

Results for announcement to the market

Appendix 4E
Energy Resources of Australia Ltd

ABN 71 008 550 865
ASX Preliminary final report – 31 December 2013
Lodged with the ASX under Listing Rule 4.3A

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Energy Resources of Australia Ltd
Year ended 31 December 2013
(Previous corresponding period:
Year ended 31 December 2012)

Results for announcement to the market

				2013	2012
				\$000	\$000
Revenue from sales of uranium	down	10%	to	355,868	395,399
Revenue from continuing operations	down	12%	to	370,144	422,849
Earnings before Interest, Tax, Depreciation & Amortisation	up	195%	to	32,738	(34,615)
Profit/(loss) from continuing operations after tax attributable to members	up	38%	to	(135,829)	(218,759)
Net profit/(loss) for the period attributable to members	up	38%	to	(135,829)	(218,759)
EPS (cents)	up	38%	to	(26.2)	(42.3)
Net Cash outflow from operating activities	down	438%	to	(17,882)	(3,324)
Underlying earnings	up	20%	to	(120,897)	(150,715)

These financial results have been prepared in accordance with the Australian accounting standards.

Reconciliation of net loss to underlying earnings

All after tax figures in \$ million

	2013	2012
Profit/(Loss) for the year	(135,829)	(218,759)
Finished Goods Inventory Adjustment to Net realisable Value	14,932	-
Non Cash Impairment Charge	-	68,044
Underlying earnings	<u>(120,897)</u>	<u>(150,715)</u>

Review of operations

Energy Resources of Australia Ltd's (**ERA**) net loss after tax for the year ended 31 December 2013 was \$136 million, compared to a loss of \$219 million in 2012.

Earnings before interest, tax, depreciation and amortisation (**EBITDA**) was \$33 million including a non-cash finished goods inventory write down to net realisable value (NRV) of \$21 million. This is discussed in further detail below. (2012: negative EBITDA of \$35 million, inclusive of a \$68 million non-cash impairment charge).

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When compared to 2012, 2013 earnings were favourably impacted by no purchases of uranium oxide, mining operations focusing on Pit 3 backfill and reduced non cash costs (including impairment), partially offset by reduced sales revenue and the finished goods inventory adjustment to NRV.

Revenue from the sale of uranium oxide in 2013 was \$356 million (2012: \$395 million). Sales of uranium oxide were 2,815 tonnes, down from 3,223 tonnes achieved in 2012. The average realised sale price of uranium oxide achieved by ERA in 2013 was US\$53.92 per pound (2012: US\$58.33).

ERA's sales strategy focuses on ensuring a reliable long term supply of uranium oxide to customers, with pricing focussed on the long term price rather than the spot price. In 2013, both the spot and long term uranium oxide indicators declined significantly, adversely affecting ERA's average realised sales price.

Sales of uranium oxide are denominated in US dollars. In 2013, the weakening of the Australian dollar had a favourable impact on ERA's financial results.

Uranium oxide produced for the year ended 31 December 2013 was 2,960 tonnes, 20 per cent lower than 2012. Uranium oxide produced and ore milled were adversely impacted by lower milling rates resulting from milling areas of stockpiled ore with different characteristics and the suspension of processing operations following the failure of Leach Tank No. 1 on 7 December 2013. Processing operations remain suspended pending completion of a full investigation and regulatory approval to recommence. Clean-up and recovery operations at the Ranger processing plant are progressing. Ongoing monitoring confirms that this incident has had no impact to the surrounding environment. A provision for clean-up has been recorded for \$1.3 million. Further details are provided below.

The majority of high grade ore mined prior to completion of mining in Pit 3 was processed during the first half of 2013, with lower grade stockpiled ore fed subsequently.

