Energy Resources of Australia Ltd

ABN 71 008 550 865
A member of the Rio Tinto Group

Head office Level 3, Energy House,
18-20 Cavenagh St, Darwin NT 0800
GPO Box 2394, Darwin NT 0801, Australia
T +61 8 8924 3500 **F** +61 8 8924 3555

Ranger mine Locked Bag 1,
Jabiru NT 0886 Australia
T +61 8 8938 1211 **F** +61 8 8938 1203

www.energyres.com.au

18 February 2019

Company Announcements Office
ASX Limited
Level 4, Stock Exchange Centre
20 Bridge Street
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

Dear Sir/Madam

Energy Resources of Australia Ltd (ERA) – 2018 Annual Report

Please find attached a copy of ERA's 2018 Annual Report.

Copies of the Annual Report are expected to be dispatched to all shareholders who have elected to receive a copy of the Annual Report on or about 5 March 2019.

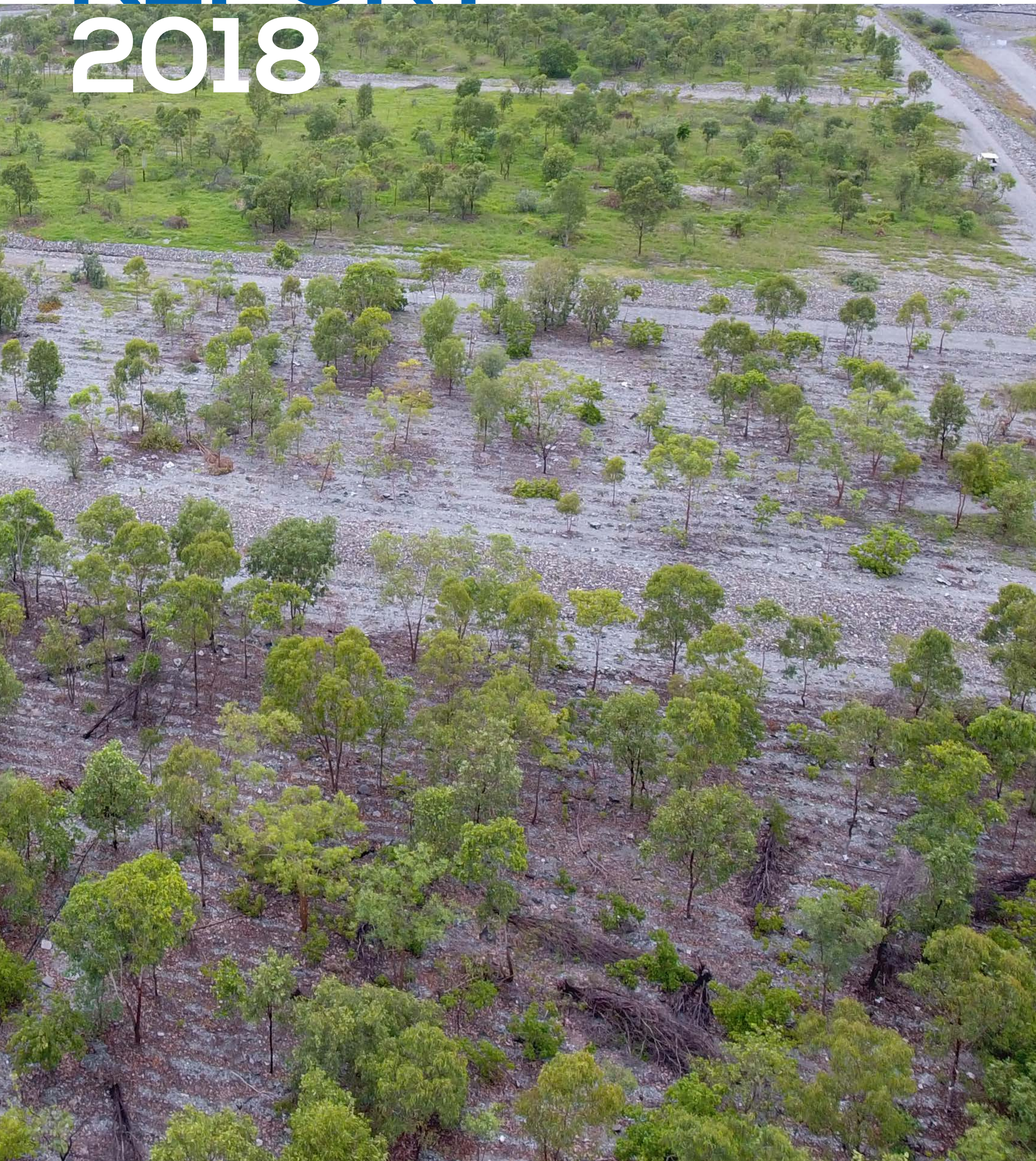
ERA's Annual General Meeting will be held at 9.30am (ACST) on Wednesday 10 April 2019. A copy of the Notice of Annual General Meeting is expected to be sent to all shareholders on or about 5 March 2019.

Yours faithfully

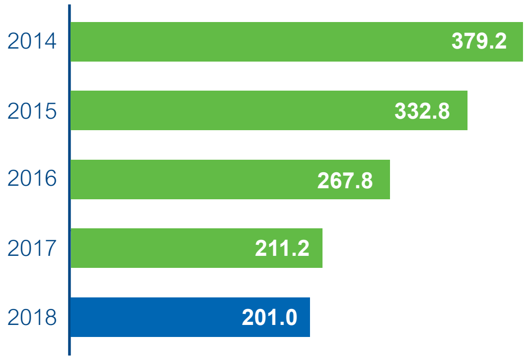
James O'Connell
Legal Counsel | Company Secretary

ANNUAL REPORT 2018

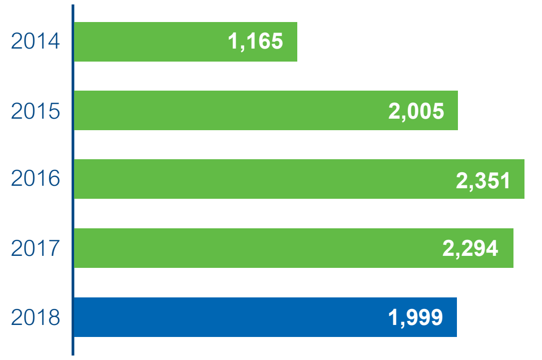
ERA



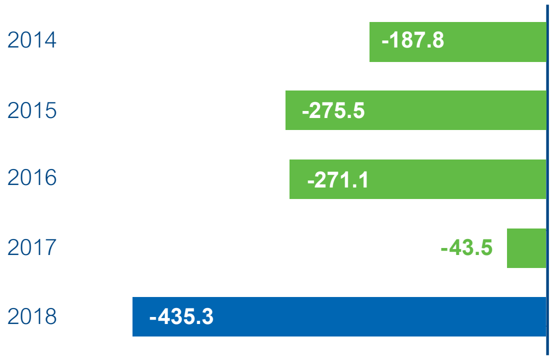
SALES REVENUE ($M)



DRUMMED PRODUCTION TONNES (T)

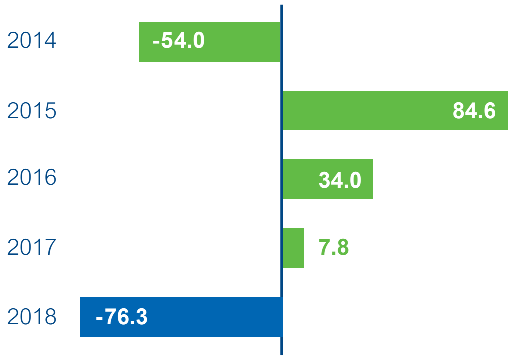


NET PROFIT AFTER TAX ($M)

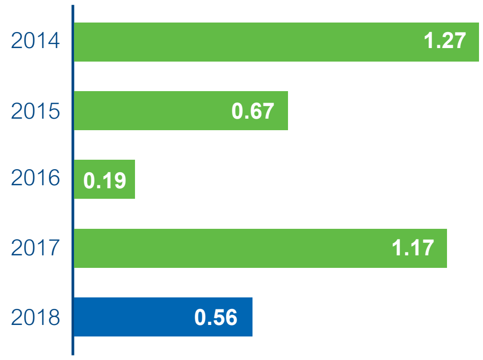


INDIGENOUS EMPLOYEES (FTEs)

OPERATING CASHFLOW ($M)



ALL INJURY FREQUENCY RATE (PER 200,000 HRS WORKED)



Cover photo of the Ranger Trial Landform taken in January 2019 using ERA's drone.

With thanks to Scott Mason, David Coles and Sue Smiley from the Infrastructure team.

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CHAIRMAN'S REPORT

It has been some years since your Company has mined the Ranger ore body, and it is now well advanced in its rehabilitation program. I believe this is an appropriate time to reflect on the benefits that have been derived by many over the last four decades because of its existence. The Ranger Uranium Mine will leave a significant legacy, which will, hopefully, live on through other projects.

This reflection is particularly timely in the light of the current heightened opposition to the extractive industry. The debate on the advantages and disadvantages of this industry is a worthy one, but it does need balance. I have highlighted below some of the benefits that have resulted from ERA's operations, but it is fair to say that the ERA story is not an uncommon one in the mining industry in general.

On the environmental front, ERA started mining on pristine bare land in 1980, and, in 2026, it will have returned that same land to a condition in keeping with the surrounding natural habitat. All mining equipment and buildings on the mine site will have been demolished and the pits backfilled. The rehabilitation works will see more than a million seedlings planted over the Ranger Project Area. In short, the disturbed land will be returned to a viable ecosystem, meeting the expectations of all ERA's stakeholders, and, most importantly, those of the Mirarr.

While planning for closure and rehabilitation of the Ranger Mine is now our main focus, ERA has had a long history as a reliable supplier of fuel to nuclear power stations, connecting millions of homes with clean electricity.

But it goes well beyond that. There is also a legacy of far reaching other economic benefits in Australia. Over 37 years of production, the Ranger Mine has contributed more than half a billion dollars in royalties to Aboriginal interests and to Governments; more than one billion dollars in dividends; and more than one billion dollars in tax.

Significant other economic and social benefits have been ERA's contribution to training and employment. Onsite training programs have been of a high standard and ongoing. Over the years we have employed many thousands of people. The multiplier effect of that training and employment is obvious.

From a social perspective, the town of Jabiru owes its existence to ERA. In today's money, ERA spent $230 million on the establishment of the town to support the mine and the local community. The commercial properties, houses, public pool, lake and sporting facilities are, and will continue to be, extensively used. Educational, health and policing facilities are provided. These would not otherwise be locally available. Jabiru is powered by the Ranger Mine. The airport, (constructed and operated by ERA), is used by emergency services, commercial ventures and local charter operations – all at no cost.

The Ranger Mine has not only spawned a community, but has also been a fundamental enabler in the development of a tourism industry underpinned by the World Heritage Kakadu National Park. Jabiru is the gateway into the Park and will remain so many years after the Ranger Mine has been rehabilitated. The importance of this town has been recognised by the Federal and Territory Governments, both of which have committed significant funding to the development of Jabiru, the local tourism hub.

In any balanced debate, the broad contribution that mining in general, and ERA in particular, has made to Australian life needs to be acknowledged. ERA has taken, and continues to take, its environmental, economic and social responsibilities very seriously. I believe it has truly earned its social licence to operate in the future.

Lastly, on behalf of the Board, I would like to thank the management team and staff at ERA for their commitment and hard work this year.

PETER MANSELL
CHAIRMAN

CHIEF EXECUTIVE'S REPORT

On behalf of the dedicated team at ERA, I am very pleased to report on the Company's achievements in 2018.

ERA's first priority is to care for people and the environment. Our focus is each other's wellbeing, health and personal safety reflecting a continued commitment to the goal of zero harm.

It is most pleasing that the number of injuries in 2018 halved from what we recorded in 2017. The conscious effort and commitment from all levels whether frontline, supervisors, managers or leadership is to be commended.

Furthermore, we continued to improve how we ensure critical controls to eliminate fatality exposures and process safety incidents are in place, effective and verified. Our performance in process safety management is subject to independent oversight and is highly regarded within the Rio Tinto Group.

We continued to process from existing stockpiles of low grade ore producing 1,999 tonnes of uranium oxide in 2018. Our processing plant's performance has been outstanding when considering the age of the asset, with daily throughput capacity records set in the second half of 2018.

The progressive rehabilitation of Ranger Mine continues with our treatment of process water exceeding target, with the Brine Concentrator achieving (and exceeding) annual nameplate capacity for the first time, a testament to the relentless focus of our operating and technical teams.

The feasibility study on the rehabilitation strategy was progressed in 2018, further increasing confidence that ERA's planned rehabilitation strategy will satisfy regulatory obligations, including the January 2026 milestone. Following the study, our rehabilitation program will require significant additional funding which is beyond our current resources. We are continuing to assess all options, including active discussions with Rio Tinto regarding a funding solution.

In 2018, ERA launched a business transformation program to increase cash flow while maintaining the Company's priority to care for people and country. The "Transforming ERA Together" program seeks cash savings and productivity improvements and I am pleased to report that by the end of the year we have implemented programs set to deliver savings and productivity gains through 2020.

We want everyone to contribute to their full potential and in 2018 we progressed our "My Future Plan" program giving employees opportunities to expand their skills and capabilities as we plan for the closure of Ranger. Our sustained focus on indigenous participation maintained our indigenous workforce at 13 per cent.

