

## ASX Announcement

### ERA announces December 2022 Full Year Results

22 February 2023

- Sales volume for the year were 242 tonnes. This included the final sale of uranium oxide inventories in May 2022.
- Net loss after tax of \$161 million, which reflects lower sales volumes, an increase to the rehabilitation provision and higher non cash costs.
- Cash outflow of \$147 million from operating activities, including \$194 million spent on rehabilitation activities during 2022.
- ERA's Independent Board Committee (IBC) has been reformed and is engaging with major shareholders for an interim entitlement offer, planned for March 2023.
- ERA has continued to build organisation capability to successfully rehabilitate the Ranger Project Area.
- Rehabilitation provision of \$1,225 million at 31 December 2023.

	Change		2022 \$000	2021 \$000
<b>Revenue</b> from sales of uranium oxide	(81%)	To	35,555	190,347
<b>Revenue</b> from ordinary activities	(72%)	To	55,309	201,007
<b>Profit / (Loss)</b> from ordinary activities after tax attributable to members	75%	To	(160,553)	(650,212)
<b>Net Cash flow</b> from operating activities	(287%)	To	(146,963)	(37,934)
<b>Earnings</b> before Interest, Tax, Depreciation and Amortisation	74%	To	(169,490)	(648,967)
<b>EPS</b> (Cents)	75%	To	(4.3)	(17.6)

## Review of operations

Energy Resources of Australia Ltd (ERA or the Company) incurred negative cash flow from operating activities of \$147 million in 2022 compared to negative \$38 million in 2021.

Cash rehabilitation spend for the year end 31 December 2022 was \$194 million<sup>1</sup> compared to \$153 million<sup>1</sup> in 2021.

ERA held total cash resources of \$561 million at 31 December 2022, comprised of \$75 million in cash at bank (net of overdrafts) and \$486 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund. The Company has no debt and \$126m in bank guarantees<sup>2</sup>.

ERA recorded a net loss before tax and rehabilitation adjustment of \$98 million for 2022 compared to a net profit before tax and rehabilitation adjustment of \$21 million in 2021. The net loss after tax was \$161 million for 2022 compared to a net loss after tax of \$650 million in 2021. The 2022 net loss was adversely impacted by reduced sales volumes and increases to the rehabilitation provision through higher non-cash discount unwind and an adjustment to the rehabilitation provision estimate. The 2021 net loss was adversely impacted by an increase to the rehabilitation provision following completion of a rehabilitation major reforecast. Favourable impacts were seen from lower operating costs as a result of the cessation of uranium oxide processing operations in January 2021 and reduced sales costs as a result of the completion of all sales of remaining uranium inventories.

As at 31 December 2022, a revision of the rehabilitation provision cost estimate occurred resulting in an unfavourable adjustment of \$62 million compared to an unfavourable adjustment of \$668 million in 2021.

Revenue from the sale of uranium oxide was \$36 million (2021: \$190 million). With the completion of contracted sales in 2021, all sales of remaining uranium oxide inventories were through the spot market. Sales volume for 2022 was 242 tonnes compared with 1,302 tonnes for 2021. In 2022, ERA completed sales of all remaining uranium oxide inventories. The average realised sales price for 2022 was US\$48.88 per pound compared to US\$47.17 per pound in 2021.

Interest income for 2022 was \$9.3 million, compared to \$1.9 million for 2021. The weighted average interest rate received on term deposit for the period was 1.53 per cent (2021: 0.30 per cent).

Cash costs for 2022 were lower than the corresponding period in 2021. This was mainly driven by the cessation of uranium oxide processing in January 2021 and move to full scale rehabilitation. In addition, lower sales in 2022 resulted in lower royalties and selling costs. Operating costs are now those of a corporate nature. Following a sharp decline in the crude oil price in 2020, with a corresponding decrease in gasoil (or diesel), ERA entered into gasoil swap contracts to lock in prices considered to be favourable. In 2022, ERA received \$6.8 million from settled gasoil swaps compared to \$7.4 million in 2021. All gasoil swaps are now settled.

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<sup>1</sup> Excludes utilisation of lease costs (2021: \$1 million) (2022: \$nil).

<sup>2</sup> \$125 million related to Ranger Project Area and \$1 million related to Jabiluka.

## Rehabilitation

At 31 December 2022, the ERA rehabilitation provision was \$1,225 million<sup>3</sup>. During 2022, ERA incurred expenditure of \$194 million on rehabilitation activities.

In 2022, ERA recorded an increase to the closure provision estimate of \$62 million. This largely related to further development of the Pit 3 capping methodology, higher input costs and additional project management capability.

