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Energy Resources of Australia Ltd

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A member of the Rio Tinto Group

ASX Announcement

26 July 2012

June 2012 Half-Year Results

				June 2012 $000	June 2011 $000
Revenue from sales of uranium oxide	**Down**	37%	to	147,999	235,564
Revenue from ordinary activities	**Down**	33%	to	163,166	244,895
Earnings Before Interest, Tax, Depreciation & Amortisation	**Up**	101%	to	1,216	(166,740)
Profit / (loss) from ordinary activities after tax attributable to members	**Up**	51%	to	(59,868)	(121,746)
Net profit / (loss) for the period attributable to members	**Up**	51%	to	(59,868)	(121,746)
Underlying Earnings[1]	**Down**	131%	to	(51,504)	(22,303)
Earnings per share (cents)				(11.6)	(23.5)

Note:

1. **Reconciliation of net loss for the period to underlying earnings**

Net profit / (loss) for the period attributable to members	(59,868)	(121,746)
Finished Goods Inventory Adjustment to Net Realisable Value	8,364	-
Low Grade Inventory Adjustment	-	99,443
Underlying Earnings	(51,504)	(22,303)

Review of operations

ERA's underlying earnings for the half-year ended 30 June 2012 was a loss of $51.5 million compared with a loss of $22.3 million for the same period in 2011. Underlying earnings differed from the net loss due to an adjustment to record finished goods inventory at its net realisable value. This adjustment is discussed in further detail below. In 2011, underlying earnings differed from the net loss by the non-cash cost adjustment to low grade stockpiles not expected to be processed.

Earnings before interest, taxation, depreciation and amortisation were $1.2 million for the June 2012 half-year, compared with a loss of $166.7 million for the June 2011 half-year period.

Revenues from sales of uranium oxide decreased to $148.0 million from $235.6 million in the June 2011 half-year, due to lower sales volume, lower average realised sales price and higher A$:US$ exchange rate. Sales volume was lower for the period at 1,229 tonnes compared with the June 2011 half-year of 1,825 tonnes. As in previous years, 2012 sales are heavily weighted towards the second half of the year.

The average realised sales price of uranium oxide for the June 2012 half-year was US$57.57 per pound compared with US$60.82 per pound for the corresponding period in 2011. This change is largely attributable to a decrease in the long term uranium price indicators. For the 2012 half-year, the average long term uranium price indicator for uranium oxide was US$60.67 per pound and the average spot price was US$51.53 per pound, compared to $US69.67 per pound and $US63.59 per pound respectively for the same period in 2011.

As sales of uranium oxide are denominated in US dollars, the strengthening Australian dollar also impacted revenue from sales. The average A$:US$ exchange rate for the first half of 2012 was US105.4 cents compared to US103.9 cents in the June 2011 half-year.

Uranium oxide produced for the period was 1,244 tonnes compared with 601 tonnes for the June 2011 half-year. Production of uranium oxide in 2011 was significantly impacted by the suspension of processing operations from 28 January 2011 to 15 June 2011 as a result of the extreme rainfall at the Ranger mine over the 2010/2011 wet season.

Plant performance has continued strongly in the June 2012 half-year with operations optimised for the processing of low grade stockpiled material. Optimisation focused on balancing milling rates and recoveries with ore characteristics and process reagents. Whilst this adversely impacted mill recovery in the June 2012 half-year, it yielded an increase in the operating margin. These techniques will be utilised further when all available high grade reserves have been milled.

Material mined for the June 2012 half-year was significantly higher than the corresponding period of 2011. In the June 2012 half-year, mining activity primarily focused on the stockpiles as in-pit mining was restricted due to the water levels in Pit 3. Following the end of the 2011/2012 wet season, dewatering operations proceeded ahead of schedule with full mining access to Pit 3 obtained in late May 2012. Since that time, the productivity of the mining fleet has been high with the majority of the ore mined for the June 2012 Quarter having been produced during the month of June 2012. At this time, ERA expects to complete mining in Pit 3 by the end of 2012.

Cash costs for the 2012 half-year were marginally lower than the corresponding period in 2011. Higher raw material usage was offset by reduced purchases of uranium oxide and lower contractor usage.

The June 2012 half-year saw high levels of plant utilisation compared to the corresponding period in 2011, which was significantly affected by the suspension of processing plant operations from 28 January 2011 to 15 June 2011. The high plant utilisation in the June 2012 half-year resulted in the use of significantly higher volumes of major consumables, including sulphuric acid, lime and diesel compared to the same period in 2011.

During the June 2012 half year period, ERA purchased 387 tonnes of uranium oxide, at a cost of $43.3 million, to meet its 2012 sales schedule. This resulted from the record December 2011 rainfall that prevented ERA from fully dewatering Pit 3 and accessing the high grade ore located at the bottom of the pit. In the June 2011 half-year, ERA purchased 405 tonnes of uranium oxide, at a cost of $47.8 million.

Employee benefits and contractor expenses for the June 2012 half-year are below those in the June 2011 half-year, primarily due to reduced maintenance activity in 2012. During the suspension of processing operations in the June 2011 half-year, ERA undertook a comprehensive planned maintenance programme.

As previously foreshadowed, ERA's non-cash costs have increased significantly in the June 2012 half-year. Financing costs have increased as a result of the unwinding of the discount associated with the rehabilitation provision, which was significantly increased in June 2011. Depreciation, which is largely calculated on an units of production basis, has significantly increased due to the reduced Ranger Ore Reserves following the adjustment announced in August 2011, the increase in the value of property, plant and equipment (predominately driven by the increase in the non-current asset associated with the rehabilitation provision) and the significantly higher production levels in the June 2012 half-year when compared to the corresponding period in 2011.

