



## ASX Announcement

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15 February 2021

### ERA ANNOUNCES FULL YEAR RESULTS FOR 2020

- In 2020, ERA produced 1,574 tonnes of uranium oxide, towards the upper end of production guidance of 1,200 to 1,600 tonnes.
- Total cash resources of \$737 million at 31 December 2020, comprised of \$204 million cash at bank and \$533 million held in the Ranger Rehabilitation Trust Fund.
- Net profit after tax of \$11 million.
- Successful completion of Entitlement Offer with proceeds of \$476 million to fund Ranger Project Area rehabilitation.

#### Overview

Energy Resources of Australia Ltd (**ERA** or the **Company**) today announces its results for the 2020 financial year.

During the year ERA produced 1,574 tonnes of uranium oxide, towards the upper end of production guidance of 1,200 to 1,600 tonnes. ERA approved and implemented the Ranger Project Area closure feasibility study (**Feasibility Study**) in February 2019 and has continued the progressive rehabilitation of the site. ERA also addressed its need to fund the rehabilitation of the Ranger Project Area via the recently completed fully underwritten entitlement offer to raise \$476 million (**Entitlement Offer**).

ERA's Chief Executive, Paul Arnold, said: "2020 was a momentous year in the Company's history. 2020 saw both the completion of the Entitlement Offer in February and the last full year of uranium ore processing at Ranger, with the mine safely delivering record mill throughput, in spite of the challenges associated with COVID-19. The cessation of processing in early 2021 marked the end of four decades of production at Ranger, during which ERA has been a safe and reliable supplier of uranium oxide to global markets. With heartfelt gratitude we farewelled many of our dedicated operational team who have contributed both to Ranger and the broader Jabiru and Kakadu community.

"We remain now ever focussed on executing the successful rehabilitation of the Ranger Project Area as a strategic priority for the Company; delivering a positive legacy for Traditional Owners, demonstrating ERA's commitment to long-term sustainable operations in the region and supporting the prospect of future growth opportunities for the Company."



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## Review of operations

ERA incurred a cash outflow from operating activities of \$19 million in 2020 compared to an outflow of \$100 million in 2019. Despite negative cash flow ERA continued to generate a positive cash margin<sup>1</sup> from the production and sale of uranium oxide.

ERA held total cash resources of \$737 million at 31 December 2020, comprised of \$204 million in cash at bank and \$533 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund. The Company has no debt.

ERA recorded a net profit after tax of \$11 million compared to a net profit after tax of \$6 million in 2019. The 2020 net profit was supported by higher sales revenue and lower operating cash costs resulting from the continued successful execution of the “Safely Transforming ERA Together” program. As at 31 December 2020, a revision in the rehabilitation provision discount rate and a number of minor revisions in timing of rehabilitation spend resulted in an unfavourable change in rehabilitation expense and therefore impact to earnings of \$7 million.

Uranium oxide produced for the year ended 31 December 2020 was 1,574 tonnes, 10 per cent lower than 2019 production of 1,751 tonnes. Production was impacted by the declining stockpile grade, in line with the Company’s mine plan.

Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. In the first 8 days of January 2021, 34 tonnes of uranium were drummed. This concluded processing activities on the Ranger Project Area after 40 years of operation, during which time more than \$500 million of royalty payments have been made to governments and Indigenous interests.

Revenue from the sale of uranium oxide was \$242 million (2019: \$210 million). Revenue was favourably impacted by higher sales volumes and a favourable movement in the Australian/US dollar exchange rate.

Sales volume for 2020 was 1,721 tonnes compared with 1,597 tonnes for 2019. The average realised sales price on contracted sales in 2020 was US\$53.77 per pound compared to US\$48.53 per pound in 2019. The average realised price on all sales (including uncontracted material sold into the spot market) in 2020 was US\$42.60 per pound compared to \$41.89 in 2019. The average realised price compares favourably against the average spot price for 2020 of US\$29.74 per pound.

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar had a positive impact on ERA’s financial results. With sales weighted towards the first half, the average exchange rate was 67 US cents, compared with 70 US cents for 2019.

Cash costs for 2020 were lower than the corresponding period in 2019. This was mainly driven by the successful execution and ongoing delivery of ERA’s business Transformation Program. During the first half of 2020, ERA launched the next phase of the program, “Transformation 2.0”, which has greater focus on optimising the rehabilitation project spend. The program targets idea generation and initiative implementation, with the objectives to deliver cost reductions and avoidance, without comprising safety or environmental outcomes.

Capital expenditure for the year was \$0.2 million, compared to 2019 at \$4 million. All expenditure in 2020 related to sustaining capital activities. In 2020, capital expenditure was immediately written off to the Statement of Comprehensive Income and recorded in other expenses. This is a result of the Ranger Cash Generating Unit remaining fully impaired.

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<sup>1</sup> Comparing the marginal production cost to the uranium spot price.

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## Rehabilitation

The Ranger Project Area continued to be progressively rehabilitated during 2020, with expenditure of \$80 million. Expenditure was primarily associated with dredges operating to transfer tailings from the Tailings Storage Facility to Pit 3, construction and commissioning of water treatment capacity, the backfill of waste material to Pit 1 and various studies.

