable resource
    - Prospective depth to 600m
  - 3. East Ranger Project Area**
    - Prospective depth to 600m

- Executive summary

- 2011 Half Year Results

- Uranium market outlook

- Ranger 3 Deeps plan

- Exploration

- **Water management**

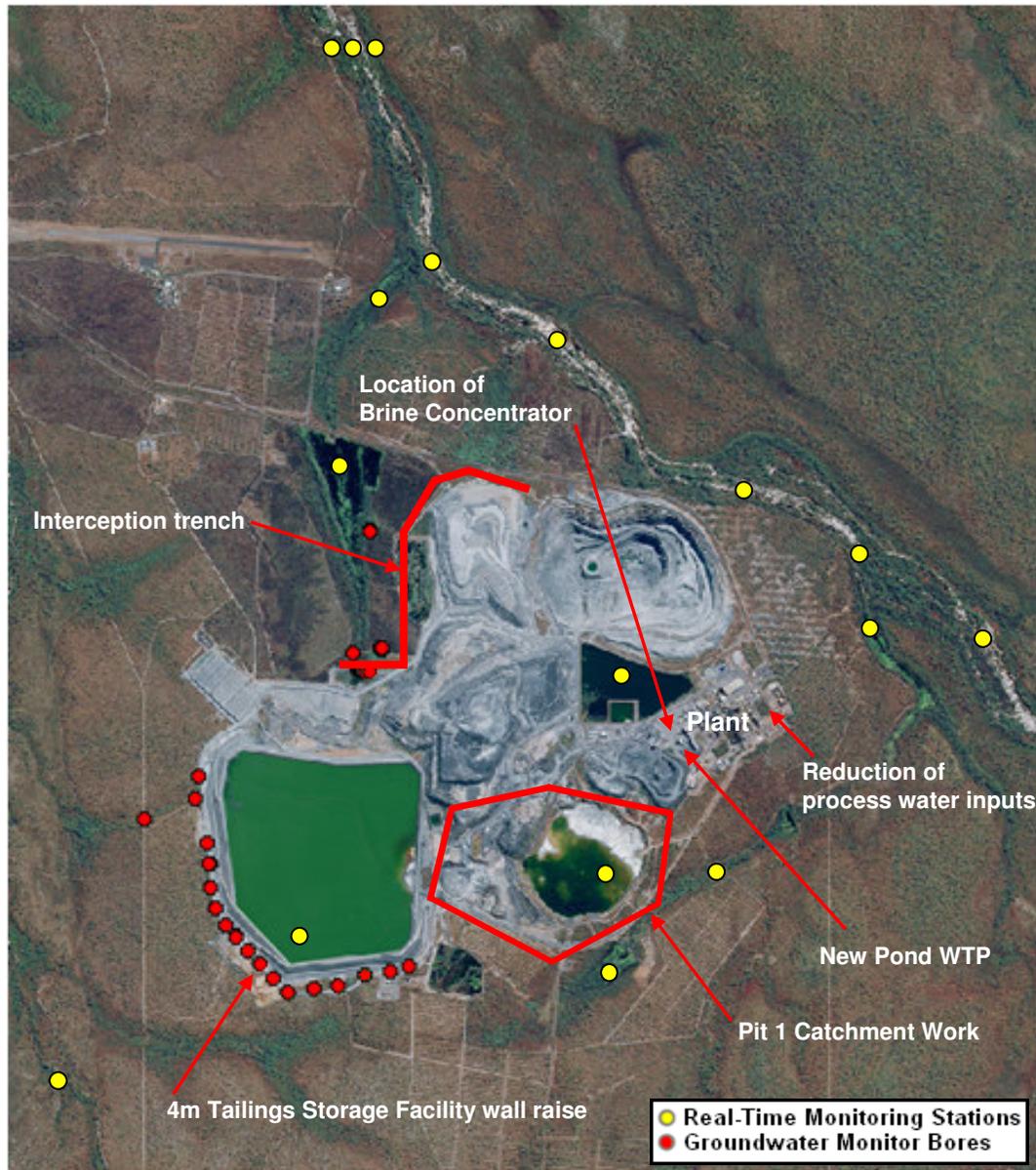
- Funding

# 2010-11 wet season impact

- **Processing operations at the Ranger mine recommenced on 15 June 2011, following a temporary suspension due to an increase in process water inventory following the significantly above average 2010-11 wet season**
  - From 1 September 2010 to 23 May 2011, Ranger received 2,427 millimetres of rainfall which was the third highest recorded wet season (the highest being 2,527 millimetres)
  - The average annual rainfall at Jabiru Airport over the period of 1971 to 2010 was 1,567 millimetres (source: Bureau of Meteorology)
  - The surrounding environment remains protected



