



CHAIRMAN'S ADDRESS

ANNUAL GENERAL MEETING

4 May 2016

Good morning ladies and gentlemen.

On behalf of your Board, I would like to acknowledge the Larrakia people, the custodians of the land on which we meet here in Darwin. I would also like to acknowledge the Mirarr people, the custodians of the land on which the Ranger mine is situated.

Introduction:

I was very pleased to be appointed to the Board as its Chairman along with three other new directors in the fourth quarter of 2015 in what was a challenging year for ERA.

First of all I would like to acknowledge the five Board members who resigned during 2015 and thank them all for their very valuable contributions.

Since the new Board was formed, it has worked to set the direction of ERA in light of the decisions announced last year by the major shareholder Rio Tinto, ERA and the Mirarr Traditional Owners regarding the Ranger 3 Deeps project.

The Board's responsibility is to navigate a path forward with all stakeholders that maximises value for all shareholders, large and small.

ERA is now in its 34th year of processing operations and is one of a few mines in the world to produce more than 120,000 tonnes of uranium oxide. No mean achievement.

This morning, I'll be talking about the following topics:

- the changing sentiment towards uranium and its importance as part of the global energy mix to help combat global warming;
- ERA's commitment to progressive rehabilitation; and
- recent decisions by the Board and how they affect ERA's future.

I will also make some comments on last year's financial performance.

Changing global sentiment:

As a country with 31 percent of the world's known uranium resources, but with no nuclear power generation, Australia has been increasingly thrust into the limelight in recent years as an important supplier to the global nuclear power industry.

ERA has been reliably supplying the global nuclear power market for more than 30 years. The Ranger mine is the longest continually operating uranium mine in Australia and ERA maintains industry leading skills and experience in the mining and processing of uranium ores.

In the last six months, the Australian government has signed trade agreements with the United Arab Emirates, India and Ukraine, three countries which are interested in securing future supply for their own burgeoning nuclear power generation programmes. This demonstrates the increased interest in the low carbon electricity generation capability that nuclear power provides.

The tide is definitely turning with regard to sentiment around nuclear energy.

So, what was once a much maligned source of energy has now become an important contributor in the global effort to combat climate change, because of its low carbon emissions.



A recent study by the International Atomic Energy Agency, found that the world's 444 operating nuclear power plants, across 31 countries, are now responsible for the supply of 11 per cent of global electricity.

Major cities such as Los Angeles, Chicago, Toronto, Paris, Moscow and Seoul are run on nuclear generated electricity.

While the image and use of nuclear power was badly impacted following the tsunami in Japan in 2011, with the consequent impact on the Fukushima power station, it remains one of the most efficient, cheap and carbon friendly forms of large scale energy generation today.

The uptake of nuclear energy by developing countries has been made possible by the more mature economies making their technologies available to those looking for new energy sources.

Currently there are 64 nuclear reactors under construction in 15 countries. China is leading the way with 22 nuclear power plants under construction.

The nuclear power industry has been developing and improving reactor technology for more than fifty years.

Since the first generation of reactors was built in the 1950's and 1960's, the nuclear power industry has invested heavily to make power plants safer, more robust and more efficient.

The last of the first generation nuclear power plants, located in North Wales was closed at the end of last year after 44 years in operation.

According to the World Nuclear Association, Generation II reactors are typified by the present US reactor fleet and most others in operation elsewhere.

Japan's reactor fleet features some so-called third generation reactors. Most of the third generation reactors and third generation plus reactors are either under construction or ready to be ordered. These power plants have a longer operating life – typically 60 years – superior safety design, and more efficient burn-up of fuel, reducing the amount of waste.

Designs for the fourth generation reactors are said to be even more clean, safe, secure and cost-effective, although it is unlikely these will be operational before 2020.

The one point that is clear is that nuclear energy generation will be a part of the world's energy supply options into the future.

ERA has a part to play in supplying the uranium to fuel the new generation of nuclear reactors in the years to come.

Progressive rehabilitation:

Now, turning to ERA's strong commitment to progressive rehabilitation.

Let me start by saying that ERA has an unwavering and total commitment to return the area disturbed by mining operations to a viable ecosystem.

Soon after Ranger began producing uranium oxide at the end of 1981, rehabilitation and closure planning began. The major works started in 1996 with the commencement of back filling of the mined-out Pit 1. ERA is unusual in that it is required, in accordance with the Ranger Authority, to backfill its pits. Other mining companies in Australia and around the world are not always required to backfill and totally rehabilitate their open pits.

As such, there are very few examples of this approach to mine closure in Australia on this scale. Ranger is one of the most regulated and scrutinised

mines in Australia and it is with this in mind that we ensure that best practice is adhered to as we undertake the task.

Consistent with ERA's long-term vision to return the disturbed area to a viable ecosystem – in line with our obligations to our stakeholders and regulators and the expectations of the community – this will be achieved through the application of best practice technology within a risk based framework. ERA's strategy has been developed in line with its internal standards and the standards endorsed by the Australian and New Zealand Minerals and Energy Council and the Minerals Council of Australia.