Progressive rehabilitation of the Ranger Project Area has continued during 2022 with several key milestones achieved. The conversion of the Tailings Storage Facility to a water storage facility and water transfers from Pit 3 to the Ranger Water Dam were completed on 16 May 2022. This enabled the commencement of the Pit 3 wicking installation, which is scheduled to be completed in early 2023.

Three new Pit 3 brine injection directionally drilled wells were completed in November 2022 including casing. The wells allow brine that is extracted from process water to be permanently disposed of in the Pit 3 underfill.

ERA also submitted a Pit 3 capping application, based on the currently preferred subaerial capping methodology, to stakeholders in April 2022. Work is progressing on a response to initial stakeholder feedback received in June 2022. ERA's Pit 3 Dry Capping Study has progressed to execution and the design engineer has been engaged and detailed design commenced.

Other key rehabilitation activities continued including preparation for the Brine Squeezer process water modification as well as ongoing water treatment. Treatment rates of process water through the Brine Concentrator were adversely impacted by plant reliability issues resulting in production rates falling below design criteria volumes. ERA is working with the operator to put in place a sustainable recovery plan.

ERA's Jabiru housing refurbishment program continues to progress, including the replacement of several decramastic tiled roofs as part of the Commonwealth Governments re-roofing program. ERA is progressively working with Gundjeihmi Aboriginal Corporation Jabiru Town (GACJT) and Jabiru Kabolkmakmen Ltd (JKL) for the transfer of properties to enable tenanting by third parties.

## 2022 Feasibility Study

In May 2022 ERA commenced a feasibility study update in connection with a lower technical risk rehabilitation methodology (primarily relating to the subaerial capping of Pit 3<sup>4</sup>) and to further refine the Ranger Project Area rehabilitation execution scope, risks, cost and schedule (2022 Feasibility Study). Subaerial capping, previously adopted for Pit 1, is a more traditional method and it is currently ERA's preferred methodology.

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<sup>3</sup> 31 December 2022 provision discounted at 1.5% per cent. This equates to an estimated \$1,320 million in undiscounted nominal terms or \$1,275 million in undiscounted real terms. Refer to page 15.

<sup>4</sup> In essence, the subaerial methodology involves Pit 3 drying and being capped subaerially (i.e. not under water).

Scoping work and increased resourcing of the feasibility study progressed during the year with Bechtel's support. The 2022 Feasibility Study is expected to be completed in September 2023 and will ultimately lead to a revised Mine Closure Plan being developed.

As previously announced in February 2022, the preliminary findings of ERA's reforecast exercise (Reforecast) indicated that the revised total cost of completing the rehabilitation of the Ranger Project Area, including incurred spend since 1 January 2019, was estimated to be between \$1.6 billion and \$2.2 billion and would potentially have a revised date for completion of rehabilitation activities of between Quarter 4, 2027 and Quarter 4, 2028. The revised estimates, as to both cost and schedule, were based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the 2020 Mine Closure Plan. Approximately \$524 million of the total cost of completing the rehabilitation of the Ranger Project Area was spent from 1 January 2019 to 31 December 2022. The forecast cost overruns have been caused by a number of factors including complexities in technical risk management, project delays and additional scope matters involving unbudgeted costs. Alongside other factors, risks identified by ERA at the time of its previous entitlement offer in 2019 have materialised, including increased cost pressures and technical challenges to meet the January 2026 deadline for completing the rehabilitation of the Ranger Project Area.<sup>(5)</sup>

Table 1: Summary of cost differences between the 2019 Feasibility Study and the preliminary findings of the Reforecast using the subaqueous capping method. <sup>(3)</sup>

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<sup>5</sup> As noted below, amendments to the *Atomic Energy Act 1953* were passed on 24 November 2022, allowing additional time for ERA to complete the world class rehabilitation of the Ranger Project Area, including long-term monitoring and maintenance, subject to obtaining a new section 41 authority. ERA has commenced discussions with key stakeholders to apply for a new section 41 authority.