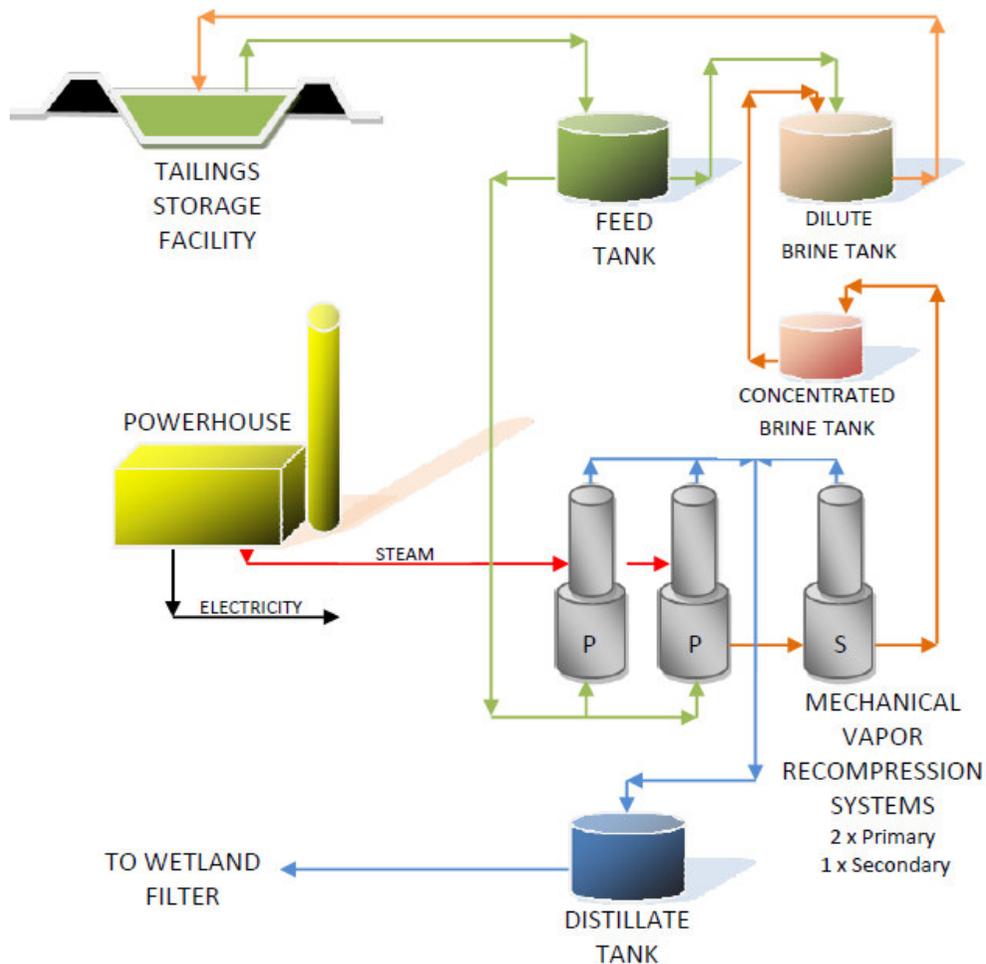
# Strategy for water management improvements



- ERA's water management strategy involves a number of initiatives relating to process water management and treatment
- The outlined expenditure will support the future of the ongoing business, and further underscores ERA's commitment to protecting the surrounding environment
  - Investment of \$80 million to conduct feasibility study on Brine Concentrator and procurement of long lead items as announced in April 2011 (total capital expenditure for project estimated to be \$220 million)
  - Significant catchment reduction works completed to divert pond water from the process water catchment
  - Plant modifications completed to reduce process water inputs
  - \$52 million approved to raise the embankment of the Tailings Storage Facility by 4 metres – work to be completed Q4 2011 which is expected to provide additional storage through 2013, and until the Brine Concentrator is fully commissioned and operational
  - Installation of interception trenches around waste dumps to segregate clean run-off completed
  - Additional bore holes being installed to monitor groundwater quality as well as further real time monitors, retention ponds and wet land filters

# The Brine Concentrator will provide ERA with additional capacity to treat and reduce process water

Brine Concentrator – Conceptual Flow Sheet



- Water management and treatment is a critical component of ERA's operational and rehabilitation plans for Ranger
- ERA believes the Brine Concentrator is the most effective long term method to treat and reduce process water inventory
- Total capex estimated at \$220 million
- Two year procurement and construction lead time, with commissioning scheduled for second half of 2013
- Target capacity 1.83 gigalitres of water per year
- Modular to allow for phased expansion in the future, if further above average wet seasons occur
- Proven technology is scientifically and environmentally sound, and will provide ERA with active process water treatment capacity
- Brine Concentrator pilot facility progressing well and almost complete

- Executive summary

- 2011 Half Year Results

- Uranium market outlook

- Ranger 3 Deeps plan

- Exploration

- Water management

- Funding

# Long term funding

- **In order to undertake ERA's business strategy, long term funding will be required**
  - ERA has engaged an external financial adviser and is well advanced in developing its long term funding options
  - Rio Tinto has indicated that subject to its usual internal approvals, it is committed to playing its role as part of that funding
  - At 30 June 2011 ERA has \$185 million in cash and no debt

# Summary

- **Strong safety performance**
- **Tough first half**
  - Weather impacts
  - Suspension of processing plant operations
  - Negative adjustment on reserves, inventory and rehabilitation provision
- **Successful restart of processing plant operations**
- **Board approval to proceed with the Ranger 3 Deeps exploration decline**
- **Expanded exploration program planned**
- **Water management**
  - Successful management of heavy wet season
  - Good results from Brine Concentrator pilot
- **Long term funding plan well advanced**