At 30 June 2012, a $12 million (pre-tax) adjustment was made to finished goods inventory to record it at its net realisable value. This was due to the increased non-cash costs and modest June 2012 half-year production, which drove the total unit cost of inventory above the expected sales price. Based on the current 2012 forecast production, the total unit cost of inventory is expected to drop below the anticipated sales price in the next period.

Exploration

ERA resumed its exploration program on the Ranger Project Area during the second quarter of 2012 following the 2011/2012 wet season. Exploration drilling activities in the June 2012 half-year were limited as the 2011/2012 wet season restricted access to the target areas on the Ranger Project Area.

Exploration expenditure for the June 2012 half-year was $15 million, comprising $10 million for the Ranger 3 Deeps exploration decline and $5 million on surface exploration activities. This compares to exploration expenditure of $1 million in the corresponding period in 2011.

In late May 2012, ERA recommenced drilling on targets in close proximity to Pit 3. To date, no significant mineralisation has been identified. During the second half of the year, drilling will be focused on target areas in the north of the Ranger Project Area.

Ranger 3 Deeps Exploration Decline

On 1 May 2012, ERA commenced construction of the Ranger 3 Deeps exploration decline at the Ranger mine. Construction continues to progress with excavation of the boxcut scheduled for completion by the end of July 2012. Work on the decline is scheduled to commence in November 2012 with ERA targeting completion of the first 100 metres of the decline by the end of 2012. The project remains on schedule and within budget.

ERA has engaged Macmahon Holdings Limited to construct the 2,200 metre decline to a depth of approximately 400 metres.

ERA will invest an estimated $120 million in the Ranger 3 Deeps exploration decline project to conduct close spaced underground exploration drilling to further define the Ranger 3 Deeps ore body, and to explore areas adjacent to the resource.

Ranger 3 Deeps Mine Prefeasibility Study

On 14 June 2012, the ERA Board approved the Ranger 3 Deeps mine prefeasibility study at an estimated cost of $57 million. This study will evaluate and confirm the scope for a possible Ranger 3 Deeps underground mine. It will also include 16,000 metres of drilling for resource definition (in addition to the 35,000 metres of drilling approved as part of the Ranger 3 Deeps exploration decline project), a 1,600 metre extension of the decline and the installation of a ventilation shaft.

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. The estimated total capital expenditure for the Brine Concentrator project is $220 million, which includes an amount of $65 million for the procurement of long lead time items previously approved by the Board.

ERA has entered into a contract with HPD LLC, a subsidiary of Veolia Water Solutions and Technologies, for the design and supply of the brine concentrator units.

Site preparation works are well underway with the successful completion of the demolition of the acid plant. All components of the brine concentrator units are expected to arrive in the Northern Territory by the end of 2012 with the facility planned to be fully commissioned in the second half of 2013.

The construction of the project remains on schedule and within budget.

Relationship with Traditional Owners

The June 2012 half-year saw further improvement in the relationship between ERA and the Mirarr Traditional Aboriginal Owners of the Ranger Project Area, represented by the Gundjeihmi Aboriginal Corporation ('GAC').

Discussions on a mining agreement, which respects Mirarr traditional ownership of the Ranger Project Area and entitles them to a greater level of participation in the benefits from mining on their land, have significantly advanced in 2012 with the agreement expected to be concluded during the second half of 2012.

In parallel, ERA and the GAC have worked closely together on a range of matters which included the joint announcement in March 2012 of the establishment of an independent surface water study at the Ranger mine and the decommissioning of the interim water management pond on the Jabiluka lease.

Dividends

In light of the financial results and the forecast cashflow requirements for the implementation of ERA's strategic initiatives, the ERA directors have decided not to declare an interim dividend in respect of the 2012 half-year (2011:Nil).

No final dividend was paid in respect to the 2011 financial year.

Outlook

In the short term, the uranium market remains challenging with utilities well supplied and post Fukushima uncertainty remaining in the Japanese market. To date, two reactors have been re-started in Japan with the possibility of several others restarting later in the year. However, despite this positive news, the spot market remains stable in the low US$50s per pound of uranium oxide, with little activity and low volatility. Long term prices remain in the low US$60s per pound of uranium oxide with minimal activity.

The longer term outlook remains encouraging for established producers. Demand in China continues to grow with 26 reactors currently under construction. Despite some slower growth in the medium term as China transitions to an increased reliance on improved nuclear power generation technology, it is expected that the country will be one of the largest uranium consumers within the decade. Also, given the low spot prices over the last year, some supply side reductions are beginning to be seen. Existing primary supply is forecast to be just over half of expected demand in 2020. ERA is well positioned for a stronger market in the mid term if the Ranger 3 Deeps mine is developed.

As previously announced, ERA expects its 2012 production of uranium oxide to be between 3,200 and 3,700 tonnes. At this time, ERA expects to complete mining in Pit 3 by the end of 2012. In line with a previous announcement, ERA will purchase approximately 500 tonnes of uranium oxide in 2012 for inventory management. ERA purchased 387 tonnes of uranium oxide in the June 2012 half-year and has finalised arrangements for the purchase of the remainder.

Sales of uranium oxide in 2012 are expected to be broadly in line with production. In addition, subject to Quarter 1 2013 sales commitments, ERA expects to fully repay all uranium oxide loans contracted over the last two years by the end of 2012.

About Energy Resources of Australia Ltd

ERA is one of the nation's largest uranium producers and Australia's longest continually operating uranium mine.

ERA has an excellent track record of reliably supplying customers. Uranium has been mined at Ranger for three decades. Ranger mine is one of only three mines in the world to produce in excess of 100,000 tonnes of uranium oxide.

ERA's Ranger mine is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, located in Australia's Northern Territory.

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