Ranger rehabilitation expenditure estimate	2019 Feasibility Study estimate <sup>(2)</sup>	Prelim. findings of Reforecast <sup>(3)</sup>		Spend to date <sup>(4)</sup>	Key reason for change
from 1-Jan-19 onwards					
(\$m, nominal)		Low	High		
Transfer tailings and water treatment	\$330m	\$500m	\$660m	\$244m	<ul style="list-style-type: none"><li>Increased tailings and longer duration of dredging</li><li>Additional clean-up costs associated with the TSF</li><li>Higher water treatment costs due to an increase in water treatment volumes and additional costs to capture run off from Pit 3</li></ul>
Capping and backfill	\$247m	\$420m	\$580m	\$67m	<ul style="list-style-type: none"><li>Emergent technical risks and forecast additional cost and schedule impacts in executing the Pit 3 capping works using the subaqueous wicking and capping methodology<sup>(1)</sup></li><li>The ERA heavy mining equipment fleet requires a significant overhaul to be capable of moving the quantity of bulk materials</li></ul>
Site services and support	\$160m	\$410m	\$570m	\$123m	<ul style="list-style-type: none"><li>Power costs have increased as the 2019 Feasibility Study estimate assumed Ranger Power Station decommissioning in mid-2021 and a scalable power solution for 2021-2025, which has not eventuated</li><li>Brine Concentrator demand has increased since the 2019 Feasibility Study, and the life of the Ranger Power Station has been extended</li><li>Operating costs of the camp and town are higher, based on a competitive tender of those services. Additional camp capacity has also been assumed due to higher than assumed headcount</li><li>Support costs such as HSEC have increased, as have study costs (notably landform studies to ensure compliant closure)</li></ul>
Revegetation	\$88m	\$90m	\$130m	\$6m	<ul style="list-style-type: none"><li>Additional seed collection, propagation, fire and weed management costs, among others</li></ul>
Owner's team costs and engineering	\$87m	\$120m	\$160m	\$66m	<ul style="list-style-type: none"><li>Owner's team expanded relative to the 2019 Feasibility Study assumption based on recent knowledge gained from rehabilitation activities undertaken since the 2019 Feasibility Study</li></ul>
Demolition and disposal	\$41m	\$70m	\$80m	\$17m	<ul style="list-style-type: none"><li>Costs of ensuring that existing infrastructure is safely maintained have increased</li></ul>
Post closure monitoring <sup>(5)</sup>	\$20m	\$30m	\$40m	\$1m	<ul style="list-style-type: none"><li>Additional costs now assumed for post closure maintenance and monitoring activities</li><li>Additional funding to enable more constructive engagement with Traditional Owners</li></ul>
Total	\$973m	\$1,640m	\$2,220m	\$524m	(Prelim. findings of the Reforecast have been rounded to the nearest \$10m)

Notes: (1) The preliminary findings of the Reforecast were based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan (i.e. assuming subaqueous capping of Pit 3). Subaerial capping, previously adopted for Pit 1, is a more traditional method and it is currently ERA's preferred methodology; (2) Based on 31 December 2018 rehabilitation provision, \$973 million undiscounted in nominal terms, excluding not yet recognised termination benefits in line with Australian Accounting Standards. Please note that, if comparing to page 11 of ERA's Capital Raising Presentation released 15 November 2019, the figures in that presentation are displayed from 30 June 2019 onwards; (3) Preliminary findings of the Reforecast have been rounded to the nearest \$10m; (4) From 1 January 2019 to 31 December 2022; (5) Including an allowance of \$1 million in relation to the estimated cost of Jabalu Mineral Lease rehabilitation expense.

## Organisational change

In January 2022, Bechtel was engaged to review ERA's in-house project execution capability to manage and complete the rehabilitation.

Bechtel identified a number of improvement opportunities for ERA's consideration. In response to these findings, ERA implemented several initiatives to seek to strengthen its in-house project execution capability.

- ERA's transition to a 'project-focused' model by implementing an Integrated Project Management Team (IPMT) with Bechtel's support to facilitate a fit-for-organisation with improved execution, reporting and governance systems. The transition to the IPMT commenced in December 2022;
- A detailed project schedule incorporating the alternative lower technical risk Pit 3 capping methodology (i.e. subaerial) is being developed as part of the Feasibility Study;

Organisational redesign and engaging with industry partners to 'buy, borrow and build' required capabilities to accelerate the business transformation; and

- Project Director commenced on 24 October 2022 to oversee the execution of the Ranger Rehabilitation Project, reporting to the Chief Executive Officer.

### **Extension of the Expiry date of ERA's tenure on the Ranger Project Area**

ERA is not expected to be able to meet its rehabilitation deadline of January 2026 and has conveyed that expectation to all stakeholders.

To provide access to the site beyond January 2026 to complete rehabilitation of the Ranger Project Area, a new section 41 Authority<sup>6</sup> is required, which first required an amendment to the Atomic Energy Act 1953 (Cth).

The Gundjeihmi Aboriginal Corporation (GAC), Northern Land Council (NLC), and ERA worked collaboratively with relevant Government departments on the rehabilitation of the Ranger Project Area and the amendment to the *Atomic Energy Act*.

On 24 November 2022, Parliament passed amendments to the Atomic Energy Act 1953, allowing additional time for ERA to complete the world class rehabilitation of the Ranger Project Area, including long-term monitoring and maintenance.