Total cash costs were significantly lower than 2012 largely due to savings on consumable costs, corporate costs, employee benefits and mining operations focusing on rehabilitation activities. Mining costs related to rehabilitation activities are allocated to the rehabilitation provision on the balance sheet and not the statement of comprehensive income. This partially explains the significant reductions, when compared to 2012, in employee benefits, raw materials and consumables.

Further savings have been accomplished through reduced employee and contractor numbers, a strong focus on raw material and consumable optimisation, and the rationalisation of corporate and overhead costs.

Partially offsetting savings in contractor costs is the increased spend on the Ranger 3 Deeps Exploration Decline and Prefeasibility Study.

Non-cash costs associated with depreciation have decreased during the year. This is the result of a lower asset cost base in 2013 combined with reduced production levels. A large portion of the depreciation is based on the units of production method.

Capital expenditure decreased in 2013 to \$91 million (2012: \$161 million). The majority of expenditure related to the construction of the process water brine concentrator, which was officially opened in September 2013.

Results for announcement to the market

Ranger processing plant leach tank failure

On 7 December 2013, Leach Tank No. 1 at the ERA Ranger processing plant failed causing a spill that was fully contained on site. Processing operations were suspended and clean-up operations commenced. ERA has commissioned a full investigation into the incident.

On 9 December 2013 ERA received notifications from the Northern Territory Department of Mines and Energy and the Commonwealth Minister for Industry to suspend processing operations at the Ranger Mine and not to recommence without regulatory approval, including a requirement from the Commonwealth to demonstrate the integrity of the Ranger processing plant and that human safety and the surrounding environment remains protected.

ERA is conducting an independent investigation which will run in parallel with the investigation to be undertaken by a Government-appointed taskforce. The taskforce consists of the Northern Territory Department of Mines and Energy, Northern Territory WorkSafe, the Supervising Scientist, the Department of Industry and a representative from the Gundjeihmi Aboriginal Corporation, which represents the Mirarr Traditional Owners, and the Northern Land Council.

ERA has maintained significant inventories of uranium oxide in 2013 and confirms that it has sufficient inventory to meet all sales commitments in the first half of 2014. As at 31 December 2013, a provision of \$1.3 million has been raised in the statement of financial position to cover the remaining clean-up, decommissioning and investigation costs. A further \$0.4 million, relating to this incident was incurred in 2013. The full financial impact for 2014 of the leach tank failure is still being assessed and will depend on a range of factors, including any necessary reparation work on the processing plant infrastructure and when ERA is authorised to recommence processing operations.

Ranger 3 Deeps

ERA continued construction of the Ranger 3 Deeps Exploration Decline at the Ranger mine in 2013. The face position reached 1,694 metres from the surface on 31 December 2013.

Underground exploration drilling of the Ranger 3 Deeps resource continues with a total of 13,924 metres completed, representing 27 per cent of the overall drilling programme. Drilling results announced on 30 August 2013 and 28 November 2013 confirm the current geological model and structural interpretation.

The total estimated cost of this project remains at \$120 million. The Ranger 3 Deeps resource currently contains an estimated 33,297 tonnes of uranium oxide. The overall project remains on time and within budget.

Process water brine concentrator

On 1 February 2012, the ERA Board approved the design, construction and commissioning of a brine concentrator at the Ranger mine with the nominal capacity to treat 1.83 gigalitres per annum of process water.

Construction of the brine concentrator is complete with the official commencement of operations in September 2013. The overall project was delivered on time and within budget.

Exploration

ERA continued its surface exploration program during the third quarter of 2013 following the 2012/13 wet season. Drilling focussed on previously identified targets to the north of the Ranger Project Area until ceasing due to commencement of the 2013/14 wet season. To date no significant intercepts have been identified.

Results for announcement to the market

Progressive rehabilitation

Progressive rehabilitation of the Ranger Project Area continued during 2013. The initial backfill of Pit 3 continues to progress ahead of schedule with 20.8 million tonnes of waste material moved into the pit in 2013. As at 31 December 2013, a total of 22.8 million tonnes of waste material has been moved into Pit 3 out of a planned total of 30 million tonnes of material.