Throughout 2018, we continued to engage with the Mirarr Traditional Owners and our other key stakeholders. In May, I formally presented the Mirarr Traditional Owners with the first public copy of the Ranger Mine Closure Plan. The Plan is the direct result of ongoing consultation and collaboration with the Mirarr and our other key stakeholders. We thank them for their ongoing engagement with us.

The Mine Closure Plan, now available on the Company's website, details the final rehabilitation and closure outcomes needed between now and 2026 for ERA to meet its legal obligations and ensure the Ranger Project Area's final condition is consistent with the values of the surrounding World Heritage Kakadu National Park.

We acknowledge the leadership and efforts of the Mirarr Traditional Owners, together with the support of Commonwealth and Northern Territory Governments, in producing a Masterplan for Jabiru and securing its future.

Paul Arnold presenting Yvonne Margarula with the first copy of the Ranger Mine Closure Plan – Image courtesy of Gundjeihmi Aboriginal Corporation

Finally, I wish to again acknowledge our hard working ERA team for their dedication and commitment to Ranger and ERA throughout 2018. We will continue to deliver to this standard in 2019 and I look forward to the year ahead.

PAUL ARNOLD

CHIEF EXECUTIVE AND MANAGING DIRECTOR

COMPANY OVERVIEW

Energy Resources of Australia Ltd (ERA) acknowledges the Mirarr people, Traditional Owners of the land on which ERA operates.

ERA operates the Ranger uranium mine, Australia's longest continually operating uranium mine.

ERA has provided international customers with reliable supply of uranium oxide (U_3O_8) in the 37 years since production at Ranger began. During that time, Ranger has produced in excess of 128,000 tonnes of uranium.

The Ranger mine's operational infrastructure lies within the 79 square kilometre Ranger Project Area, which is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in the Northern Territory of Australia. ERA's operations on the Ranger Project Area are undertaken pursuant to an authorisation granted under section 41 of the *Atomic Energy Act 1953* (Cth) (the Ranger Authority).

ERA is currently processing stockpiled ore following the completion of open cut mining in 2012.

The Ranger 3 Deeps ore body contains a Mineral Resource of 43,858 tonnes of contained uranium oxide, comprised of 19.58 million tonnes at an overall grade of 0.244% U_3O_8. Following a decision in 2015 not to progress the Ranger 3 Deeps project to full feasibility study, the exploration decline and associated infrastructure remain under care and maintenance. In order to fully develop the Ranger 3 Deeps resource, ERA would require an extension to the Ranger Authority which expires in January 2021.

ERA also holds title to the world-class Jabiluka Mineral Lease. In accordance with the Jabiluka Long Term Care and Maintenance Agreement, the Jabiluka deposit will not be developed by ERA without the approval of the Mirarr Traditional Owners.

The Ranger Project Area and the Jabiluka Mineral Lease are located on Aboriginal land and are surrounded by, but separate from, the World Heritage-listed Kakadu National Park.

In addition to the Ranger Authority, ERA's uranium mining activities are regulated through Commonwealth and Northern Territory legislation. ERA has also entered into a suite of agreements which govern its operations on the Ranger Project Area with the Gundjeihmi Aboriginal Corporation, on behalf of the Mirarr Traditional Owners, the Northern Land Council and the Commonwealth Government.

ERA has a sales and marketing agreement with Rio Tinto Uranium pursuant to which ERA's product is sold to international power utilities under strict international and Australian Government safeguards which ensure that Australian uranium is only used for peaceful purposes.

ERA is committed to strong environmental management practices. The previously exhausted open cut mines at Ranger, as well as the Jabiluka site, are being progressively rehabilitated in line with regulatory requirements.

The Company's shares are publicly held and traded on the Australian Securities Exchange, with Rio Tinto, a diversified resources group, currently holding 68.4 per cent of ERA shares.

FINANCIAL PERFORMANCE

In 2018, ERA generated negative cash flow from operating activities of $76 million compared to positive $8 million in 2017. This was largely due to an increased rehabilitation spend on the Ranger Project Area and lower sales receipts compared to the prior period. Despite negative cash flow, ERA continued to generate a positive margin from the sale of uranium oxide, with production inventories being built for sales in future periods.

ERA held total cash resources of $388 million at 31 December 2018, comprised of $313 million in cash at bank and $75 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 $435 million compared to a net loss after tax of $44 million in 2017. This loss was principally driven by two non-cash charges during the period. The first was a $343 million non-cash charge recorded in December 2018 for an increase to the rehabilitation provision following the Ranger Project Area closure feasibility study (Feasibility Study). The second, an impairment charge at 30 June 2018 of $90 million (after tax) to the Jabiluka Undeveloped Property, resulted from a material decline in long-term forecast consensus uranium price and an increase in the asset-specific discount rate reflecting recent uranium equity market volatility. These charges have contributed to a net deficiency in shareholder equity of more than $280,790,000 as at 31 December, 2018.

The Ranger Project Area continued to be progressively rehabilitated during 2018, with expenditure of $59 million incurred. In line with the Ranger Mine Closure Plan, expenditure was primarily associated with the dredge operating to transfer tailings from the Tailings Storage Facility to Pit 3, the backfill of waste material to Pit 1, the Feasibility Study and other studies.

REVENUE

Revenue from the sale of uranium oxide was $201 million (2017: $211 million). Revenue was impacted by a decrease in sales volume and an unfavourable movement in the Australian/US dollar exchange rate. This was partially offset by a higher average realised sales price.

Sales volume was 1,467 tonnes for 2018, compared with 2,089 tonnes for 2017. The average realised sales price that ERA received for uranium oxide in 2018 was US$47.67 per pound compared to US$34.75 per pound in 2017. The increase to the average realised sales price is a result of the structure of the ongoing contract portfolio and no spot sales occurring in the current period. This compares favourably against the average spot price for 2018 of US$24.59 per pound.

ERA completed approximately 80 per cent of its contracted sales in the first half of the year as a result of timings within the contract portfolio. In the second half of the year, ERA built inventory of uranium oxide for sales in future periods. ERA did not sell any uranium oxide on the spot market in 2018.

With uranium oxide sales denominated in US dollars, the strengthening of the Australian dollar had a negative impact on ERA's financial results. With sales weighted towards the first half, the average exchange rate was 0.77 US cents, compared with 0.76 US cents for 2017.

OPERATING COSTS

In 2018, ERA initiated a company-wide business transformation program "Transforming ERA Together" to increase cashflow while maintaining the Company's core values of health, safety and environment. Following an initial period to identify and assess potential cash generation opportunities, a series of initiatives to reduce costs and generate additional value have been implemented across the Company's operations. To date, the transformation program has resulted in cost savings, lower input costs and increased productivity. Further savings are expected to be realised in 2019 as the identified initiatives are progressed.

Cash costs for 2018 were slightly higher than the corresponding period in 2017. This was driven by higher consumable prices and consultancy costs.

No depreciation has been recorded in 2018 due to ERA fully impairing the Ranger Cash Generating Unit in 2016.

CAPITAL EXPENDITURE

Capital expenditure for the year was $4 million compared to $7 million in 2017. All expenditure in 2018 related to sustaining capital activities. In 2018, 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.

OPERATIONS AND REHABILITATION

In 2018, ERA produced 1,999 tonnes of uranium oxide, which was at the top end of the market guidance of 1,600 to 2,000 tonnes. This compares with 2,294 tonnes of uranium oxide produced in 2017. Production was impacted by completion of the laterite ore processing early in the June 2018 quarter and the impact of declining ore grades from existing stockpiles.

Processing continued from primary ore stockpiles, while additional uranium oxide was also produced through brines to leach production. This saw recovery of uranium from recycled brine which was returned to the leaching circuit for further extraction.

Despite the declining head grade, the plant achieved its production milestones for the year. The processing of laterite ore ended in April, leading to an increased focus on the optimisation of the mine plan and utilisation of the mill. Following the scheduled maintenance shutdown of the plant in May, the mill reached historical combined mill rates and throughput records in September. Plant throughput for the year was 2.49 million tonnes of uranium ore and the peak mill rate was 382 tonnes per hour. The average recovery rate for the year was 86.6 per cent and average ore head grade was 0.09 per cent uranium oxide.

ERA completed the embedding of its Process Safety Management Plan. The Noetic Group conducted three oversight visits throughout the year to further review improvements to process safety management and is scheduled to complete its final oversight visit in early 2019. In 2019, an internal ERA team will maintain oversight of Process Safety at Ranger while an independent consultant will be retained to provide information and advice.

RANGER MINE CLOSURE PLAN

Under the Ranger Authority, ERA is required to cease mining and processing activities in the Ranger Project Area by January 2021, with final rehabilitation to be completed by January 2026. The Ranger Closure Plan (the Plan) details the works program and schedule to achieve the closure objectives set out in the legal framework and the associated Environmental Requirements.

The Plan builds on more than 20 years of scientific work undertaken on world-class progressive rehabilitation at Ranger, and was developed in accordance with Rio Tinto's internal requirements for mine closure and by reference to the Western Australian Mine Closure Plan Guidelines (in the absence of relevant Northern Territory closure plan guidelines). It also includes proposed closure criteria for the Ranger mine which addresses the key themes of the final landform, radiation, water, flora and fauna, soils and cultural heritage.

ERA released the Plan to the public in June 2018 following an intensive stakeholder engagement process with all key stakeholders which commenced on the provision a draft Plan in December 2016. Key stakeholders who provided feedback on the draft included the Gundjeihmi Aboriginal Corporation (as representatives of the Mirarr Traditional Owners), Northern Land Council and Northern Territory and Commonwealth Government agencies.

In July 2018, ERA formally submitted the Plan to the relevant Northern Territory and Commonwealth Ministers for approval in compliance with the Environmental Requirements. Following a further period of review, the Plan was approved by both Ministers in December 2018.

The Plan is subject to ongoing review and refinement, with ERA required to review and submit an updated Plan for approval each year. The plan will be updated in 2019 to reflect the findings of the recently completed Feasibility Study.

OPERATIONS AND REHABILITATION

FEASIBILITY STUDY

In 2017, ERA commenced the Ranger Project Area closure Feasibility Study to further refine the schedule, rehabilitation activities and execution of the Plan. Work on the Feasibility Study continued during 2018. The approval and implementation of the Feasibility Study results in an increase in the rehabilitation provision from $526 million at 31 December 2017 to $830 million at 31 December 2018 (previously estimated to be $808 million in the Company's 6 December 2018 announcement based on the preliminary findings of the study). This has been recorded in the 2018 full year financial statements.

The increase of $305 million[1] compared to 31 December 2017 is largely due to:

- costs associated with tailings transfer to Pit 3, additional water treatment and related infrastructure, and revegetation requirements;
- higher forecast costs relating to site services and owners' costs; and
- an increase in contingency.

The findings of the Feasibility Study further increase confidence to stakeholders that ERA's planned rehabilitation strategy will satisfy regulatory obligations, including the January 2026 milestone.

As a result of the rehabilitation provision increase, ERA is continuing to review all funding options. Rio Tinto has advised ERA it will work with ERA and its other shareholders and stakeholders with the objective of ensuring that ERA is in a position to meet in full the likely future rehabilitation requirements of the Ranger Project Area. ERA and Rio Tinto are continuing to engage in active discussions regarding a funding solution.

PROGRESSIVE REHABILITATION

Disturbed land on the Ranger Project Area continued to undergo progressive rehabilitation throughout the year alongside operational activities. ERA's progressive rehabilitation activities are based on extensive research, studies and consultation with stakeholders with the main activities focus on Pit 3, Pit 1, the Tailings Storage Facility and the Brine Concentrator.

The primary objective is to rehabilitate the Ranger Project Area to form one final landform across the site which will blend in with the surrounding landscape. The long term goal is to establish a fully functioning landform and ecosystem that is similar to the surrounding Kakadu National Park.

The area of disturbance around the mine footprint measures approximately 950 hectares where most of the rehabilitation work will occur.

A number of key tasks form the basis of the closure strategy, including:

- treatment of all pond and process water inventories;
- remediation of the Tailings Storage Facility and contaminated sites;
- transfer of tailings from the Tailings Storage Facility to the exhausted Pits 1 and 3;
- re-shaping of the stockpiles and disturbed areas of the Ranger Project Area to establish a final landform; and
- revegetation of the final landform using locally sourced native seeds.

As part of ERA's progressive rehabilitation strategy many of these closure activities are well underway.

The transfer of tailings to Pit 1 was completed in late 2008 and the pit is now entering its final stages of backfilling with waste rock in preparation for final landform construction in 2020. In addition, tailings continue to be dredged from the Tailings Storage Facility and transferred to Pit 3, while process water from the Tailings Storage Facility is being treated by the Brine Concentrator prior to release into constructed wetlands and then offsite.

ERA's approach to revegetation is informed by the long-running trial landform research, which began in 2009 to provide for testing of landform design and revegetation strategies. The trial landform used locally sourced native plant species planted out as tube stock into the type of waste rock to be used in the final landform process. In 2018, seeds from native plants in Kakadu National Park were collected under permit by Kakadu Native Plants which is in partnership with ERA on the revegetation project. Late in 2018, ERA received approval to harvest the seeds for commercial purposes.

1. Differences may occur due to rounding

OPERATIONS AND REHABILITATION

A key feature of ERA's closure strategy is the management of tailings and brine which incorporates the rehabilitation of Pits 1 and 3 and the Tailings Storage Facility. These activities continued to progress during 2018. The dredge experienced some technical challenges which saw 3.462 million cubic metres of tailings transferred from the Tailings Storage Facility to Pit 3. In October, the Company approved infrastructure expenditure of $32 million to expand tailings transfer capacity (including the addition of a second dredge) in order to complete rehabilitation activities within the regulatory timeframe.

