Results for announcement to the market

Appendix 4E
Energy Resources of Australia Ltd

ABN 71 008 550 865
ASX Preliminary final report – 31 December 2017
Lodged with the ASX under Listing Rule 4.3A

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Results for announcement to the market

	Change		2017 $000	2016 $000
Revenue from sales of uranium	-21%	to	211,150	267,757
Revenue from continuing operations	-18%	to	240,471	294,839
Profit/(loss) from continuing operations after tax attributable to members	84%	to	(43,532)	(271,077)
Net Cash flow from operating activities	-77%	to	7,838	34,022
Earnings before Interest, Tax, Depreciation and Amortisation	-372%	to	(52,925)	(11,204)
EPS (cents)	84%	to	(8.4)	(52.4)

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

Review of operations

Energy Resources of Australia (**ERA** or the **Company**) generated positive cash flow from operating activities of $8 million in 2017 compared to $34 million in 2016.

ERA held total cash resources of $468 million at 31 December 2017, representing an increase of $2 million over the period. Total cash resources at 31 December 2017 comprised $395 million in cash at bank and $73 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 loss after tax of $44 million compared to a net loss after tax of $271 million in 2016. This loss was in part due to a non-cash charge of $21 million for increases to the rehabilitation provision. The prior period net loss after tax was largely a result of a $231 million non-cash impairment write down of ERA's property, plant and equipment during 2016. No impairment charges have been recorded during 2017.

Uranium oxide produced for the year ended 31 December 2017 was 2,294 tonnes, 2 per cent lower than 2016 production of 2,351 tonnes. Production was unfavourably impacted by lower volumes of ore milled.

Revenue from the sale of uranium oxide was $211 million (2016: $268 million). Despite achieving an average realised price well in excess of the average spot price in 2017, the average realised price was lower than 2016. This together with reduced volumes and exchange rate movements adversely impacted overall revenue.

Sales volume for 2017 was 2,089 tonnes compared with 2,139 tonnes for 2016. The average realised sales price that ERA received for uranium oxide in 2017 was US$34.75 per pound compared to US$41.87 per pound in 2016. This compares favourably against the average spot price for 2017 of US$21.78 per pound.

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With uranium oxide sales denominated in US dollars, the strengthening of the Australian dollar had a negative impact on ERA's financial results. The average USD/AUD exchange rate during the year was 0.76 US cents, compared with 0.74 US cents for 2016.

In April 2017, ERA received a net payment of $15 million from insurers associated with the settlement of a business interruption claim arising from the 2013 failure of leach tank 1. This receipt is included in cash flow from operating activities.

Cash costs for 2017 were lower than the corresponding period in 2016. This was driven by ERA continuing to focus on cash preservation and improved efficiencies.

ERA's cash generation programme continued to identify further opportunities for savings and efficiency improvements across the business in 2017. Work on pursuing additional opportunities will continue in 2018. Favourable input costs were achieved through the ongoing negotiation of procurement contracts and productivity improvements.

No depreciation has been recorded in 2017 due to ERA fully impairing the Ranger Cash Generating Unit in 2016.

Capital expenditure for the year was $7 million compared to $3 million in 2016. All expenditure in 2017 related to sustaining capital expenditure activities. In 2017, 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 being fully impaired in 2016.

Outlook
Spot uranium prices reacted favourably to supplier announcements in the fourth quarter of 2017 with prices stabilising around US$24 per pound in January 2018.

While supply is expected to continue to exceed demand in the near term, China led demand-growth should support a rebalancing of the market over time as China and other Asian countries continue to progress their nuclear power programmes in accordance with long term energy policy objectives.

At this time, ERA expects uranium production for 2018 to be within the range of 1,600 tonnes to 2,000 tonnes. Production will be drawn from existing stockpiles. ERA's forecast sales are substantially contracted, with the average realised selling price for 2018 currently expected to be in the US$42 to US$48 per pound range.

Rehabilitation
Progressive rehabilitation of the Ranger Project Area continued with expenditure of $27 million incurred during 2017. Expenditure was primarily associated with the dredge operating to transfer tailings from the Tailings Storage Facility to Pit 3, the backfill of waste material into Pit 1 and the commencement of a rehabilitation feasibility study.