In addition to ongoing Pit 3 backfill, ERA commenced initial capping of Pit 1. This involved the placement of 2.5 metres of low grade material over the tailings in Pit 1. This initial phase of rehabilitation is scheduled for completion in 2014.

In late 2013, the ERA Board approved the construction of a dredge and tailings transfer infrastructure to transfer tailings from the current Tailings Storage Facility into Pit 3 for final storage. This project will commence construction in 2014 for an estimated total cost of \$69 million. Commissioning is expected to be in mid-2015. In line with the other rehabilitation costs, this expenditure will be allocated to the rehabilitation provision in the balance sheet.

This is a key component of rehabilitation of the Ranger Project Area and is the first step in decommissioning the Tailings Storage Facility.

Dividends

In light of the 2013 financial result and the significant investments currently being undertaken by ERA and the challenging market conditions faced, the ERA directors have decided not to declare a final dividend for the 2013 financial year (2012: Nil).

Competent Person

The information in this report is based on information compiled by geologists Greg Rogers (a full time employee of Energy Resources of Australia Ltd) and Stephen Pevely (a full time employee of Energy Resources of Australia Ltd) who are members of the Australasian Institute of Mining & Metallurgy. Greg Rogers and Stephen Pevely 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg Rogers and Stephen Pevely consent to the inclusion in this announcement of the matters based on their information in the form and context in which it appears.

Energy Resources of Australia Ltd
Year ended 31 December 2013
(Previous corresponding period:
Year ended 31 December 2012)

Preliminary consolidated statement of comprehensive income

	2013 \$000	2012 \$000
Revenue from continuing operations	370,144	422,849
Changes in inventories	14,140	108,169
Purchased materials (uranium oxide)	-	(55,595)
Materials and consumables used	(88,459)	(128,851)
Employee benefits and contractor expenses	(172,512)	(212,415)
Government and other royalties	(18,407)	(20,639)
Commission and shipping expenses	(10,371)	(7,228)
Depreciation and amortisation expenses	(232,169)	(243,651)
Non cash impairment charge	-	(68,044)
Financing costs	(32,402)	(29,465)
Statutory and corporate expenses	(10,761)	(14,869)
Other expenses	(5,744)	(5,046)
Profit/(Loss) before income tax	(186,541)	(254,785)
Income tax benefit/(expense)	50,712	36,026
Profit/(Loss) for the year	(135,829)	(218,759)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(135,829)	(218,759)
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	(135,829)	(218,759)
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	(135,829)	(218,759)

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Energy Resources of Australia Ltd
Year ended 31 December 2013
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Preliminary consolidated balance sheet

	2013 \$000	2012 \$000
Current assets		
Cash and cash equivalents	357,208	467,345
Trade and other receivables	20,107	42,154
Inventories	248,522	208,374
Other	2,305	516
Total current assets	628,142	718,389
Non-current assets		
Inventories	112,584	137,884
Undeveloped properties	203,632	203,632
Property, plant and equipment	530,346	666,167
Deferred tax assets	88,897	38,155
Investment in trust fund	63,960	62,048
Total non-current assets	999,419	1,107,886
Total assets	1,627,561	1,826,275
Current liabilities		
Payables	72,512	100,242
Provisions	91,223	78,005
Total current liabilities	163,735	178,247
Non-current liabilities		
Provisions	529,804	578,409
Total non-current liabilities	529,804	578,409
Total liabilities	693,539	756,656
Net assets	934,022	1,069,619
Equity		
Contributed equity	706,485	706,485
Reserves	390,533	390,301
Retained profits	(162,996)	(27,167)
Total equity	934,022	1,069,619

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Energy Resources of Australia Ltd
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Preliminary consolidated statement of changes in equity