BRINE CONCENTRATOR

The Brine Concentrator treats process water to produce a distillate (clean water) and a brine (concentrated waste stream). Distillate is discharged to the environment during the wet season.

Originally commissioned in 2013, the Brine Concentrator has undergone upgrades to ensure continuous improvement in performance and to overcome various technical challenges.

In 2018, the Brine Concentrator achieved consistent nameplate capacity producing on average 6.5 megalitres per day of distillate. During the year, the Brine Concentrator produced 1,992 megalitres of distillate.

REHABILITATION OF PIT 1

Material movement to backfill Pit 1 progressed during 2018, with 1.82 million tonnes of waste rock placed over the laterite cap during the year. The backfilling operation is scheduled for completion in 2020, before land forming and revegetation activities commence.

The 39.3 hectare site has stored mill tailings in the pit as required by the Ranger Authority. Approximately 7,700 dewatering wicks were installed in 2012, along with a geotextile fabric layer and a pre-load rock layer to compress the tailings mass. The pre-load rock layer was capped with an impervious layer of laterite in 2016 to prevent surface water infiltration.

REHABILITATION OF PIT 3

Tailings waste from ongoing milling activities continued to be pumped via a pipeline into Pit 3. For some of the year, tailings from the Tailings Storage Facility were deposited into Pit 3 via the subaerial pipeline before the transfer method was transitioned to subaqueous deposition.

Cone penetration testing took place through the year to test the consolidation of the tailings in Pit 3.

Excess process water from Pit 3 is pumped back to the Tailings Storage Facility, and directed to the Brine Concentrator for treatment. The concentrated brine waste stream from the Brine Concentrator, currently being directed to the Tailings Storage Facility, and to the leach tanks (brines to leach), will eventually be injected into Pit 3 for final deposition. The treated water from the Brine Concentrator is released into constructed wetlands prior to release off site.

In similar fashion to Pit 1, wicks will eventually be installed into the tailings mass within Pit 3 and then covered with a geotextile fabric membrane, prior to initial preload. Bulk backfilling is expected to commence in 2023, followed by final landform contouring and revegetation.

REVEGETATION

During 2018, stage one of the project to convert the former drilling core yard on the Ranger Project Area to a revegetation nursery commenced. The nursery has capacity for 250,000 seedlings, and its capacity will have doubled when stage two of the project is completed in 2025. Local Indigenous business Kakadu Native Plants Pty Ltd has been engaged by ERA to collect local native plant seeds under licence and to raise tubestock seedlings suitable for planting into the final landform.

The final landform represents landscape gardening on an industrial scale, using waste rock shaped and contoured to blend with the undulations and terrain characteristics of the surrounding natural woodland.

In 2018, ERA collaborated with Charles Darwin University to investigate methods of establishing understorey such as grasses, shrubs and ground covers on the waste rock trial landform. Several species successfully established, flowered and seeded. One species recruited second generation seedlings on the trial landform. These results will enable ERA to develop appropriate strategies to establish understorey on the final landform.

BUSINESS STRATEGY

ERA provides clean energy to the world and, as a trusted partner, cares for people and country.

ERA holds two undeveloped uranium resources of international significance at Ranger 3 Deeps and Jabiluka.

In addition, ERA has stockpiled Ore Reserves at Ranger that, in the absence of development of other resources, are potentially sufficient to sustain operations until January 2021.

ERA's key priority is to address the funding shortfall resulting from the increase in the rehabilitation provision.

ERA's near-term strategic priorities are:

- continue the progressive rehabilitation of the Ranger Project Area and provide assurance to stakeholders that rehabilitation can be fully funded;
- maximise the generation of cash flow from the processing of stockpiled ore, which can be potentially sustained until the current Ranger Authority expires in January 2021; and
- preserve optionality over the Company's undeveloped resources, periodically assessing care and maintenance strategies for the Ranger 3 Deeps exploration decline and related infrastructure.

CURRENT OPERATIONS

Current operations rely on the processing of existing uranium ore stockpiles following the cessation of open pit mining in Pit 3.

The Company's estimate of Ore Reserves for the Ranger stockpiles at 31 December 2018 was 3,735 tonnes of contained uranium oxide.

The Company is transforming its business and has initiatives in place to reduce costs and improve productivity to offset the adverse impact of declining ore grades over time.

Subject to market conditions, and in the absence of further mine development, the mine plan which supports the Ore Reserves Statement assumes that stockpiled ore can continue to be economically produced at Ranger until January 2021.

RANGER 3 DEEPS

The Ranger 3 Deeps project remains on care and maintenance. Given the current uranium market environment, ERA plans for a reduced care and maintenance program for the exploration decline to be implemented in 2019 on receipt of final regulatory approval.

The project involved construction of an exploration decline and an associated underground exploration drilling program.

The Ranger 3 Deeps Mineral Resource remains unchanged for 2018 at 19.58 million tonnes at an overall grade of 0.224% U_3O_8, representing 43,858 tonnes of contained uranium oxide.

JABILUKA

ERA has entered into a Long Term Care and Maintenance Agreement in relation to the Jabiluka Mineral Lease.

Jabiluka is a large, high quality uranium orebody of global significance and remains one of ERA's key assets. Future mining developments at Jabiluka will not occur without the consent of the Mirarr Traditional Owners.

BUSINESS RISKS

The business risks that could adversely affect the achievement of the financial performance or financial outcomes of the Company are described below.

REHABILITATION

ERA has authority to produce uranium oxide at the Ranger Project Area until January 2021 and must fully rehabilitate the site by January 2026.

The ultimate cost of rehabilitation is uncertain and while ERA has used its best estimate, costs may vary in response to factors such as legal requirements, technological change and market conditions. As a result of the increase in the rehabilitation provision, ERA is continuing to review all funding options. An inability to obtain sufficient funding would have a material impact on ERA's business, financial performance and assessment as a going concern. Rio Tinto has advised ERA it will work with ERA and its other shareholders and stakeholders with the objective of ensuring that ERA is in a position to meet in full the likely future rehabilitation requirements of the Ranger Project Area. ERA and Rio Tinto are continuing to engage in active discussions regarding a funding solution.

CAPITAL AND LIQUIDITY RISKS

The future liquidity and capital requirements of the Company will depend on many factors. As noted above, following the increase in the rehabilitation provision, the Company requires an additional source of funding to fully fund the rehabilitation of the Ranger Project Area and is continuing to review all funding options.

Should current forecasts for foreign exchange rate, prices, costs, resource and mining techniques not be realised, and in the absence of any other successful developments, the requirement for additional funding to fully fund the rehabilitation of the Ranger Project Area will further increase.

In 2016, the Company entered into a $100 million credit facility agreement with Rio Tinto in support of ERA's rehabilitation obligations should additional funding ultimately be required. This agreement, whilst still in place, is now insufficient to meet ERA's funding shortfall. The credit facility agreement contains a review mechanism which is triggered if, before the first drawdown, the estimated rehabilitation cost increases by $12.5 million or more for reasons other than external factors or operational issues beyond ERA's reasonable control. The review mechanism ultimately provides Rio Tinto with a right to terminate the credit facility agreement if the parties cannot agree a satisfactory path forward following such an increase in the estimated rehabilitation cost.

Each year, the Company is required to prepare and submit to the Commonwealth Government an Annual Plan of Rehabilitation. Once accepted by the Commonwealth Government, the Annual Plan is then independently assessed and costed and the amount to be provided by the Company into the Ranger Rehabilitation Trust Fund (Trust Fund) is then determined. The Trust Fund includes both cash and financial guarantees.

The Company's ability to continue to access financial guarantees can be influenced by many factors including potential future cash balance, cash flows and shareholder support. Should one or more of the financial guarantees be withdrawn at any time and the Company is unable to access replacement guarantees, substantial additional cash would be required to be deposited into the Trust Fund. This may impact available liquidity for ongoing operations. The Company is developing plans to address these risks, including through a funding solution under discussion with Rio Tinto.

REGULATORS AND STAKEHOLDERS

The Ranger Mine Closure Plan is subject to ongoing review and refinement, with ERA required to review and submit an updated Plan for regulatory approval each year. In addition, regulatory approvals are required in order to carry out certain rehabilitation activities. If these regulatory approvals are not obtained or are obtained on unsatisfactory conditions, ERA's ability to complete the rehabilitation program in a timely and cost effective manner will be at risk.

Regulatory approvals would also be required to commence any production from the Ranger 3 Deeps mine or on any other parts of the Ranger Project Area and the Jabiluka Mineral Lease. Similarly, if these regulatory approvals are not obtained or are obtained on unsatisfactory conditions, ERA will not be able to proceed with those developments.

BUSINESS RISKS

UNDEVELOPED RESOURCES

The Company has significant undeveloped uranium resources at Ranger 3 Deeps and Jabiluka.

Given the current uranium market environment, the Ranger 3 Deeps project continues to face material barriers to development. Without a sustained and rapid recovery of the uranium market, the project is not economically viable.

As a result of this, ERA plans for a reduced care and maintenance program for the Ranger 3 Deeps exploration decline to be implemented in 2019 on receipt of final regulatory approval.

The implementation of this reduced program will maintain project optionality, however amendments to legislation to effect an extension of the Ranger Authority, which requires processing to cease in January 2021, would be required.

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

The Company is currently processing stockpiled ore following the completion of open cut mining in 2012. The stockpiles are potentially sufficient to sustain operations until January 2021, when the Ranger Authority expires.

In relation to Jabiluka, ERA has agreed that future mining development will not occur 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.

WATER MANAGEMENT

Management of water on the Ranger Project Area is critical to the ongoing operation of ERA's processing and rehabilitation activities. ERA has a number of procedures and initiatives underway in respect to water management, including the Brine Concentrator. To the extent that these initiatives cost more than expected or ERA is required to implement further initiatives (such as the installation of additional water treatment infrastructure), ERA's financial and operational performance and position may be materially impacted.

URANIUM MARKET DEMAND, PRICE AND FOREIGN EXCHANGE RISKS

ERA's business relates primarily to the production and subsequent sale of uranium oxide to Rio Tinto Uranium for on sale to a variety of customers. Demand for, and pricing of, uranium oxide remains sensitive to external economic and political factors, many of which are beyond ERA's control.

Global uranium and foreign exchange market fluctuations may materially affect ERA's financial performance.

GENERAL REGULATORY RISKS

Uranium mining in Australia is extensively regulated by Commonwealth, and State or Territory Governments.

In particular, the approval processes for uranium mining are more onerous, and therefore more costly, than for the mining of other minerals. Government actions in Australia and other jurisdictions in which ERA has interests, including new or amended legislation, guidelines and regulations in relation to the environment, uranium or nuclear power sectors, competition policy, native title and cultural heritage could impact ERA's operations.

Operational aspects that may be affected include, among other things, land access rights, the granting of licences and other tenements, the extension of mine life and the approval of developments.

FUTURE SUPPLY

EVALUATION AND EXPLORATION

There was no evaluation or exploration expenditure for 2018. ERA suspended the final stage of the surface exploration program on the Ranger Project Area in 2015 to preserve cash following the deferral of the Ranger 3 Deeps project.

The Ranger 3 Deeps exploration decline and associated infrastructure remains under care and maintenance. ERA plans for a reduced care and maintenance program for the Ranger 3 Deeps exploration decline to be implemented in 2019 on receipt of final regulatory approval.

RANGER 3 DEEPS RESERVES AND RESOURCES

The economic assumptions for the Ranger 3 Deeps Mineral Resource uses a cut-off grade of 0.11% U_3O_8. The Ranger 3 Deeps estimated Mineral Resource is 19.58 million tonnes with an overall grade of 0.224% U_3O_8, equating to 43,858 tonnes of contained uranium oxide.

RANGER RESERVES AND RESOURCES

Probable Ore Reserves of uranium oxide for Ranger decreased by 2,048 tonnes in 2018 to 3,735 tonnes at 31 December 2018 (31 December 2017: 5,783 tonnes).

This included the impact of depletion by processing in 2018 of 2,280 tonnes.

During the reporting period, all processed ore was sourced from either run of mine stocks or low grade stockpiles.

For the same period, Ranger Mineral Resources decreased by 434 tonnes of uranium oxide, from 55,135 tonnes to 54,701 tonnes.

The decrease was mainly due to the mining depletion of low grade stocks below the reserve cut-off.

JABILUKA RESERVES AND RESOURCES

The Jabiluka Mineral Lease remains under long term care and maintenance. In accordance with the Long Term Care and Maintenance Agreement, development by ERA will not proceed without the approval of the Mirarr Traditional Owners.

The Jabiluka estimated Mineral Resource is 137,107 tonnes of uranium oxide at a cut-off grade of 0.2% U_3O_8.

GOVERNANCE

ERA's Competent Person is a full time employee of ERA. The ERA Board oversees the governance of Resources and Reserves. This includes the annual review and approval of the publicly reported Ore Reserves and Mineral Resources Statement.

Internal approval of Ore Reserves and Mineral Resources for ERA is the responsibility of the Chief Executive and estimates are carried out by a Competent Person as defined by the JORC Code 2012.

As part of its internal controls, ERA applies the standards of the Rio Tinto Ore Reserves Steering Committee (ORSC) in the generation and publication of Mineral Resources and Ore Reserves.

