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ASX Announcement

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Extension of temporary suspension of processing plant until late July 2011

On 28 January 2011, Energy Resources of Australia Ltd (**ERA**) commenced an orderly suspension of plant processing operations at the Ranger mine as a precautionary measure to help ensure that levels in the Tailings Storage Facility (**TSF**) remained below the authorised operating limit throughout the wet season. At that time, the suspension was expected to be for a period of 12 weeks. This action was taken in anticipation of the continuation of the extreme rainfall pattern that had led to widespread flooding across northern and eastern Australia.

Since that announcement, the Northern Territory has continued to receive significantly higher than average rainfall as a result of the La Niña weather pattern. The Ranger mine has recorded the third highest wet season on record with a total rainfall of 2,390.4 millimetres from 1 September 2010 until today (which compares with the highest wet season on record of 2,527.4 millimetres in 2006/2007).

Whilst the water level in the TSF is below the authorised operating limit, the total process water inventory at Ranger has recently exceeded the level at which operations are able to re-commence. Further, there remains approximately three weeks until the official end of the wet season. In light of these circumstances, ERA announced today that it will extend the suspension of processing plant operations until late July 2011 to allow the total process water inventory at the Ranger mine to reduce. This is highly dependant on future rainfall.

The environment remains protected and the ultimate contingency, in the event of further major rainfall, remains the transfer of process water from the TSF to Pit 3.

ERA continues with its extensive studies on water treatment, including the installation of a brine concentrator which will reduce the process water inventory held at Ranger. The construction of a three metre lift to the walls of the TSF is well underway and is expected to be completed by the end of 2011. Later in the year, ERA will submit an application to regulators to increase the authorised operating level of the TSF.

Due to the large volume of pond water currently in the Ranger mine, which is a direct result of the near record rainfall received, mining operations in the pit have recently ceased and will resume on the upper benches when the water level recedes.

ERA does not expect to obtain access to the high grade ore at the bottom of the mine until at least late 2011. As previously announced, mining operations at the current Ranger open pit mine will cease by the end of 2012.

As a consequence of the extension of the suspension of processing operations and the large volume of water in the mine, ERA's 2011 production is now expected to be approximately 2,400 tonnes of uranium oxide. This is down from the previously announced 2011 production expectation that was in the vicinity of 2010 production (3,793 tonnes). The actual level of 2011 production remains dependent on the level of rainfall for the remainder of the year.



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Taking into account the extension of the suspension of processing operations, the additional supply requirements necessary to meet ERA's 2011 sales commitments of approximately 4,500 tonnes will be met by purchased material. A substantial portion of the required purchases have already been finalised. Sales during the first half of 2011 will represent approximately 25 per cent of sales for the year and will be predominately satisfied using purchased material.

In addition, ERA expects to report a 2011 first half net loss of between \$30 and \$50 million due to the extended period of suspension. This expected result compares with a net profit of \$22.7 million for the first half of 2010.

In light of this continued suspension, which has occurred immediately after a very challenging 2010, a comprehensive business review of ERA's current operations and future projects is well underway. The review will assess priorities, processes and future expenditure.

In parallel to the business review, work continues on a full and detailed review of the substantial water and rehabilitation projects to be undertaken and the associated expenditure requirements.

ERA has continually updated regulatory authorities and key stakeholders on process water levels throughout the suspension and will continue to ensure they are fully informed in the coming months.

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