ERA has commenced discussions with key stakeholders to apply for a new section 41 authority.

### **Corporate / Interim Funding Update**

On 6 October 2022, the Company agreed to enter into an amended \$100 million loan agreement with Rio Tinto (Revised Credit Facility),<sup>7</sup> under which loans of a cumulative value of up to \$100 million can be made available to provide ERA with additional liquidity for the purpose of rehabilitating the Ranger Project Area. The key terms of the Revised Credit Facility were summarised in the ASX release on 6 October 2022.

Following agreement of the Revised Credit Facility, the former Independent Board Committee (IBC), comprising Peter Mansell, Shane Charles and Paul Dowd, resigned in October 2022.

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<sup>6</sup> The s 41 Authority is an authority granted by the relevant Minister under s 41 of the Atomic Energy Act 1953 (Cth) that authorised ERA to mine, recover, treat and process uranium oxide at Ranger. It obliges ERA to rehabilitate the Ranger Project Area.

<sup>7</sup> See ERA ASX announcement dated 29 April 2016 for further information on the previous \$100 million loan agreement with Rio Tinto.



This IBC received an assurance from Rio Tinto that one or more independent directors would be appointed to the ERA Board before any funding solution was progressed, to ensure minority shareholder interests were appropriately represented.

Subsequent to this, ERA announced the appointment of two independent non-executive directors, Mr Richard Dennis and the Honourable Kenneth Wyatt AM in the December 2022 quarter and the appointment of the third independent non-executive director, Mr Stuart Glenn in February 2023, to re-establish the Independent Board Committee. Mr Dennis was also appointed Independent Non-Executive Chair of ERA in January 2023. Following these appointments, ERA commenced discussions in relation to the Company's funding requirements. Work has progressed on funding solutions, including work on a possible interim entitlement offer with a target launch in March 2023. ERA has appointed Highbury Partnership as financial adviser to the Independent Board Committee, Herbert Smith Freehills as legal adviser to the Independent Board Committee and Ashurst as legal adviser to the Company.

### **Ranger 3 Deeps**

On 8 January 2021, ERA ceased to be authorised to conduct mining operations in the Ranger Project Area, accordingly development of Ranger 3 Deeps is not an authorised activity. Therefore, ERA presently does not have authority to mine Ranger 3 Deeps and is not pursuing such an authority.

In addition to an authorisation to mine Ranger 3 Deeps, the project would need to be economically viable in order for it to be developed. ERA has historically assessed the economics of the Ranger 3 Deeps project to be unviable and, given the further work undertaken on the rehabilitation of Ranger Project Area, the project would now be required to support a standalone mill and tailings construction amongst other infrastructure, which would add fixed cost to the operation, further materially challenging the Ranger 3 Deeps Project's viability. In August 2021, ERA completed backfill works on the Ranger 3 Deeps decline.

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

### **Outlook**

ERA's purpose is to create a positive legacy and achieve world-class, sustainable rehabilitation of former mine assets.

The Ranger Rehabilitation Project is unique in that it is rehabilitating land in one of the world's most culturally and environmentally sensitive locations, surrounded by the World Heritage listed Kakadu National Park on the land of the Mirarr Traditional Owners.

The strategic priority of ERA continues to be the comprehensive rehabilitation of the Ranger Project Area in accordance with our obligations so that it can be reincorporated into the surrounding Kakadu National Park if Traditional Owners wish.

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

- Secure a suitable funding option to meet future rehabilitation obligations;
- Continue with progressive rehabilitation of the Ranger Project Area;
- Complete the 2022 Feasibility Study;

- Finalise implementation of a number of initiatives to strengthen project execution capability;
- Progress negotiations to extend the existing Ranger authority beyond January 2026 deadline; and,
- Preserve the company's undeveloped resources.

### **Dividends**

ERA has decided not to declare a final dividend for the 2022 financial year. No final dividend was paid in respect to the 2021 financial year.

### **Exploration**

There was no exploration expenditure for the year ended 2022.

This announcement is authorised by the Board.

### **Competent Person**

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2020 Annual Statement of Reserves and Resources which was released to the market on 15 February 2021 and is available to view at [Microsoft Word - Annual Reserves and Resources Statement 2021.docx \(weblink.com.au\)](#). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.



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**About Energy Resources Australia Ltd**

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

After closure of the Ranger Mine in 2021, ERA is now committed to creating a positive legacy and achieving world class, sustainable rehabilitation of former mine assets.

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

ERA's Ranger Project Area (100%) is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in Australia's Northern Territory. ERA also holds title to the Jabiluka Mineral Lease (100%) and is a signatory to the Long Term Care and Maintenance Agreement over the Jabiluka Mineral Lease.