The ORSC comprises senior representatives from technical, financial and business fields within the Rio Tinto Group and meets on a quarterly basis.

The ORSC's role includes setting the standards and qualifications for Competent Persons in accordance with the JORC Code 2012 which form the basis of Competent Person appointment by ERA.

Rio Tinto's Resource and Reserve internal audit program is conducted by independent external consulting personnel in a program managed by Rio Tinto Group Audit and Assurance with the assistance of the ORSC.

Rio Tinto has continued the development of internal systems and controls to ensure compliance with the JORC Code 2012 in all external reporting including the preparation of reported data by ERA's Competent Person.

Other improvements introduced by the ORSC include a web-based reporting and sign-off database, annual internal Competent Person reports and Competent Person development and training.

ERA 2018 ORE RESERVES & MINERAL RESOURCES

	CUT-OFF GRADE – STOCKPILE ORE 0.06% U_3O_8 AS AT 31 DECEMBER 2018			CUT-OFF GRADE – STOCKPILE ORE 0.06% U_3O_8 AS AT 31 DECEMBER 2017		
	ORE (MT)	% U_3O_8	T U_3O_8	ORE (MT)	% U_3O_8	T U_3O_8
RANGER PROBABLE ORE RESERVES Current Stockpiles	4.90	0.076	3,735	7.43	0.078	5,783
In situ						
Proved	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Sub-total Proved and Probable Reserves	4.90	0.076	3,735	7.43	0.078	5,783
Total Ranger No. 3 Stockpiles, Proved and Probable Reserves	**4.90**	**0.076**	**3,735**	**7.43**	**0.078**	**5,783**

RANGER MINERAL RESOURCES *IN ADDITION TO THE ABOVE RESERVE*	CUT-OFF GRADE – STOCKPILE RESOURCE 0.02% U_3O_8 UNDERGROUND INSITU RESOURCE 0.11% U_3O_8			CUT-OFF GRADE – STOCKPILE RESOURCE 0.02% U_3O_8 UNDERGROUND INSITU RESOURCE 0.11% U_3O_8		
	ORE (MT)	% U_3O_8	T U_3O_8	ORE (MT)	% U_3O_8	T U_3O_8
Current Mineralised Stockpiles	27.16	0.04	10,843	28.16	0.04	11,277
In situ resource (R3 Deeps)						
Measured	3.72	0.27	10,134	3.72	0.27	10,134
Indicated	10.41	0.22	22,636	10.41	0.22	22,636
Sub-total Measured and Indicated Resources	41.29	0.11	43,614	42.29	0.10	44,047
Inferred Resources	5.44	0.20	11,087	5.44	0.20	11,087
Total Resources	**46.74**	**0.12**	**54,701**	**47.74**	**0.12**	**55,135**

	AS AT 31 DECEMBER 2018 CUT-OFF GRADE 0.20% U_3O_8			AS AT 31 DECEMBER 2017 CUT-OFF GRADE 0.20% U_3O_8		
	ORE (MT)	% U_3O_8	T U_3O_8	ORE (MT)	% U_3O_8	T U_3O_8
JABILUKA ORE RESERVES (all written back to Mineral Resources)						
Proved	–	–	–	–	–	–
Probable	–	–	–	–	–	–
Total Proved and Probable Reserves	**–**	**–**	**–**	**–**	**–**	**–**
JABILUKA MINERAL RESOURCES						
Measured	1.21	0.89	10,769	1.21	0.89	10,769
Indicated	13.88	0.52	72,176	13.88	0.52	72,176
Sub-total Measured and Indicated	15.09	0.55	82,945	15.09	0.55	82,945
Inferred Resources	10.03	0.54	54,162	10.03	0.54	54,162
Total Resources	**25.12**	**0.55**	**137,107**	**25.12**	**0.55**	**137,107**

Rounding difference may occur.

FUTURE SUPPLY

ORE RESERVES	URANIUM OXIDE (U_3O_8 TONNES)*
Ranger Ore Reserves as at 31 December 2017	5,783
Additions (favourable model variance)	1,148
Depletion by Processing	(2,280)
Exclusion of lowest grade ore not mined or processed by 8 January 2021	(915)
Ranger Ore Reserves as at 31 December 2018	**3,735**

**Rounding differences may occur*

COMPETENT PERSONS

Ranger and Jabiluka Ore Reserves and Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code 2012).

The JORC Code 2012 envisages the use of reasonable investment assumptions, including the use of projected long term commodity prices, in calculating reserve estimates.

As required by the Australian Securities Exchange (ASX), the above tables also contain details of other mineralisation that has a reasonable prospect of being economically extracted in the future but which is not yet classified as Proven or Probable Reserves.

This material is defined as Mineral Resources under the JORC Code 2012. Estimates of such material are based largely on geological information with only preliminary consideration of mining, economic and other factors.

While in the judgement of the Competent Person there are realistic expectations that all or part of the Mineral Resources will eventually become Proven or Probable Reserves, there is no guarantee that this will occur as the result depends on further technical and economic studies and prevailing economic conditions in the future.

The information in the above table is sourced from the Energy Resources of Australia Ltd (ERA) 2018 Annual Statement of Reserves and Resources which was released to ASX on 8 February 2019 and can be found at: https://www.asx.com.au/asxpdf/20190208/pdf/442gq6rxwywcpj.pdf

Neither the information that relates to Ranger and Jabiluka Mineral Resources or Ore Reserves, nor the underlying resource models, have changed since the ERA 2018 Annual Statement of Reserves and Resources was disclosed to ASX.

ERA is not aware of any new information or data beyond the updates already provided to the market that materially affects the Ore Reserves and Mineral Resources estimate.

All assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The information in this report that relates to Ranger and Jabiluka Ore Reserves and Mineral Resources is based on information compiled by geologist Stephen Pevely (a full time employee of ERA).

Stephen Pevely is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which 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 JORC Code 2012. Stephen Pevely consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Summary data for year end 2017 are shown for comparison. Metric units are used throughout. The figures used to calculate reserves and resources are often more precise than the rounded numbers shown in the tables, hence small differences may result if the calculations are repeated using the tabulated figures.

SALES AND MARKETING

ERA sells uranium primarily under long term contracts via a sales and marketing agreement with Rio Tinto Uranium. ERA entered into a Revised Sales and Marketing Agreement with Rio Tinto Uranium in August 2017. Under the revised agreement, ERA's allocation of existing Rio Tinto Uranium contracts were fixed from 1 January 2017.

ERA's reliance on long-term contracts provides its customers with security of continued supply, and has helped ERA achieve prices for its uranium that are significantly above the global spot price.

The average realised price for ERA's uranium in 2018 was US$47.67 per pound (2017: $34.75). ERA continues to achieve prices which significantly exceed the average spot price which was US$24.59 per pound in 2018.

ERA's customers are located in the United States of America, Europe, China, Japan, South Korea and the UAE and use ERA's product as fuel to generate low emissions power.

While the global uranium market remains relatively subdued, the spot price of uranium improved in the second half of 2018, exceeding US$28.50 per pound, representing a 40 per cent increase from the spot price in April.

The pace of Japanese nuclear reactor restarts has been slow following the failure at Fukushima, however five reactors restarted in 2018. The World Nuclear Association notes there are currently 454 operable nuclear reactors in the world providing approximately 10.5 per cent of the share of global electricity generation and a further 54 reactors under construction.

Should uranium inventories continue to decline, a further appreciation in the spot-price price can be expected. Many analysts believe China's nuclear energy program has a key role to play in the longer term uranium outlook.

Despite the rise of renewable energy sources, nuclear power will continue to play an important role in the overall global energy mix. It is predicted that by 2030, nuclear power will continue to supply 7 per cent of the global electricity and be the primary source of power in up to 20 countries. In 2018, South Korea, Bangladesh, Russia and Turkey commenced construction of new nuclear plants.

HEALTH AND SAFETY

At ERA, safety comes first. It is central to workplace culture and operational activities.

ERA's safety goals, accountabilities and systems are articulated in ERA's Health, Safety and Environment Management System, which is certified to Australian (AS4801) and international (ISO14001) standards and subject to regular review.

A key performance measure at ERA is the All Injury Frequency Rate (AIFR). AIFR measures the frequency of recordable injuries – lost time injuries, restricted work injuries and medical treatment cases – per 200,000 hours worked.

In 2018, ERA achieved an AIFR of 0.56 (2017: 1.17; 2016: 0.19).

During the year ERA recorded one lost time injury, one restricted work day injury and one medical treatment case injury.

The importance of safety leadership and safety awareness was highlighted through the year. These initiatives included Back to Basics: HSE Fundamentals, Peer Support and Build Up Blues mental health programs, vibration testing, hearing conservation campaign and several workshops on other health and safety issues.

CRITICAL RISK MANAGEMENT

Critical Risk Management (CRM) is a global Rio Tinto safety initiative designed to ensure that each work area has a clear understanding of what fatal risks are associated with work activities, and to ensure there are verified effective controls in place prior to commencing a task.

ERA continued to embed the CRM processes during 2018, involving the use of critical control checklists, field verifications and standards.

A number of other initiatives support CRM, including the integration of identified health critical risks into risk management documentation. Departmental CRM self-verifications have been included into the monthly scheduled program and leadership in the field as a key objective. CRM was also supported by a "Stop and Seek Help" recognition program, where employees are rewarded for stopping a job if they feel the conditions are unsafe.

MANAGING HEAT AND HUMIDITY

During the wet season from October through to March, hydration and thermal stress become critical issues for ERA's workforce. Employees and contractors required to work outdoors while wearing protective clothing and equipment are at risk of thermal stress.

Each year ERA implements programs designed to encourage behaviours which can help to manage thermal stress and maintain hydration. In 2018, ERA commissioned heat stress physiological monitoring and a hydration self-testing campaign.

AUDITS

ERA's integrated Health, Safety and Environment Management System provides certification to both ISO 14001 (the international standard for environmental management systems) and AS4801 (the Australian standard for occupational health and safety management systems).

The system was audited in February 2018 and re-certification granted in 2018.

ERA underwent a Rio Tinto Business Conformance Audit in March and three Critical Risk assessment audits during 2018, in April, August and November.

EMERGENCY RESPONSE

Building ERA's Emergency Response Team skills and capabilities continued to be a strong focus during 2018. The team comprises 11 Emergency Services Officers and 24 workforce volunteers who are trained to respond immediately to incidents such as evacuation, fires or vehicle accidents.

ERA has invested in specialist training for team members and has also been actively recruiting and training new members.

A simulated emergency exercise to test business resilience was held in September. In the same month a live emergency exercise was conducted at the Jabiru airport as part of the Civil Aviation Safety Authority certification involving ERA and local Jabiru emergency services.

RADIATION MONITORING

ERA monitors radiation at Ranger in accordance with the Company's Radiation Policy and Radiation Management Plan.

The desired performance outcomes are described in ERA's Health, Safety and Environment Management System, which is certified to Australian (AS4801) and international (ISO14001) standards.

Monitoring results are compared to limits recommended by the International Commission on Radiological Protection (ICRP) for occupationally exposed persons as adopted by Australian legislation.

HEALTH AND SAFETY

ERA employees and contractors whose occupational exposure to radiation may exceed 5 mSv per year are declared 'designated' workers and their exposure is more stringently monitored. Examples of activities at Ranger that require a designated worker status include mine production, process production, process maintenance and electrical maintenance.

To ensure the highest possible quality control on radiation doses, the results are reviewed internally by ERA and externally by the Company's regulators. ERA provides quarterly occupational radiation dose data for workers at Ranger mine to the Australian Government's Australian Radiation Dose Register.

The maximum and mean annual radiation doses received by designated workers and the maximum radiation doses received by non-designated workers during 2018 will be reported in the 2018 Annual Ranger Mine and Ranger 3 Deeps Radiation Protection and Atmospheric Monitoring Report.

Preliminary analysis of the available dose results for 2018 indicates that all occupational and public radiation doses remain well below the national and international dose limits. The resulting contribution from Ranger mine remains very low in comparison to both the public dose limit and the natural background radiation level.

The table on this page provides a summary of maximum and mean annual radiation doses received by designated and non-designated workers for the first three quarters of the year. Historically the theoretical contribution from the Ranger mine has been, on average, approximately 0.02 mSv (or two per cent) of the 1 mSv member of public dose limit and less than one per cent of the natural background radiation level in Australia of between 2 and 3 mSv.

	DESIGNATED WORKERS		NON DESIGNATED WORKERS	
2018	Mean	Max	Mean	Max
Q1	0.38	1.32	0.11	0.24
Q2	0.38	0.96	0.14	0.24
Q3	0.49	2.36	0.22	0.35

REGULATORY FRAMEWORK

Uranium mining activities in Australia are strictly regulated by the Commonwealth and State or Territory Governments.

The purpose of these regulations is to ensure uranium mining performance and compliance in a range of critical areas, including health and safety, mine safety, safe management of toxic and radioactive substances, waste disposal, transport safety, export controls, protection and rehabilitation of the environment, native title, exploration, development, taxes and royalties, labour standards and mine reclamation.

International agreements designed to prevent nuclear proliferation also govern the mining and export of uranium.

Exports are subject to strict safeguards and conditions to ensure that Australian uranium is only used for peaceful purposes.

REGULATION OF ERA'S OPERATIONS

Commonwealth and Northern Territory legislation provides the regulatory framework for ERA's uranium mining activities.