A routine review conducted in late 2017 resulted in the estimate of the rehabilitation provision increasing by $21 million. The review included an updated evaluation of key assumptions and incorporates learnings from work conducted to date. The overall rehabilitation strategy remains unchanged.

ERA commenced a feasibility study of rehabilitation in the final quarter of 2017. The study, which is expected to be completed by the third quarter of 2018, aims to further refine scheduled rehabilitation activities and execution of plans.

The rehabilitation provision at 31 December 2017 was $526 million.

Results for announcement to the market

Dividends
ERA has decided not to declare a final dividend for the 2017 financial year. No final dividend was paid in respect to the 2016 financial year.

Exploration
There was no exploration expenditure for the year ended 2017.

The Ranger 3 Deeps exploration decline remains under care and maintenance.

Preliminary statement of comprehensive income

	2017 $000	2016 $000
Revenue from continuing operations	240,471	294,839
Changes in inventories	(22,193)	(44,763)
Materials and consumables used	(71,130)	(75,150)
Employee benefits and contractor expenses	(111,824)	(122,852)
Government and other royalties	(11,215)	(14,286)
Commission and shipping expenses	(4,890)	(5,526)
Depreciation and amortisation expenses	-	(37,853)
Non-cash impairment charge	-	(230,724)
Changes in estimate of rehabilitation provision	(21,135)	-
Financing costs	(22,072)	(19,654)
Statutory and corporate expense	(11,046)	(12,736)
Other expenses	(8,498)	(2,372)
Profit/(Loss) before income tax	**(43,532)**	**(271,077)**
Income tax benefit/(expense)	-	-
Profit/(Loss) for the year	**(43,532)**	**(271,077)**
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	**(43,532)**	**(271,077)**
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	**(43,532)**	**(271,077)**
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	**(43,532)**	**(271,077)**

Preliminary balance sheet

	2017 $000	2016 $000
Current assets		
Cash and cash equivalents	395,477	395,598
Trade and other receivables	8,903	12,348
Inventories	115,926	127,274
Other	473	-
Total current assets	**520,779**	**535,220**
Non-current assets		
Inventories	-	9,791
Undeveloped properties	203,632	203,632
Property, plant and equipment	-	-
Investment in trust fund	72,901	70,789
Total non-current assets	**276,533**	**284,212**
Total assets	**797,312**	**819,432**
Current liabilities		
Payables	36,777	34,357
Provisions	80,930	58,572
Income received in advance	45,981	40,416
Total current liabilities	**163,688**	**133,345**
Non-current liabilities		
Provisions	457,688	466,460
Deferred tax liabilities	21,049	21,068
Total non-current liabilities	**478,737**	**487,528**
Total liabilities	**642,425**	**620,873**
Net assets	**154,887**	**198,559**
Equity		
Contributed equity	706,485	706,485
Reserves	389,300	389,440
Accumulated losses	(940,898)	(897,366)
Total equity	**154,887**	**198,559**

Preliminary statement of changes in equity

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2016	**706,485**	**389,751**	**(626,289)**	**469,947**
Loss for the year	-	-	(271,077)	(271,077)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(271,077)**	**(271,077)**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(311)	-	(311)
	-	(311)	-	(311)
Balance at 31 December 2016	**706,485**	**389,440**	**(897,366)**	**198,559**
Loss for the year	-	-	(43,532)	(43,532)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(43,532)**	**(43,532)**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(140)	-	(140)
	-	(140)	-	(140)
Balance at 31 December 2017	**706,485**	**389,300**	**(940,898)**	**154,887**

Preliminary statement of cash flows

	2017 $000 inflows/ (outflows)	2016 $000 inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	259,070	317,514
Payments to suppliers and employees (inclusive of goods and services tax)	(229,563)	(267,373)
	29,507	**50,141**
Payments for exploration and evaluation	-	-
Payments for rehabilitation	(27,025)	(20,454)
Interest received	7,281	6,240
Borrowing costs paid	(1,925)	(1,905)
Net cash inflow/(outflow) from operating activities	**7,838**	**34,022**
Cash flows from investing activities		
Payments for property, plant and equipment	(7,295)	(2,988)
Proceeds from sale of property, plant and equipment	169	93
Net cash inflow/(outflow) from investing activities	**(7,126)**	**(2,895)**
Cash flows from financing activities		
Employee share option payments	(837)	(853)
Net cash inflow/(outflow) from financing activities	**(837)**	**(853)**
Net increase/(decrease) in cash held	(125)	30,274
Cash at the beginning of the financial year	395,598	365,326
Effects of exchange rate changes on cash	4	(2)
Cash at the end of the financial year	**395,477**	**395,598**