At 31 December 2020, the ERA rehabilitation provision is \$718 million<sup>2</sup>. A periodic review of the estimate and applicable discount rate applied was conducted. This resulted in a minor reduction of the estimate and a revision of the discount rate used from 2 per cent to 1.5 percent. These changes were driven by adjustments in the macro economic assumptions, including inflationary assumptions and ongoing reduction in the assumed cash rate following successive rate reductions by the Reserve Bank of Australia. These changes resulted in a net increase in the closure provision of \$6.5 million.

## Funding

On 15 November 2019, the Company announced a pro-rata renounceable Entitlement Offer of 6.13 new fully paid ERA ordinary shares for each fully paid ordinary share, raising approximately \$476 million, to fund its rehabilitation obligations for the Ranger Project Area.

The Entitlement Offer was fully underwritten by North Limited (the **Underwriter** or **North**), a wholly-owned subsidiary of Rio Tinto, pursuant to an Underwriting Agreement dated 15 November 2019 (**Underwriting Agreement**).

New shares under the Entitlement Offer were issued on 25 February 2020. Following the issue of new shares to Rio Tinto under the Entitlement Offer and Underwriting Agreement, Rio Tinto's relevant interests increased from 68.4 per cent to 86.3 per cent.

Following the receipt of the proceeds from the Entitlement Offer, ERA deposited \$454 million into the Ranger Rehabilitation Security held by the Commonwealth Government in order to satisfy its obligations to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). The remaining proceeds from the Entitlement Offer have been invested in short term deposits with Australian deposit taking institutions.

## Ranger Production

ERA ceased production at the Ranger Mine on 8 January 2021, with a total of 34 tonnes drummed in those first eight days of 2021. ERA expects to complete sales into its existing sales contracts through 2021, of approximately 1.37 million pounds, with the balance of inventory holdings to be sold progressively into the spot market. The average realised selling price for contracted sales for 2021 is expected to be between US\$50 and US\$55 per pound.

## Outlook

The strategic priority of ERA is the rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment of long-term sustainable operations in the region, create a sustainable, positive legacy and underpin potential future growth opportunities.

The net proceeds of the Entitlement Offer completed in February 2020, together with ERA's existing cash resources and expected future cash flows, will be used primarily for the purposes

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<sup>2</sup> 31 December 2020 provision discounted at 1.5 per cent and presented in real terms (\$747 million undiscounted in real terms). This equates to an estimated \$801 million in undiscounted nominal terms.

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of funding rehabilitation. A sum of approximately \$20 million from existing cash resources and expected future cash flows has been provisionally designated for expenditure on prospective development opportunities or otherwise as the ERA Board determines to be in the interests of the Company from time to time.

Consequently, ERA's near-term strategic priorities include:

- complete rehabilitation of the Ranger Project Area;
- maximise the generation of cash flow from the remaining inventories of drummed uranium oxide; and
- preserve optionality over the Company's undeveloped resources; and progress inorganic growth options evaluation.

#### **Dividends**

ERA has decided not to declare a final dividend for the 2020 financial year. No final dividend was paid in respect to the 2019 financial year.

#### **Exploration**

There was no exploration expenditure for the year ended 2020.

#### **Ranger 3 Deeps**

Given the current uranium market environment, the Ranger 3 Deeps project faces material barriers to development.

Amendments to legislation to effect an extension of the Ranger Authority would be required to manage the gap between the cessation of processing at 8 January 2021 and the commencement of Ranger 3 Deeps production at a later point. This gap, together with an extensive care and maintenance program for the mill and a required pause on rehabilitation activities, would add fixed cost to the operation, further materially challenging the Ranger 3 Deeps Project's viability.

Due to the ongoing constrained market conditions the project remains uneconomic. Consequently, ERA will progress remediation of the Ranger 3 Deeps decline and decommissioning the Ranger ore processing facilities through half 1, 2021. Plant decommissioning is due to be completed in quarter 3, 2021. While the timing of plant demolition works remain under review, the current plan supports demolition in approximately 2023.

At present, no work is being conducted on further development options for the Ranger 3 Deeps deposit.

#### **Competent Person**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by geologist Stephen Pevely (an employee of ERA). Stephen Pevely is a Member of the Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Stephen Pevely consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

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### **About Energy Resources of Australia Ltd**

Energy Resources of Australia Ltd (ERA) has been one of the nation's largest uranium producers and operates Australia's longest continually producing uranium mine.

The operations of ERA are located on Aboriginal land and are surrounded by, but separate from, Kakadu National Park. ERA respectfully acknowledges the Mirarr, Traditional Custodians of the land on which the Ranger mine is situated.

Together, ERA provides clean energy to the world and cares for people and country.

ERA has an excellent track record of reliably supplying customers. Uranium has been mined at Ranger for more than 35 years. During that time, Ranger has produced in excess of 132,000 tonnes of uranium oxide.

ERA's Ranger mine (100%) is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in Australia's Northern Territory. ERA holds title to the Jabiluka Mineral Lease (100%). ERA is a major employer in the Northern Territory and the Alligator Rivers Region.

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