ERA's operations are closely supervised and monitored by statutory bodies including:

- Commonwealth Department of Industry, Innovation and Science;
- Northern Territory Department of Primary Industry and Resources;
- Commonwealth Government's Supervising Scientist Branch;
- Northern Land Council;
- Alligator Rivers Region Advisory Committee (including non-government organisation representatives); and
- Alligator Rivers Region Technical Committee (including non-government organisation representatives).

The Ranger and Jabiluka Minesite Technical Committees are the key forums for consideration of environmental matters relating to Ranger and Jabiluka.

Committee members include representatives of the Gundjeihmi Aboriginal Corporation, the Northern Land Council, the Northern Territory Department of Primary Industry and Resources, the Commonwealth Department of Industry, Innovation and Science and the Commonwealth Supervising Scientist Branch.

The Alligator Rivers Region Advisory Committee (ARRAC) provides a formal forum for consultation on matters relating to the effects of uranium mining on the environment in the region.

Committee members include representatives of the Northern Territory Government, the Commonwealth Government, the Northern Land Council, Aboriginal associations, mining companies (including ERA), West Arnhem Regional Council, the Northern Territory Environment Centre and other members who may be appointed by the Commonwealth Minister for the Environment.

Further information on ARRAC can be obtained at: http://www.environment.gov.au/science/supervising-scientist/communication/committees/arrac

The Alligator Rivers Region Technical Committee (ARRTC) oversees the nature and extent of research being undertaken to protect and restore the environment in the Alligator Rivers Region from any effects of uranium mining.

The 10 ARRTC members include independent scientists nominated by the Federation of Australian Scientists Branch and Technological Societies with the remaining representatives being from the Commonwealth Supervising Scientist Branch, Northern Territory Government, Uranium Equities Ltd, Northern Land Council, Parks Australia and a non-government environment organisation.

Further information on ARRTC can be contained at: http://www.environment.gov.au/science/supervising-scientist/communication/committees/arrtc

INTERNATIONAL AND AUSTRALIAN CERTIFICATION

ERA maintains international certification (ISO 14001) of its Health, Safety and Environment Management System which includes the Company's Water Management System.

ERA also maintains Australian certification (AS4801) of its Health, Safety and Environment Management System including the Ranger Radiation Management System.

FINANCIAL
REPORT

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DIRECTOR'S REPORT

DIRECTORS

PETER MANSELL

CHAIRMAN

BCom, LLB, H. Dip. Tax, FAICD

Appointed in October 2015.

Chairman of Remuneration Committee and member of Audit and Risk Committee.

Mr Mansell has extensive experience in the mining, corporate and energy sectors, both as an advisor and as an independent non-executive Chairman and Director of listed and unlisted companies.

Mr Mansell practised law for a number of years as a partner in corporate and resources law firms in each of South Africa and Australia. He retired from legal practice in 2004 and has since held directorships in a number of companies including BWP Management Ltd, Foodland Associated Ltd, OZ Minerals Ltd, W.A. Newspaper Holdings Ltd (Chairman), Electricity Networks Corporation (trading as Western Power) (Chairman) and Zinifex Ltd (Chairman).

Mr Mansell also chaired the Advisory Board of Pacific Aluminium Ltd in anticipation of its intended float in 2014.

External appointments: Director of Eastern Goldfields Limited, Foodbank Australia Ltd, CQ Select Pty Ltd, Cancer Research Fund Pty Ltd and Z-Filter Pty Ltd; former non-executive director of Aurecon Group Pty Ltd (until September 2017) and Tap Oil Limited (until January 2018).

PAUL ARNOLD

CHIEF EXECUTIVE AND MANAGING DIRECTOR

BE (Hons) Mining, MBA, MAusIMM, MAICD

Appointed in August 2017.

Mr Arnold brings extensive experience to ERA gained over more than 25 years in the resources sector working in operations, commercial, business analysis and major project development roles. Mr Arnold has worked in the Rio Tinto group since 2001 and was most recently Rio Tinto Aluminium's Pacific Operations Engineering and Growth team leader. Before joining Rio Tinto, Mr Arnold worked for more than a decade with BHP in operations and corporate roles.

Mr Arnold was a Director of the Queensland Resources Council for over 5 years and as past Chair of the Indigenous Affairs Committee established the annual Queensland Resources Council Indigenous Awards in 2014.

SHANE CHARLES

NON-EXECUTIVE DIRECTOR

LLB

Appointed in October 2015.

Chair of the Audit and Risk Committee from January 2016; member of Health, Safety and Environment Committee and Remuneration Committee.

Mr Charles is currently the Executive Chairman of the Toowoomba and Surat Basin Enterprise (TSBE), an independent, business driven economic development organisation with a vision to pursue sustainable growth and diversity. Mr Charles is also currently General Manager Strategy and Development at Wagners, Chairman of Sunrise Way Rehabilitation Limited and President of the Royal Agricultural Society of Queensland.

He has also previously acted as Chairman of Stanwell Corporation Limited, as director and Chairman of the Endeavour Foundation and as a commissioner of the Gasfields Commission of Queensland.

External appointments: Executive Chairman of TSBE; Chairman of Sunrise Way Rehabilitation Limited; and President of the Royal Agricultural Society of Queensland.

DIRECTOR'S REPORT

DIRECTORS

PAUL DOWD

NON-EXECUTIVE DIRECTOR

BSC (ENG), FAUSIMM, MAICD

Appointed in October 2015.

Chair of Health, Safety and Environment Committee; member of Audit and Risk Committee and Remuneration Committee.

Mr Dowd is a mining engineer with more than 50 years' experience in the mining industry, primarily in the private sector, but also serving in the public sector as head of the Victorian Mines and Petroleum Departments. Mr Dowd has previously held senior executive management positions including as Managing Director of Newmont Australia Ltd and Vice President of Newmont Mining Corporation's Australian and New Zealand Operations and prior to that as Chief Operating Officer of Normandy Mining Ltd.

Mr Dowd was previously Chairman of Adelaide Resources Ltd and a non-executive Director of Oz Minerals Limited and Macarthur Coal Ltd.

External appointments: Non-executive Director of PNX Metals Limited; Chairman of CSIRO Minerals Resources Sector Advisory Council; Advisory Board Member of South Australian Minerals and Petroleum Expert Group (SAMPEG) and University of Queensland – Sustainable Minerals Institute.

ZARA FISHER

NON-EXECUTIVE DIRECTOR

B Com, MASc, MAICD

Appointed in August 2016.

Member of Health, Safety and Environment Committee (from January 2017).

Ms Fisher has worked in the mining industry for over 20 years and is currently Vice President HSE for Rio Tinto Iron Ore. In this role she is accountable for the health, safety and environmental performance of Rio Tinto's Iron Ore operations and is a member of the Iron Ore Executive Committee. Previously Ms Fisher has worked with Rio Tinto in a range of roles in Australia and internationally in the Iron Ore, Aluminium, Copper, Energy and Minerals groups. Ms Fisher has extensive experience in operations, maintenance, strategy, corporate services and finance.

Ms Fisher holds a Bachelor of Commerce and a Masters of Applied Science (Environmental Management and Restoration) and is a member of the Australian Institute of Company Directors. Prior to joining Rio Tinto Ms Fisher worked in chartered accounting.

ANDREA SUTTON

NON-EXECUTIVE DIRECTOR

BE (Hons) Chemical, GradDipEcon, GAICD

Appointed in October 2018.

Ms Sutton served as Chief Executive and Managing Director of ERA from 2013 to 2017. In addition to her ERA experience, Ms Sutton brings extensive operational, technical and corporate experience from nearly 25 years with Rio Tinto, including as Managing Director with the Rio Tinto Support Strategy Review team, General Manager Operations at the Bengalla mine and General Manager Infrastructure with Rio Tinto Iron Ore. Ms Sutton is currently the head of health, safety, security and environment services at Rio Tinto.

External appointments: Former chair of the Northern Territory Minerals Council of Australia Management Committee; former member of the Northern Territory Mining Advisory Council.

DIRECTOR'S REPORT

DIRECTORS

KEVIN MCLEISH

NON-EXECUTIVE DIRECTOR

B Metallurgy MA Bus

Appointed in June 2018 and resigned October 2018.

Before retiring at the end of 2018, Mr McLeish had almost 30 years' experience in Rio Tinto across operations in Australia and Africa, holding various operational roles, including as global practice leader, Safety for the Rio Tinto Group. Mr McLeish's final role at Rio Tinto was the Managing Director, Salt & Uranium.

SINEAD KAUFMAN

NON-EXECUTIVE DIRECTOR

MSC Mineral Exploration, BSC (HONS) Geology

Appointed in November 2017 and resigned in June 2018.

Ms Kaufman has worked for Rio Tinto for over 20 years and is currently the Managing Director Operations in the Copper & Diamonds product group.

Ms Kaufman's previous positions include Managing Director – Coal, Salt and Uranium and Managing Director, Rio Tinto Coal Australia. Ms Kaufman first joined Rio Tinto as a geologist in the United Kingdom and has since gained international mining experience across a range of commodities including copper, aluminium, bauxite and iron ore in both underground and open pit environments.

Ms Kaufman holds a Masters in Mineral Exploration from the University of Leicester and a Degree in Applied Geology with Honours from the University of Birmingham.

DIRECTOR'S REPORT

EXECUTIVE COMMITTEE

PAUL ARNOLD

CHIEF EXECUTIVE AND MANAGING DIRECTOR

BE (Hons) Mining, MBA, MAusIMM, MAICD

See biography on page 20.

DAVID BLANCH

CHIEF FINANCIAL OFFICER

BA, CA, Grad Dip Applied Finance

Mr Blanch was appointed as Chief Financial Officer in July 2018 and brings over 16 years' financial, accounting and business development experience to ERA.

Mr Blanch brings previous experience in business analysis in the Rio Tinto Copper & Diamonds product group and has also worked in various financial and corporate roles in Rio Tinto. Mr Blanch is a Chartered Accountant through the Institute of Chartered Accountants in Australia.

LESLEY BRYCE

GENERAL MANAGER OPERATIONS

B Eng (Hons) Microelectronics

Ms Bryce was appointed General Manager Operations in June 2017.

Ms Bryce has previously worked in diagnostic engineering in the electronics industry, and Quality Management (ISO 9001) and Business Improvement in the manufacturing industry. In 2005 Ms Bryce joined Rio Tinto working in the Shared Services, Aluminium and Argyle Diamonds sectors.

Ms Bryce brings to ERA senior level experience in Business Improvement, Operations, Projects and Planning.

DIRECTOR'S REPORT

EXECUTIVE COMMITTEE

JAMES O'CONNELL

LEGAL COUNSEL AND COMPANY SECRETARY

LLB, BCOM

Mr O'Connell joined ERA as Legal Counsel in June 2017 and was appointed Company Secretary in August 2017.

Mr O'Connell joined Rio Tinto in 2010, most recently acting as Senior Corporate Counsel in London. Before joining Rio Tinto, Mr O'Connell worked at private law firms in Melbourne and London. Professionally qualified in both Australia and the United Kingdom, he has Bachelor of Laws and Bachelor of Commerce degrees from Monash University.

ALAN TIETZEL

CHIEF ADVISOR AGREEMENTS

BA, BCOM, DIP ED MBA

Mr Tietzel was appointed as General Manager External Relations in July 2010 and subsequently Chief Advisor Agreements in September 2012. He has a background in Aboriginal land agreements, regional development, government relations, human resources and organisation development.

Mr Tietzel joined Rio Tinto in 1990 and has worked in the diamonds, salt, bauxite and alumina sectors and in a variety of corporate functions.

JAMES MAY

CHIEF FINANCIAL OFFICER

BA (HONS), FCA, GAICD

Mr May was appointed as Chief Financial Officer in June 2014 and resigned in July 2018. Mr May has over 18 years' experience in finance roles in the energy and extractive resources sector and is currently General Manager, Marketing and Uranium in the Energy & Minerals product group.

Prior to joining ERA, Mr May held various finance and corporate roles within Rio Tinto. Mr May is a Chartered Accountant through the Institute of Chartered Accountants in England and Wales.

DIRECTOR'S REPORT

Meetings of Directors

The number of Directors and committee meetings held and the number of meetings attended by each of the Directors of the Company during the financial year are shown below:

DIRECTOR	DIRECTORS MEETINGS[4]	AUDIT AND RISK COMMITTEE[4]	REMUNERATION COMMITTEE[4]	HSE COMMITTEE[4]	OTHER
P Mansell	7/7	3/3	2/2	-	1/1
P Arnold	7/7	-	-	-	-
Z Fisher	7/7	-	-	3/3	-
S Charles	7/7	3/3	2/2	3/3	1/1
P Dowd	7/7	3/3	2/2	3/3	1/1
A Sutton[1]	1/1	-	-	-	-
K McLeish[2]	3/3	-	-	-	-
S Kaufman[3]	2/3	-	-	-	-

Note 1 Appointed as a Director 30 October 2018.
Note 2 Appointed as a Director 19 June 2018 and resigned as a Director 30 October 2018.
Note 3 Resigned as a Director 19 June 2018.
Note 4 Number of meetings attended/maximum the Director could have attended.

Mr Arnold was invited to meetings of the Audit and Risk Committee and the Health, Safety and Environment Committee and attended all such meetings held during that time.