The Company has carried out this work with the assistance and guidance of Traditional Owners, regulators and other key stakeholders, who continue to be consulted at every stage of the rehabilitation process.

ERA is determined to hand back a viable ecosystem which is similar to that of the surrounding national park and to provide a showcase example for others to emulate.

I'll leave it to Andrea Sutton to speak in more detail about the rehabilitation milestones which have been achieved through the year. However the projects which have been the focus of rehabilitation efforts in the past year consist of the following:

- Jabiluka – we have comprehensively rehabilitated the site and are now continuing with our monitoring and maintenance programme.
- Pit 1 – has been capped with a layer of laterite to the surface of the pit and will now be prepared for revegetation and final landform.
- Pit 3 – we have applied sophisticated modelling and detailed engineering of storage, drainage and encapsulation systems and structures.



- Revegetation – our revegetation strategy and practices are based on extensive research and field trials and this will restore the landscape to similar conditions to the surrounding world heritage areas.
- Water treatment – we have invested in substantial infrastructure to manage our process and pond water inventories to zero over the long term, applying innovative brine injection to securely store contaminants at depth in the bottom of Pit 3.

In the last four years ERA has spent more than \$405 million on rehabilitation and tens of millions of dollars in addition to that prior to 2012.

At the current estimates, the present value of ERA's rehabilitation liability is \$509 million.

The Board is increasingly comfortable on current economic assumptions, that ERA will be able to fund its rehabilitation programme from its own financial resources.

Having said that, and illustrative of our commitment to best practice rehabilitation, ERA announced last Friday that it has entered into a \$100 million credit facility agreement with Rio Tinto.

The credit facility agreement provides additional assurance to stakeholders that rehabilitation of the Ranger Project Area can be fully funded in a range of business scenarios.

Under current assumptions relevant to the Company's cash position and having regard to the expected years of future production, ERA expects to have sufficient financial resources to fully fund its rehabilitation programme out of its own resources.



However, should those assumptions not be realised, and in the absence of any other successful developments or asset sales, the Company will be able to draw on the facility.

The key conditions surrounding the credit facility are as follows:

- The credit facility can be terminated at any time by ERA.
- Up to \$100 million can be drawn.
- ERA must be solvent at the time of drawing on the credit facility.
- The loan must be repaid in 2027.
- For so long as the credit facility remains in place, there can be no expenditure on Ranger 3 Deeps without the lender's approval.

Strategic review outcomes:

In October, ERA announced that the Board would undertake a strategic review of its business.

We announced the outcome of the review earlier today. The Board has determined that there are three near-term strategic priorities for the business:

- continue the progressive rehabilitation of the Ranger Project Area and provide assurance to stakeholders that rehabilitation can be fully delivered and funded in all business scenarios;
- maximise the generation of cash flow from processing of stockpiled ore, which can potentially be sustained until late 2020 (noting that the current Ranger Authority expires in January 2021); and

- preserve the option for the future development of Ranger 3 Deeps via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure.

Having outlined our commitment to rehabilitation, ERA's near term priority is to maximise cash flow generated from current operations processing stockpiled ore, while maintaining optionality over Ranger 3 Deeps.

ERA will continue to focus on delivering operational excellence in order to maximise cash flow from the safe and efficient production and sale of uranium oxide. A major operational focus in the near-term is to offset the impact of declining grades in stockpiled ore with productivity improvements and cost reductions.

The Company's achievement of a price premium relative to the spot uranium price has been a key factor in sustaining generation of cash flow from stockpiled ore processing since the cessation of mining from Pit 3 at Ranger in 2012.

Maximisation of cash flow from the processing of stockpiled ore is the Company's best way of preserving optionality, and, furthermore, it enables the Company to strengthen its financial position, fund rehabilitation and provides a foundation for the Company to examine future options.

This cautious approach is necessary against the current backdrop of high economic volatility, low uranium spot prices and ongoing variability of the Australian dollar.

The option of developing the Ranger 3 Deeps project in the future is preserved via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure, at a cost of approximately \$4 million per year.



Ranger 3 Deeps can only be viably developed with an extension to the current Ranger Authority which permits processing operations until January 2021. An amendment to the Atomic Energy Act would be required to facilitate an application for an Authority extension.

ERA will maintain its dialogue with all stakeholders to ensure it continues to understand their perspectives in relation to an Authority extension.

Reactivation of the project later than mid-2018 would likely require the Company to manage a production gap between the cessation of low-grade stockpiled ore processing in late 2020 and commencement of Ranger 3 Deeps production at a later point and more broadly risks compromising the project's viability.

If developed, Ranger 3 Deeps would be expected to provide around ten years of additional production at Ranger.

If executed, an appropriate financing solution would need to be identified and implemented for the project's development. The solution would need to be compatible with stakeholder interests and a long-term financial commitment to funding rehabilitation of the Ranger Project Area.

Conclusion:

Thank you for your attention and to the ERA workforce for your efforts during a challenging year.

Thank you also to ERA's management team, many of whom are here today, for the effort and commitment to the Company.

I will now hand over to Andrea to speak further on ERA's operational performance.