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Inventories	2017 $'000	2016 $'000
Inventories - current		
Stores and spares	17,182	16,128
Ore stockpile at cost	8,863	37,340
Work in progress at cost	3,737	2,424
Finished product U_3O_8 at cost	86,144	71,382
Total current inventory	115,926	127,274
Inventories – non-current		
Ore stockpiles at cost	-	9,791

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

Total net realisable value adjustments recorded periodically through the year was $7.1 million (pre-tax) ($24.8 million in 2016). The net realisable value adjustment has been included in 'Changes in inventories' in the Statement of Comprehensive Income.

At 31 December 2017, finished goods inventory was below its net realisable value and so remains recorded at cost.

The calculation of net realisable value is sensitive to key assumptions including: uranium price, Australia/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	2017 $'000	2016 $'000
Provisions -current		
Employee benefits	9,290	9,861
Rehabilitation	71,640	48,711
Total current provisions	80,930	58,572
Movement in current rehabilitation provision		
Carrying value at the start of the year	48,711	30,946
Payments	(27,025)	(20,454)
Transfers from non-current provisions	49,954	38,219
Carrying amount at the end of the year	71,640	48,711
Provisions – non-current		
Employee benefits	3,639	3,740
Rehabilitation	454,049	462,720
Total non-current provisions	457,688	466,460
Movement in non-current rehabilitation provision		
Carrying value at the start of the year	462,720	477,575
Unwind of discount	20,148	17,750
Change in estimate	21,135	5,614
Transfers to current provisions	(49,954)	(38,219)
Carrying amount at the end of the year	454,049	462,720

The calculation of the rehabilitation provision relies on estimates of costs and the timing required to rehabilitate disturbed land.

The costs are estimated on the basis of a closure model, taking into account consideration of the technical closure options available to meet ERA's obligations. The provision for rehabilitation represents the net present cost at 31 December 2017 of the rehabilitation plan within the requirements of the Ranger Authority. The Ranger Authority requires ERA to cease mining and processing activities by January 2021 and complete rehabilitation of the Ranger Project Area by January 2026.

The closure model is based on a prefeasibility study that was conducted in 2011 and has been reviewed and updated annually since. Material packages of work have had studies progressed and work subsequently executed as required. Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping and design, construction and commissioning of tailings dredging system. Completion of these activities was conducted in line with the prefeasibility study cost estimate.

ERA commenced a feasibility study of rehabilitation in late 2017. The feasibility study will increase the level of certainty regarding forecast rehabilitation expenditure.

Major activities to complete the rehabilitation plan include: material movements, water treatment, tailings transfer, demolition and revegetation. Major cost sensitivities include: material movements and water treatment costs. Material movement costs are sensitive to the forecast volume of material to be moved and the estimated cost that it can be moved for. Water treatment costs are sensitive to the volume of process water to be treated which is impacted by rain fall, water inflows, and the performance of water treatment infrastructure. The current cost estimate may require material adjustment should the assumptions used change or not be realised.

For accounting purposes, water treatment costs at Ranger are required to be allocated between the rehabilitation provision and operating expenditure. Costs are allocated to

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operating expenditure where water treatment supports production of uranium oxide at Ranger. Material changes to the uranium oxide production plan may impact the allocation of costs between the rehabilitation provision and operating expenditure in future reporting periods.

The ultimate cost of rehabilitation can vary in response to many factors including legal requirements, technological change and market conditions as well as the sensitivities referred to above. It is reasonably possible that outcomes within the next financial year that are different from the current cost estimate could require material adjustment (increase or decrease) to the rehabilitation provision for the Ranger Project Area.

In estimating the rehabilitation provision a risk free discount rate is applied to the underlying cash flows. At 31 December 2017, the real discount rate was 2.00 per cent.