Interests of Directors

The interests of each Director in the share capital of the Company and its related body corporates as at 31 January 2019 are shown below:

DIRECTORS	ENERGY RESOURCES OF AUSTRALIA LTD ORDINARY SHARES	RIO TINTO LIMITED ORDINARY SHARES	RIO TINTO LIMITED OPTIONS IN ORDINARY SHARES	RIO TINTO LIMITED CONDITIONAL INTERESTS IN ORDINARY SHARES
P Mansell	-	2,000	-	-
P Arnold	-	2,800	-	8,789
S Charles	-	-	-	-
P Dowd	-	1,500	-	-
Z Fisher	-	3,795	-	14,067
A Sutton[1]	-	9,937	1,158	19,515
K McLeish[2]	-	6,075	-	25,397
S Kaufman[3]	-	4,665	-	37,600

Note 1 Appointed as a Director 30 October 2018.
Note 2 Appointed as a Director 19 June 2018 and resigned as a Director 30 October 2018.
Note 3 Resigned as a Director 19 June 2018.

DIRECTOR'S REPORT

Remuneration report

The Remuneration Report is set out under the following main headings:

A. Board oversight of remuneration
B. Principles used to determine non-executive Directors' remuneration
C. Principles used to determine executive remuneration
D. Details of remuneration
E. Executive service agreements
F. Share based compensation
G. Additional information

The information provided in the Remuneration Report has been audited by the Company's independent auditor as required by section 308(3C) of the *Corporations Act 2001*.

A Board oversight of remuneration

The Remuneration Committee has responsibility to review:

- remuneration framework and policies (including key performance indicators) for the Company's Chief Executive and senior executives;
- remuneration and performance of the Company's Chief Executive and senior executives;
- remuneration of the Company's non-executive Directors; and
- remuneration disclosures made by the Company.

The Remuneration Committee Charter is available at the Corporate Governance section of ERA's website.

B Principles used to determine non-executive Directors' remuneration

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the non-executive Directors. The Remuneration Committee reviews and makes recommendations to the Board regarding non-executive Directors' remuneration. These fees are comprised of a base fee and any fees payable to non-executive Directors for their membership on established committees of the Board. ERA does not pay retirement or post-employment benefits to non-executive Directors, however, statutory superannuation contributions are paid to non-executive Directors. In addition, from time to time, the Board may approve that non-executive Directors receive additional fees for services provided outside the established committee processes.

The following principles are applied in determining the remuneration of non-executive Directors:

- the responsibilities of, and time spent by, the non-executive Directors on the affairs of ERA, including preparation time;
- acknowledgement of the personal risk borne as a Director;
- comparison with professional market rates of remuneration to remain competitive with the market having regard to companies of similar size and complexity; and
- the desire to attract Directors of a high calibre with appropriate levels of expertise and experience.

At the 2008 Annual General Meeting, shareholders resolved to amend the Constitution of the Company to provide that the aggregate remuneration for non-executive Directors of ERA would be not more than $800,000 per annum. At the 2018 Annual General Meeting, the 2017 Remuneration Report was approved with 90.09 per cent of shares voted in favour (voting comprised 355,663,697 votes 'for' the resolution and 39,119,746 votes 'against' the resolution). North Limited and Peko-Wallsend Pty Ltd, which are both Rio Tinto entities, voted a combined total of 354,078,854 votes 'for' the resolution. The aggregate amount of non-executive Directors' remuneration paid in 2018 was approximately $716,000 inclusive of statutory superannuation.

The non-executive Directors' fees were reviewed by the Board in January 2018. The annual fees for non-executive Directors for 2018 (excluding superannuation) are as follows:

	2018	2017
Chairman	$172,000	$168,300
Non-executive Director	$96,000	$93,840
Audit and Risk Committee Chair[1]	$22,500	$20,400
Audit and Risk Committee Member[1]	$13,260	$13,260
Health, Safety and Environment Chair[1]	$20,400	$20,400
Health, Safety and Environment Committee Member[1]	$13,260	$13,260
Remuneration Committee Chair[1]	$20,400	$20,400

Note 1 Fees are payable in addition to Chairman and non-executive Director fees.

The Board also resolved that all non-executive Director and Committee fees should increase by a percentage equal to the average increase awarded to employees across the Company until the next detailed review is conducted, which should take place in January 2021.

C Principles used to determine executive remuneration

The Remuneration Committee is responsible for the review of, and where appropriate will make recommendations to the Board in respect of, executive remuneration.

The *Corporations Act 2001* and relevant Accounting Standards require disclosures in respect of "key management personnel", being those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

The key management personnel are, in addition to the Directors, the permanent General Managers of the Company (including the Chief Advisor Agreements) reporting directly to the Chief Executive. Throughout this Remuneration Report the key management personnel who are not Directors are collectively referred to as "senior executives".

As the Company is a member company of the Rio Tinto Group, it

DIRECTOR'S REPORT

generally implements the remuneration policies and procedures determined by the Rio Tinto Remuneration Committee and applied to senior management personnel across the wider Rio Tinto Group to determine the remuneration of the Chief Executive and senior executives.

As a member of the Rio Tinto Group, ERA's Chief Executive and senior executives are seconded from Rio Tinto and are hence drawn from the talented pool of executives in the wider Rio Tinto Group. It is the view of the Remuneration Committee (which has been endorsed by the Board) that a company of ERA's size, scope and remote location would have significant difficulty in attracting executives of the calibre necessary to ensure superior performance or in retaining them for significant periods if this arrangement was not in place. Under these circumstances, the Board believes that the general application of the Rio Tinto remuneration framework to ERA's Chief Executive and senior executives, with appropriate review by the Company's Remuneration Committee, is of benefit to ERA.

For the purposes of assessing the appropriate level of remuneration, the Australian resources sector is considered the most relevant comparator group. Additional references are also made to other relevant supplementary comparator groups. Typically, base salaries are positioned at the median of these comparator groups, while incentive plans are designed with the potential to deliver total remuneration outcomes across the full market range according to business and individual performance. The related costs of these programs are recognised in the Company's financial statements.

Executive remuneration, including base salary and short and long term incentive plan awards, and other terms of employment are reviewed annually having regard to the evaluation of individual and business performance against goals set at the start of the year, global economic conditions and relevant comparative information. As well as base salary, remuneration packages may include fringe benefits such as medical insurance, car, rent and other allowances, superannuation, retirement entitlements and short and long term incentives.

The annual performance evaluation and management process for 2018 included formal consultation between the Chairman (based on the Remuneration Committee's review and recommendations) and the Managing Director, Rio Tinto, Salt and Uranium regarding the Chief Executive of the Company, and between the Remuneration Committee and the Chief Executive of the Company regarding the senior executives.

An annual performance evaluation of the Chief Executive and senior executives was undertaken in 2018.

The executive pay and reward framework is designed to provide a total remuneration package which is competitive in the market, aligns total remuneration with delivered individual and short and long term business performance, strikes an appropriate balance between fixed and variable components, links variable components to the achievement of challenging individual and business performance targets, and ensures the attraction, motivation and retention of the high calibre senior executives required to lead the Company.

The Company Secretary of the Company is subject to the same executive remuneration pay and reward framework.

The executive pay and reward framework has four components:

- base salary and benefits;
- short term incentive plans;
- long term incentive plans through participation in the Rio Tinto 2018 Equity Incentive Plan (EIP), the Rio Tinto plan introduced in 2018 which will govern all future long-term, share-based remuneration, including management share awards (MSA), performance share awards (PSA) and bonus deferral awards (BDA), and, in the case of the former Chief Executive Ms Sutton, the ERA Long Term Incentive Plan (ERA LTIP); and
- other remuneration such as superannuation.

Performance and non-performance related remuneration

Total remuneration is a combination of the fixed, performance and service related elements described in this report. The short and long term incentives are the variable components of the total remuneration package and are therefore “at risk”. They are tied to achievement of specific business measures, individual performance and service. Other components are referred to as “fixed” as they are not at risk.

The long term incentive plans are designed to provide a target expected value of between 22.5 and 45 per cent of base salary for the senior executives and the Chief Executive, delivered in any one year through a blend of PSAs and MSAs. In 2018, both PSAs and MSAs were awarded.

In 2016 the Remuneration Committee determined that the Chief Executive's remuneration should be simplified and the ERA LTIP was discontinued. As such, the final award made under the ERA LTIP was in 2015.

Excluding post-employment and non-monetary benefits, the proportion of total direct remuneration, assuming maximum award levels and maximum levels of performance, provided by way of variable at risk components as at 31 December 2018 for the Chief Executive and senior executives was between 48 and 68 per cent. The actual proportion of total direct remuneration provided by way of variable performance related components will differ from these percentages depending on measured Company, Rio Tinto and individual performance and the current blend of share plans.

Base salary

Base salary is set at a level consistent with market expectations within the wider Rio Tinto remuneration framework and may be delivered as a mix of cash and prescribed non-financial benefits. It is targeted broadly at the median of companies of similar size, global reach and complexity, including other large natural resource companies. Base salary is reviewed annually and adjusted taking into account the individual and Company performance, global economic conditions, role responsibilities, an assessment against comparator groups, internal relativities and base salary budgets applying to the broader employee population.

DIRECTOR'S REPORT

Short term incentive plan

The short term incentive plan provides a bonus opportunity and is designed to support the overall remuneration policy by focusing management personnel on calendar year performance against challenging individual and business targets.

Short term incentive performance conditions

Individual performance is reviewed against relevant targets and objectives annually. The Chief Executive and senior executives of the Company have between 40 and 70 per cent of their performance-based bonus based on business measures, with the remainder based on individual measures.

The short term incentive plan bonus payments disclosed in this report are amounts paid in 2018 relating to performance in 2017, as 2018 performance calculations are not finalised at the date of this report. The Company's business performance measures for 2017 used in the determination of short term incentive plan payments were:

- Safety - All Injury Frequency Rate, Lost Time Injuries and measures relating to implementation of critical risk management (CRM);
- Financial - net earnings and free cash flow; and
- Business - drummed production, cost of material milled, volume and cost of material moved and Brine Concentrator performance.

Incentive Plans

In 2018, Rio Tinto implemented a new discretionary employee share plan, the Rio Tinto 2018 Equity Incentive Plan (EIP), for executive directors and employees. The EIP replaced Rio Tinto's Performance Share Plan (PSP) 2013, Management Share Plan (MSP) 2007 and Bonus Deferral Plan (BDP). This allowed Rio Tinto to continue operating its long-term incentive arrangements (including bonus deferred awards) through a single set of plan rules. As previously outlined, the Remuneration Committee believes that the general application of the Rio Tinto remuneration framework (including the EIP to ERA's Chief Executive and senior executives, with appropriate review by the Remuneration Committee) is of benefit to the Company. During 2019, the Remuneration Committee will review the position for future years.

Awards under the EIP can take the form of:

- Conditional Awards - under which the participant receives shares for free automatically to the extent the award vests (which may be subject to the achievement of performance conditions);
- Forfeitable Shares - under which the participant receives free shares on grant, which must be given back to the extent the award lapses;
- Options - under which the participant can acquire shares, to the extent their award has vested, either at no cost or at a price set when the option is granted.

Inclusion of other award types is to provide for sufficient flexibility in the future should the Group's remuneration approach change during the life of the Plan. Awards may also be granted as cash awards.

An award may be granted on the basis that it will normally only vest to the extent that a performance condition, set by the Rio Tinto Remuneration Committee at the time of grant, is satisfied by Rio Tinto. However, awards representing deferred bonuses will not be subject to performance conditions. The vesting of awards granted to executive directors (other than bonus deferred awards) will always be subject to a performance condition, except as otherwise permitted by Rio Tinto's Remuneration Policy.

Conditional awards and nil-cost options will be granted on the basis that the participant will receive dividend equivalents for the vesting period (in additional shares or cash) when, and to the extent that, the award vests or is exercised. The dividend equivalent will be calculated based on the aggregate value of dividends paid during the vesting period unless the Rio Tinto Remuneration Committee decides to use a different approach.

Awards will normally vest, to the extent that any performance condition is met, at the end of a period set when the award is granted or the end of the period over which any performance condition is tested. Shares will be issued or transferred to the participant (or an option may be exercised) from vesting. Vesting may be delayed where a participant is subject to any external investigation or similar circumstances.

An award may be granted on the basis that the participant is required to hold a net number of vested shares (or shares subject to an option) for a set period following vesting.

If Rio Tinto was subject to a change of control, awards will vest subject to the extent to which any performance condition has been satisfied. Alternatively, participants may be allowed or required to exchange their awards for equivalent awards over shares in the acquiring company. If awards vest, the awards will be pro-rated unless the Rio Tinto Remuneration Committee decides otherwise. However, pro rating will not apply to deferred bonus awards or, normally, where an award subject to a performance condition vests on or after the third anniversary of grant.

Awards

The current intention is that awards will be made under the EIP in the form of Conditional Awards to replicate awards previously made under the PSP, MSP and BDP and in line with the Rio Tinto Group's Remuneration Policy.

Performance Share Awards

Performance share awards (PSA), which broadly replicate awards made under the PSP, provide a conditional right to Rio Tinto shares to eligible senior management personnel within the Rio Tinto Group, including the Chief Executive and senior executives of ERA. Award levels under the EIP are at the discretion of Rio Tinto.

The conditional awards only vest if the performance condition set by the Rio Tinto Remuneration Committee is satisfied by Rio Tinto, although the Rio Tinto Remuneration Committee retains discretion to satisfy itself that satisfaction of the performance condition is a genuine reflection of the underlying performance of the business. Prior to the vesting of conditional

DIRECTOR'S REPORT

awards, Rio Tinto's Total Shareholder Return (TSR) performance against the performance condition is calculated independently by Willis Towers Watson.