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2012	706,485	390,459	191,592	1,288,536
Profit/(Loss) for the year	-	-	(218,759)	(218,759)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(218,759)	(218,759)
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(158)	-	(158)
Balance at 31 December 2012	706,485	390,301	(27,167)	1,069,619
Profit/(Loss) for the year	-	-	(135,829)	(135,829)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(135,829)	(135,829)
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	232	-	232
Balance at 31 December 2013	706,485	390,533	(162,996)	934,022

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Energy Resources of Australia Ltd
Year ended 31 December 2013
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Preliminary consolidated statement of cash flows

	2013 \$000	2012 \$000
	inflows/ (outflows)	inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	406,432	449,582
Payments to suppliers and employees (inclusive of goods and services tax)	(294,468)	(398,873)
	<u>111,964</u>	<u>50,709</u>
Payments for exploration and evaluation	(66,186)	(48,645)
Payments for rehabilitation	(73,327)	(28,293)
Interest received	11,161	22,428
Borrowing costs paid	(1,465)	(3,211)
Income taxes (paid) / refunded	(29)	3,688
Net cash inflow/(outflow) from operating activities	<u>(17,882)</u>	<u>(3,324)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(91,133)	(160,750)
Proceeds from sale of property, plant and equipment	-	29
Net cash inflow/(outflow) from investing activities	<u>(91,133)</u>	<u>(160,721)</u>
Cash flows from financing activities		
Employee share option payments	(1,106)	(1,196)
Net cash inflow/(outflow) from financing activities	<u>(1,106)</u>	<u>(1,196)</u>
Net increase/(decrease) in cash held	(110,121)	(165,241)
Cash at the beginning of the financial year	467,345	632,584
Effects of exchange rate changes on cash	(16)	2
Cash at the end of the financial year	<u>357,208</u>	<u>467,345</u>

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Additional information for announcement to the market

Inventories	2013 \$'000	2012 \$'000
Inventories - current		
Stores & spares	23,730	23,021
Ore stockpile at cost	27,721	35,852
Work in progress at cost	2,602	4,531
Finished product U ₃ O ₈ at cost	-	144,970
Finished product U ₃ O ₈ at net realisable value	194,469	-
Total current inventory	<u>248,522</u>	<u>208,374</u>
Inventories – non-current		
Ore stockpiles at cost	<u>112,584</u>	<u>137,884</u>

Inventories are carried at the lower of cost or net realisable value in accordance with AASB 102.

At 31 December 2013, a \$21 million (pre-tax) adjustment was made to finished goods inventory to record it at its net realisable value. This was due to high non-cash costs and low December 2013 half year production, which drove the total unit cost of inventory above the expected sales price. The net realisable value adjustment has been included in 'Changes in Inventories' in the statement of comprehensive income.

The calculation of net realisable value is sensitive to key assumptions including: uranium price, Australian/US dollar exchange rate and, where applicable, costs to complete. The sales price of uranium oxide is denominated in US dollars, so fluctuations in the Australian/US dollar exchange rate will affect the proceeds received from sales and consequently the recoverable amount.

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Provisions	2013 \$'000	2012 \$'000
Provisions -current		
Employee benefits	11,535	11,778
Leach tank remediation	1,300	-
Rehabilitation	78,388	66,227
Total current provisions	<u>91,223</u>	<u>78,005</u>
Movement in current rehabilitation provision		
Carrying value at the start of the year	66,227	25,128
Payments	(73,327)	(28,293)
Transfer from non-current provision	85,488	69,392
Carrying amount at the end of the year	<u>78,388</u>	<u>66,227</u>
Provisions – non-current		
Employee benefits	4,728	4,780
Rehabilitation	525,076	573,629
Total non-current provisions	<u>529,804</u>	<u>578,409</u>
Movement in non-current rehabilitation provision		
Carrying value at the start of the year	573,629	540,157
Unwind of discount	30,937	26,255
Additional provision recognised	5,871	34,968
Change in estimate	127	22,355
Change in discount rate	-	19,286
Transfer to current provision	(85,488)	(69,392)
Carrying amount at the end of the year	<u>525,076</u>	<u>573,629</u>

The calculation of the rehabilitation provision relies on estimates of costs and their timing required to rehabilitate and restore disturbed land to establish an environment similar to the adjacent areas of Kakadu National Park.