The overall change to the rehabilitation provision in 2017 includes an increase in the underlying cost estimate of $21 million. The change in estimate is based on an updated evaluation of key assumptions and incorporates learnings from work conducted to date. The overall rehabilitation strategy remains unchanged. This adjustment has been recorded in the Statement of Comprehensive Income.

The Company continues to have in place a $100 million credit facility agreement with Rio Tinto. The credit facility agreement provides additional assurance to stakeholders that rehabilitation can be funded in a range of business scenarios.

Deferred tax	2017 $'000	2016 $'000
Deferred tax asset/(liability)	(21,049)	(21,068)

Judgement is required in regard to the application of income tax legislation. There is an inherent risk and uncertainty in applying these judgements and a possibility that changes in legislation will impact the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

ERA recognised certain deferred tax assets for temporary differences. ERA has substantial tax losses that are not recognised as deferred tax assets due to uncertainty regarding the Company's ability to generate adequate levels of future taxable profits, this treatment is reviewed periodically. Should future taxable profits eventuate this treatment will not impact the Company's ability to utilise available tax losses in future periods.

Share capital	2017 $'000	2016 $'000
Share capital at the end of the financial year	517,725	517,725

Retained earnings	2017 $'000	2016 $'000
Retained earnings at the beginning of the financial year	(897,366)	(626,289)
Net profit/(loss) attributable to members of Energy Resources of Australia	(43,532)	(271,077)
Retained profits at the end of the financial year	(940,898)	(897,366)

Asset Carrying Values

ERA has two cash generating units (**CGUs**), the Ranger Project Area and the Jabiluka Mineral Lease. The Ranger CGU includes all assets and liabilities related to activities on the Ranger Project Area, including the rehabilitation provision and the associated asset

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capitalised within property, plant and equipment. The Jabiluka Undeveloped Property relates to the Jabiluka Mineral Lease which is currently subject to a Long Term Care and Maintenance Agreement.

At 31 December 2017, the property, plant and equipment in the Ranger CGU continue to be fully impaired. When capital expenditure is incurred it is immediately expensed to the Statement of Comprehensive Income. In the year ended 31 December 2017, $7.3 million in capital expenditure was expensed.

At the end of each reporting period, ERA assesses whether there are any indications that the CGUs may be impaired or whether circumstances have changed to indicate reversal of prior impairments. This requires judgment in analysing possible impacts caused by factors such as the price of uranium oxide, foreign exchange movements, operating and capital estimates, project progression, Traditional Owner relationships and weather impacts on process water inventories.

ERA assesses the recoverable amount using a fair value less costs of disposal (**FVLCD**) method. ERA conducts impairment testing using a probability-weighted discounted cash flow model.

Undeveloped Properties

Undeveloped properties are considered as assets not yet ready for use. In reporting periods where impairment testing is required, the recoverable amount of the undeveloped properties is determined using the fair value less costs of disposal method. Undeveloped properties consist of the Jabiluka mineral lease. The carrying value of the Jabiluka Undeveloped Property, net of deferred tax liability is $181 million.

The Jabiluka mineral lease is currently subject to a Long Term Care and Maintenance Agreement with Traditional Owners. This agreement ensures the Jabiluka deposit will not be developed without the consent of the Mirarr Traditional Owners. It is uncertain that this consent will be forthcoming and, by extension, that the Jabiluka deposit will be developed. Should this consent not eventuate in the future, the Jabiluka Undeveloped Property would face full impairment.

The valuation of the Jabiluka Mineral lease requires a high degree of judgment. To determine the fair value, ERA has used a probability weighted discounted cash flow model. Results are checked against market valuation of other undeveloped mining projects in the uranium industry and the broader mining sector, including market valuations of mining assets subject to long-term approval constraints. This approach has been reviewed by an external valuation expert.

Key assumptions to which the Jabiluka model is sensitive include: the probability of future development, uranium oxide prices, foreign exchange rates, production and capital costs, discount rate, ore reserves and mineral resources and lease tenure renewal.

Net Tangible Asset Backing	2017 $	2016 $
Net tangible asset backing per ordinary share	0.3	0.4

Audit

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