Subject to Rio Tinto Remuneration Committee approval, awards vest based on the Rio Tinto Group's TSR performance against the Morgan Stanley Capital World Index (one half) and the EMIX Global Mining Index (one half), relative to global mining comparators. This is reviewed at 31 December of the fifth year of the grant. The level of vesting depends on performance against the indices.

Management Share Awards

Management share awards (MSA), which broadly replicate awards made under the MSP, are conditional grants of Rio Tinto shares to eligible employees of the company which will vest, wholly or partly, upon expiry of a three year vesting period. Rio Tinto shares to satisfy the vesting are purchased by Rio Tinto in the market. Award levels under the EIP are at the discretion of Rio Tinto.

Other Share Plans

All employees of the Company may participate in Rio Tinto share purchase plans applicable at particular locations. Under the plan, employees may acquire shares up to the value of US$5,000 (or local currency equivalent) per year capped at 10 per cent of their base salary. Each share purchased will be matched by the Company (currently at a ratio of one for one) providing the participant holds the shares and remains employed at the end of the three year vesting period. Further details are at Note 30 to the Financial Statements.

Chief Executive's long term incentive plan

In 2016 the Remuneration Committee determined that the ERA LTIP would be discontinued. Awards were made in 2014 and 2015 to the Chief Executive at the time (Ms Sutton) who was the only executive to participate in this plan.

The ERA LTIP was an award of rights that have a value calculated by reference to the Company's share price (i.e. phantom shares). Whether or not the rights vest depended on the extent to which the relevant performance conditions had been satisfied over the performance period. Awards had a three year performance period commencing on 1 January of the year of grant.

The two performance conditions were a relative TSR condition and the achievement of ERA strategic measures. Each condition was assessed independently. Strategic performance conditions were chosen to ensure that the long term incentive award was assessed against both the Company's relative performance against other uranium producers and the achievement of ERA strategic measures.

For the TSR performance condition, rights vested based on ERA's TSR performance against Areva SA, Cameco Corp, Denison Mines Corp, Energy Fuels Inc, Fission Uranium Corp, Paladin Energy Limited, Summit Resources Limited, Uranium Energy Corp and Ur-Energy Inc over the performance period. Vesting was subject to ERA's ranked position using the following schedule:

Equal or greater to 2nd ranked company	100 per cent of the rights subject to the TSR condition vest
Between the 5th and 2nd ranked companies	Between 22.5 per cent and 100 per cent of the rights subject to the TSR condition vest, on a pro rata basis
Above the 6th ranked company	22.5 per cent of the rights subject to the TSR condition vest
Equal to the 6th ranked company or below	Nil vesting

For the ERA strategic measures, an assessment of the level of vesting applicable to this portion of the award was assessed by the Remuneration Committee, with the final outcome recommended to the Board by the Chairman at the end of the three year performance period. The elements considered in respect of ERA strategic measures included a financial performance, organisational and personnel related performance, relations with stakeholders and progress in respect of the Ranger 3 Deeps underground mine project. For outstanding performance, the Board could determine to permit a number of rights to vest that is equal to 150 per cent of the initial number of rights awarded that were subject to the ERA strategic measures condition.

The Remuneration Committee had discretion to give consideration to significant circumstances which may have changed the strategic measures over the performance period. Upon vesting, the value of the ERA LTIP award were converted into Rio Tinto MSA shares. The number of Rio Tinto MSA shares awarded were calculated based on the five day average Rio Tinto Limited share price prior to the Rio Tinto MSA grant date in March of the year of vesting. Any Rio Tinto MSA shares provided vested after a further two year period. There were no further performance conditions, however, the Rio Tinto MSA shares could be forfeited in certain circumstances related to cessation of employment.

Share dealing policy

The participation of the Chief Executive and senior executives in the Rio Tinto share plans involving the awarding of Rio Tinto securities at a future date, and any grants of shares and options under these plans, is subject to and conditional upon compliance with the terms of the 'Rules for dealing in securities of Rio Tinto' (Dealing Rules). The Dealing Rules for dealing expressly prohibit the limiting of exposure to economic risk in relation to such securities, and are available on the Rio Tinto website at www.riotinto.com.

DIRECTOR'S REPORT

D Details of remuneration

Details of the remuneration of each non-executive and executive Director and each of the senior executives in respect of their services to the Company are set out in the following table.

Non-executive Directors of Energy Resources of Australia Ltd

		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	
		DIRECTORS FEES ($000)	CASH BONUS ($000)	NON- CASH BENEFITS ($000)	SUPER-ANNUATION ($000)	TOTAL ($000)
P Mansell	2018	205	-	-	20	225
	2017	202	-	-	19	221
S Charles	2018	132	-	-	12	144
	2017	128	-	-	12	140
P Dowd	2018	130	-	-	12	142
	2017	128	-	-	12	140
Z Fisher[1]	2018	109	-	-	-	109
	2017	107	-	-	-	107
A Sutton [1,2]	2018	16	-	-	-	16
K McLeish[1,3]	2018	35	-	-	-	35
S Kaufman [1,4]	2018	45	-	-	-	45
	2017	8				8
S Trott [1,5]	2017	85	-	-	-	85
Total 2018		672	-	-	44	716
Total 2017		658	-	-	43	701

Note 1 Amounts paid directly to Rio Tinto Limited.
Note 2 Resigned as a Director 2 August 2017 and appointed as a Director 30 October 2018. Amounts paid for services as Chief Executive in 2017 not reflected.
Note 3 Appointed as a Director 19 June 2018 and resigned as a Director 30 October 2018.
Note 4 Appointed as a Director 29 November 2017 and resigned as a Director 19 June 2018.
Note 5 Resigned as a Director 28 November 2017.

DIRECTOR'S REPORT

Executive Director and senior executives

Set out below is an overview of the remuneration paid to the Executive Director and senior executives in 2018. This includes details of the key elements of remuneration and a summary of total remuneration for 2018.

Paul Arnold (Chief Executive and Managing Director from 2 August 2017)

Base salary

Mr Arnold was appointed as Chief Executive and Managing Director on 2 August 2017. Mr Arnold's base salary was reviewed annually with reference to the underlying performance of ERA and the Rio Tinto Group, global economic conditions, role responsibility, individual performance, an assessment against relevant comparator groups, internal relativities and base salary budgets applying to the broader employee population.

On 1 March 2018, Mr Arnold's base salary was $378,000 (2 August 2017 $370,000).

STIP objectives

The STIP cash payment made to Mr Arnold in 2018 was determined by assessing individual and business performance in 2017 against objectives set for that year.

The following individual objectives were set for Mr Arnold for 2017:

- safe and predictable operations with particular emphasis on process safety, asset integrity, productivity, output, quality, costs and cash flow;
- effective implementation of strategies for water management, other environmental controls and progressive rehabilitation, including stable and consistent operation of Brine Concentrator; and
- effective leadership behaviours in interaction with employees, the Board and stakeholders including Traditional Owners, regulators, investors and the community.

STIP outcomes

Mr Arnold's achievement against his 2017 individual objectives was assessed as 'good'. Detailed outcomes are below:

- an increase in the All Injury Frequency Rate to 1.17 (2016; 0.19);
- production of 2,294 tonnes of uranium oxide was in line with market guidance: sales volume of 2,089 tonnes of uranium oxide;
- Ranger rehabilitation program progressed to schedule;
- strong cash management focus of cash reserves;
- optimised availability and throughput of the Brine Concentrator, including injection of brine into Pit 3 backfill; and
- continued progress with key stakeholders on closure criteria for Ranger Project Area and associated infrastructure.

LTIP awards granted

Award levels are set so as to incentivise executives to provide sufficient retention for the executive team and to contribute to the competitiveness of the overall remuneration package. The value of the MSAs and PSAs granted to Mr Arnold in 2018, based on the expected value calculations performed by individual advisors, was 45 per cent of base salary. The eventual amount that vests will depend on performance during the period 2018 to 2022.

DIRECTOR'S REPORT

Total remuneration

The table below provides a summary of Mr Arnold's total remuneration disclosed for the years of 2017 and 2018. The purpose of this table is to enable shareholders to better understand the actual remuneration received and to provide an overview of the actual outcomes of the Company's remuneration arrangements. The remuneration details set out on page 35 include theoretical accounting values relating to various parts of the remuneration packages, most notably long term incentive plan arrangements. Accordingly, the numbers below are not compatible with those in the table on page 35.

(STATED IN $'000)	2018	2017
Base salary paid[1]	377	154
STIP cash bonus[2]	170	-
STIP deferred shares[3]	85	-
LTIP share based payments	135	43
Superannuation	30	10
Other benefits[4]	164	127
Total remuneration	961	334
% change from previous year[5]	-	-
% of maximum STIP cash bonus awarded	69	-
% of maximum STIP cash bonus forfeited	31	-

Note 1 Salary paid in 2017 financial year from 2 August 2017 to 31 December 2017. Salaries are reviewed with effect from 1 March.
Note 2 Bonus payment relates to prior year performance.
Note 3 Value of deferred share awards granted under the EIP.
Note 4 Other benefits include accommodation, vehicle and other allowances and Company paid superannuation above statutory requirements that is taken as cash.
Note 5 Change between year is non-comparable due to salary paid for part year in 2017.

Andrea Sutton
(Chief Executive and Managing Director to 2 August 2017)

ERA LTIP outcome for period ended 31 December 2018

The 2015 ERA LTIP award of 93,691 phantom shares granted to Ms Sutton on 1 May 2015 had a performance period which ended on 31 December 2017. The two performance conditions are a relative TSR condition and the achievement of ERA strategic measures. The Company engaged Ernst & Young to calculate the outcomes against the TSR component. Ernst & Young determined that, as ERA's TSR ranking was 6th, no awards vested under this component.

The relevant strategic measures were principally focussed on the development of the Ranger 3 Deeps ore body and were not updated following the decision to defer the project in June 2015. The Remuneration Committee considered Ms Sutton's ability to achieve the strategic measures had been impacted by factors that were beyond her control and was of the view that Ms Sutton has performed well during the performance period in respect of the matters that were within her control.

The Committee recommended that 120 per cent of the strategic measures component would vest and this recommendation was accepted by the Board.

As a result of this assessment, the Board approved the vesting of 56,214 phantom shares. The value of these shares was calculated based on the average closing price of ERA shares over the five working days prior to the normal Rio Tinto LTIP award grant date of 9 March 2018. The total value based on this average share price of $0.652 was therefore $36,652. This value was subsequently converted to 482 Rio Tinto MSA shares based on the average Rio Tinto Limited share price over the same period of $75.97.

DIRECTOR'S REPORT

Senior executives

Base salary

Base salaries are reviewed annually, with reference to the underlying performance of ERA, the Rio Tinto Group and the individual, global economic conditions, role responsibility, an assessment against relevant comparator groups and base salary budgets applying to the broader employee population.

At the end of 2017 and 2018, the base salaries of the Company's senior executives were:

BASE SALARY A'$000 (UNLESS OTHERWISE SPECIFIED)	2018	2017	CHANGE
David Blanch[1]	240	-	n/a
Lesley Bryce	288	270	7%
Alan Tietzel	366	359	2%
James May [2]	256	247	4%

Note 1 Employment with ERA commenced on 2 July 2018.
Note 2 Employment with ERA ceased on 6 July 2018. Salary is reflected at time of resignation.

STIP objectives and outcomes

The individual objectives set out below relate to the 2017 financial year (with the corresponding STIP Award paid in 2018).

	SUMMARY OF INDIVIDUAL OBJECTIVES
David Blanch	• Mr Blanch joined ERA in July 2018, and as such no STIP payment was made in 2018 for services to ERA
Lesley Bryce	• Prevention of high consequence safety and environmental events • Demonstrate Health, Safety and Environment leadership and contribute to sustained improvement in health and safety performance • Achieve target metrics for production and cost, plant utilisation, availability and recovery • Delivery of the planned dredging, tailings deposition in Pit 3, brines injection and bulk material movements • Establish key operating parameters and deliverables to meet the objectives of the Ranger Closure Plan • Demonstrate behaviours that align with the values of accountability, teamwork, integrity and respect
Alan Tietzel	• Prevention of high consequence safety and environmental events • Demonstrate Health, Safety and Environment leadership and contribute to sustained improvement in health and safety performance • Continue effective implementation of stakeholder engagement strategy • Design, plan and deliver stakeholder initiatives which progress the Company's direction on Ranger closure planning and the future of Jabiru • Demonstrate behaviours that align with the values of accountability, teamwork, integrity and Respect
James May	• Prevention of high consequence safety and environmental events • Demonstrate Health, Safety and Environment leadership and contribute to sustained improvement in health and safety performance • Lead the program management for cash generation and cost improvement across ERA • Deliver efficient and effective commercial support services to ERA, including IT and procurement • Deliver excellence in accounting, performance reporting and financial forecasting • Lead ERA's sales and logistics planning, maximizing the value of ERA's marketing arrangements • Demonstrate behaviours that align with the values of accountability, teamwork, integrity and respect

DIRECTOR'S REPORT

A summary of the individual targets and performance for each of the Company's senior executives (other than the Chief Executive) for the 2017 financial year (with the corresponding STIP Award paid in 2018) is set out in the table below.