The costs are estimated on the basis of a rehabilitation model, taking into account consideration of the preferred options available to meet ERA's obligations. The cost estimates are reviewed annually during the life of the operation to reflect known developments.

A Prefeasibility Study was conducted in relation to rehabilitation during 2012 and completed in early 2013. As a result of the study, the preferred rehabilitation plan was modified for the year ended 31 December 2012. Following finalisation of the study in 2013, no material modifications have been made to the rehabilitation plan. The provision for rehabilitation represents the net present cost at 31 December 2013, based on current disturbance, of the preferred plan within the requirements of the Ranger Project Area section 41 Authority.

The ultimate cost of rehabilitation is uncertain and can vary in response to many factors such as legal requirements, technological change and experience at other sites. To the extent that ERA's future estimates of the rehabilitation costs are different to those currently estimated, ERA will adjust the provision for rehabilitation costs to reflect additional knowledge obtained.

A key sensitivity in estimating the rehabilitation provision is the discount rate applied to the underlying cash flows. ERA has maintained a real discount rate of 2.5 per cent.

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Retained earnings	2013 \$'000	2012 \$'000
Retained earnings / (accumulated losses) at the beginning of the financial year	(27,167)	191,592
Net profit/(loss) attributable to members of Energy Resources of Australia	(135,829)	(218,759)
Retained earnings/(accumulated losses) at the end of the financial year	(162,996)	(27,167)
Asset Carrying Values		

ERA has two cash generating units (**CGU**), the Ranger Project Area (**RPA**) and the Jabiluka lease. The Ranger CGU includes all assets and liabilities related to activities on the RPA, including the rehabilitation provision and the associated assets capitalised within property, plant and equipment. The Jabiluka CGU relates to the Jabiluka lease which is currently under a long term care and maintenance agreement.

ERA has considered a range of possible impairment indicators, including the failure of Leach Tank No. 1 and market consensus price and foreign exchange expectations.

On 7 December 2013, Leach Tank No. 1 at the ERA Ranger processing plant failed causing a spill that was fully contained on site. Processing operations were suspended and clean-up operations commenced. ERA has commissioned a full investigation into the incident.

On 9 December 2013, ERA received notifications from the Northern Territory Department of Mines and Energy and the Commonwealth Minister for Industry to suspend processing operations at the Ranger Mine and not to recommence without regulatory approval, including a requirement from the Commonwealth to demonstrate the integrity of the Ranger processing plant and that human safety and the surrounding environment remains protected.

ERA has considered the implications of the incident with respect to stakeholder concerns, environmental protection and economic considerations. ERA considers that upon completion of all investigations and any rectifications, processing operations at Ranger will recommence.

ERA's financial modelling also includes the development of Ranger 3 Deeps mine, which remains subject to ERA Board and regulatory approvals, and which the company has assigned a high probability of development. Should development of Ranger 3 Deeps not occur the Ranger CGU would likely face impairment.

Market consensus for uranium price and exchange rate is determined by surveying a sample of brokers and financial institutions and gathering their estimation of both the long term uranium price and AUD exchange rate. In 2013, the results of this survey have shown a softening of the uranium market and continued strength of the Australian dollar; however the magnitude of these changes is not significant enough to cause an impairment.

If the carrying values of the assets were assessed as impaired, the impairment would be charged against the statement of comprehensive income.

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Additional information for announcement to the market

Net Tangible Asset Backing	2013	2012
Net tangible asset backing per ordinary share	1.8	2.1

Audit

This report is based on accounts that are in the process of being audited.

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