MEASURES	WEIGHT (%)	RESULT (OUT OF 200%)	WEIGHTED RESULT (%)
Lesley Bryce			
Business and financial performance	25.0	173.0	43.3
Health and Safety	15.0	89.0	13.3
Individual	60.0	115.0	69.0
Total	**100.0**	**-**	**125.6**
Alan Tietzel			
Business and financial performance	25.0	173.0	43.3
Health and Safety	15.0	89.0	13.3
Individual	60.0	105.0	63.0
Total	**100.0**	**-**	**119.6**
James May			
Business and financial performance	25.0	173.0	43.3
Health and Safety	15.0	89.0	13.3
Individual	60.0	145.0	87.0
Total	**100.0**	**-**	**143.6**

LTIP awards

Award levels are set so as to incentivise executives to provide sufficient retention for the executive team and to contribute to the competitiveness of the overall remuneration package. The value of the awards granted to the Company's senior executives (other than the Chief Executive) in 2018, based on the fair value calculations performed by independent advisors, was between 22.5 per cent and 30 per cent of base salary.

DIRECTOR'S REPORT

Executive Director and senior executives total remuneration

		SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
		CASH SALARY ($000)	CASH BONUS[8] ($000)	OTHER[9] ($000)	TERMINATION PAYMENTS ($000)	SUPER-ANNUATION PENSION ($000)	CASH & EQUITY SETTLED ($000)	TOTAL ($000)
Executive Director								
P Arnold[1]	**2018**	377	170	164	-	30	135	876
	2017	154	-	127	-	10	43	334
A Sutton[2]	**2017**	237	207	87	-	21	108	660
Senior executives								
D Blanch[3]	**2018**	120	-	90	-	35	15	260
L Bryce[4]	**2018**	283	102	128	-	30	53	596
	2017	173	-	67		16	23	279
A Tietzel[5]	**2018**	365	129	102	-	30	119	745
	2017	359	128	97	-	32	114	730
J May[6]	**2018**	136	89	47	-	57	31	360
	2017	246	85	75	-	59	55	520
T Eckersley[7]	**2017**	32	-	7	-	10	5	54
Total 2018		1,281	490	531	-	182	353	2,837
Total 2017		1,201	420	460	-	148	348	2,577

Note 1 Performance related cash bonus: 69 per cent awarded in 2018, 31 per cent forfeited. No cash bonus paid in respect to services rendered to ERA during 2017.
Note 2 Salary paid in 2017 financial year from 1 January 2017 to 2 August 2017. Performance related cash bonus: 69 per cent awarded in 2017, 31 per cent forfeited.
Note 3 Salary paid in 2018 financial year from 2 July 2018 to 31 December 2018. No cash bonus was paid in respect to services rendered to ERA during the year.
Note 4 Performance related cash bonus: 63 per cent awarded in 2018, 37 per cent forfeited. No cash bonus paid in respect to services rendered to ERA during 2017.
Note 5 Performance related cash bonus: 61 per cent awarded in 2018, 39 per cent forfeited. 60 per cent awarded in 2017, 40 per cent forfeited.
Note 6 Salary paid in financial year from 1 January 2018 to 1 June 2018. Performance related cash bonus: 74 per cent awarded in 2018, 26 per cent forfeited. 71 per cent awarded in 2017, 29 per cent forfeited.
Note 7 Salary paid in financial year from 1 January 2017 to 1 February 2017. No cash bonus was paid in respect to services rendered to ERA during the year.
Note 8 Performance and related bonuses paid in 2018 relate to services in 2017 (equally bonuses paid in 2017 relate to services in 2016).
Note 9 Other benefits include relocation, accommodation, travel, vehicle, other allowances, Company paid superannuation above statutory requirement that is taken as cash excluding cash paid site allowances which are treated as cash salary.

The value of share based awards has been determined in accordance with the recognition and measurement requirements of AASB2 "Share-based Payment". The fair value of awards granted under the Rio Tinto 2018 Equity Incentive Plan, the Rio Tinto Management Share Plan (MSP), Bonus Deferral Plan (BDP), Performance Share Plan (PSP) and myShare has been calculated at their dates of grant using valuation models provided by external consultants Lane Clark and Peacock LLP, including an independent lattice-based option valuation model and a Monte Carlo valuation model which takes into account the constraints on vesting and exercise attached to these awards.

The fair value of awards granted under the ERA Long Term Incentive Plan (ERA LTIP) to the former Chief Executive (Ms Sutton) have been calculated at their date of grant using a valuation model provided by external consultant Ernst & Young.

DIRECTOR'S REPORT

E Executive service agreements

Remuneration and other terms of employment for the Chief Executive and senior executives are formalised in service agreements. These agreements provide for participation in the Rio Tinto short and long term incentive plans upon achieving performance and service goals. The agreements may also provide for other benefits, including: medical insurance, vehicle and accommodation allowances, relocation allowances and expenses and travel allowances.

The Chief Executive and senior executives are also entitled to a range of pre-existing redundancy entitlements, depending on the business and region from where they were originally employed within the Rio Tinto Group. These include:

- notice may be worked or fully or partly paid in lieu, at ERA's discretion;
- additional capped service related payments may apply;
- pro rata short term incentive plan payments may be paid based on the proportion of the performance period worked;
- conditional share awards granted and held for less than three years at the date of termination are reduced pro-rata;
- conditional share awards held for less than three years at date of termination are reduced pro-rata;
- there is no contractual entitlement to payments in the event of a change of control; and
- other major provisions of the agreements relating to remuneration as set out below.

P Arnold - Chief Executive

Term of agreement - Open, commenced 2 August 2017

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2018 of $378,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 100 per cent of base salary. Base salary and short term incentive targets are to be reviewed annually. Termination by the employee is three months' notice in writing or by the employer giving six months' notice or equivalent payment in lieu of notice.

In addition to Mr Arnold's service agreement, ERA has entered into a secondment agreement with Rio Tinto in relation to Mr Arnold's services to ERA. The secondment agreement provides that ERA can end Mr Arnold's secondment by giving Rio Tinto six months' notice at any time. Rio Tinto can end Mr Arnold's secondment by giving six months' notice to ERA.

L Bryce - General Manager Operations

Term of agreement - Open, commenced 1 June 2017

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2018 of $288,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 60 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months' notice in writing or by the employer giving six months' notice orequivalent payment in lieu of notice.

D Blanch - Chief Financial Officer

Term of agreement - Open, commenced 2 July 2018

Base salary (excluding superannuation, allowances and other benefits) as at 2 July 2018 of $240,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months' notice in writing or by the employer giving six months' notice or equivalent payment in lieu of notice.

A Tietzel - Chief Advisor Agreements

Term of agreement - Open, commenced 1 October 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2018 of $365,941 per annum. Maximum term incentive bonus upon meeting performance criteria is 60 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months' notice in writing or by the employer giving six months' notice or equivalent payment in lieu of notice

J May - Chief Financial Officer

Term of agreement - Closed, commenced 5 May 2014 and resigned 6 July 2018

Base salary (excluding superannuation, allowances and other benefits) as at 6 July 2018 of $255,820 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months' notice in writing or by the employer giving six months' notice or equivalent payment in lieu of notice.

DIRECTOR'S REPORT

F Share based compensation

Rio Tinto Share Option Plan

In 2013 the Rio Tinto Share Option Plan was discontinued. Details of the costs of the share based payment plans applied by the Company are provided at Note 30 of the Financial Statements.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (PRE RIGHTS ISSUE)	EXERCISE PRICE (POST RIGHTS ISSUE)	VALUE PER OPTION AT GRANT DATE	VALUE PER OPTION POST RIGHTS ISSUE	EARLIEST EXERCISE DATE
Rio Tinto Limited						
17/03/2009	17/03/2019	49.56	33.45	13.36	13.36	17/03/2012

Rio Tinto Performance Share Awards

Rio Tinto Performance Share Awards (PSA) under the Rio Tinto 2018 Equity Incentive Plan (EIP) are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. 100 per cent potentially vest after five years. PSAs have been granted under either the previous Rio Tinto Performance Share Plan or, for awards granted from 2018, granted under the EIP. The terms and conditions of each right to Rio Tinto Limited or Rio Tinto plc shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	MARKET PRICE AT AWARD	PERFORMANCE PERIOD ENDS[1]	MARKET PRICE AT 31 DECEMBER 2018
Rio Tinto Limited			
11 March 2016	$44.57	31 December 2020	$78.47
9 March 2017	$58.97	31 December 2021	$78.47
15 May 2018	$83.61	31 December 2022	$78.47

Note 1 Vesting dependent upon continued employment with a Rio Tinto Group company and achievement of relevant performance conditions.

Rio Tinto Management Share Awards

Rio Tinto Management Share Awards (MSA) under the EIP are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. MSAs have been granted under either the previous Rio Tinto Management Share Plan or, for awards granted from 2018, granted under the EIP. The terms and conditions of each right to Rio Tinto Limited or Rio Tinto plc shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	MARKET PRICE AT AWARD	PERFORMANCE PERIOD ENDS[1]	PRICE AT 31 DECEMBER 2018
Rio Tinto Limited			
11 March 2016	$44.57	18 February 2019	$78.47
9 March 2017	$58.97	18 February 2020	$78.47
15 May 2018	$83.61	15 February 2021	$78.47

Note 1 Vesting dependent upon continued employment with a Rio Tinto Group company.

DIRECTOR'S REPORT

Rio Tinto Bonus Deferral Awards

Rio Tinto Bonus Deferral Awards (BDA) under the EIP are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. BDAs have been granted under either the previous Rio Tinto Bonus Deferral Plan or, for awards granted from 2018, under the EIP. The terms and conditions of each right to Rio Tinto Limited shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	MARKET PRICE AT AWARD	VESTING DATE[1]	PRICE AT 31 DECEMBER 2018
Rio Tinto Limited			
11 March 2016	$44.57	1 December 2018	$78.47
9 March 2017	$58.97	1 December 2019	$78.47
15 May 2018	$83.61	1 December 2020	$78.47

Note 1 Vesting dependent upon continued employment with a Rio Tinto Group company.

Share based compensation – Rio Tinto employee share schemes

The key management personnel and Directors of the Company who elected to participate in the Rio Tinto myShare share purchase plan as at 31 December 2018 are set out below:

P Arnold	Rio Tinto myShare
D Blanch	Rio Tinto myShare
L Bryce	Rio Tinto myShare
Z Fisher	Rio Tinto myShare
A Tietzel	Rio Tinto myShare

Equity instrument disclosures relating to key management personnel

Options provided as remuneration

Details of options over ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to key management personnel in respect of their service to ERA (or, in the case of non-executive Directors, to Rio Tinto) are set out below. When exercisable, each option is convertible into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

						BALANCE AT END OF THE YEAR[3]	
		BALANCE AT START OF THE YEAR OR ON JOINING[1]	GRANTED AS REMUNERATION	EXERCISED DURING THE YEAR	OTHER CHANGES[2]	VESTED & EXERCISABLE	UNVESTED
Rio Tinto Limited							
Executive Director							
A Sutton	**2017**	1,158	-	-	-	1,158	-
Non-executive Directors[4]							
A Sutton	**2018**	1,158	-	-	-	1,158	-

Note 1 Where key management personnel joined during the year, balance at start of the year reflects holdings at time of commencement with ERA.
Note 2 Other changes and end of year balance include changes made in relation to awards for service within the wider Rio Tinto Group, including before joining or after ceasing with ERA, and forfeited options where conditions were not met.
Note 3 Where key management personnel left prior to the end of the year, the balance reflects the holding at the time of resignation.
Note 4 Changes to balances for non-executive Directors do not relate to remuneration for services provided to the Company.

DIRECTOR'S REPORT

Conditional awards provided as remuneration

Rio Tinto 2018 Equity Incentive Plan

No conditional awards of ordinary shares of either ERA or of Rio Tinto Limited or Rio Tinto plc were provided during the year as remuneration for services provided to ERA to any of the non-executive Directors. Details of conditional awards of ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to the Chief Executive and senior executives of ERA in respect of their duties as officers of ERA are set out below. When exercisable, each award converts into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

		BALANCE AT START OF THE YEAR OR ON JOINING[1]	GRANTED AS REMUN-ERATION	VESTED	LAPSED	AWARDS CANCELLED	OTHER CHANGES[2]	BALANCE AT END OF YEAR[3]
Rio Tinto Limited								
Executive Director								
P Arnold	2018	5,754	4,877	(1,794)	-	-	-	8,837
	2017	5,771	-	-	-	(17)	-	5,754
A Sutton	2017	12,870	7,749	(2,349)	-	(671)	-	17,599
Senior executives								
L Bryce	2018	1,880	1,318	(588)	-	-	-	2,610
	2017	1,880	-	-	-	-	-	1,880
D Blanch	2018	1,533	-	-	-	-	-	1,533
A Tietzel	2018	6,325	1,865	(2,181)	-	(143)	-	5,866
	2017	6,247	2,400	(2,110)	-	(212)	-	6,325
J May	2018	3,643	966	(1,043)	-	(45)	-	3,521
	2017	3,164	1,199	(653)	-	(67)	-	3,643
T Eckersley	2017	5,650	-	-	-	-	-	5,650
Non-executive Directors[4]								
A Sutton	2018	21,019	-	(1,660)	-	-	156	19,515
K McLeish	2018	25,397	-	-	-	-	-	25,397
Z Fisher	2018	11,268	-	(1,627)	-	-	4,474	14,115
	2017	6,631	-	(1,103)	-	-	5,740	11,268
S Kaufman	2018	23,603	-	(1,621)	-	-	15,618	37,600
	2017	23,603	-	-	-	-	-	23,603
S Trott	2017	35,832	-	(4,450)	-	-	12,253	43,635

Note 1 *Where key management personnel joined during the year, balance at start of the year reflects holdings at time of commencement with ERA.*
Note 2 *Other changes and end of year balance include changes made in relation to awards for service within the wider Rio Tinto Group, including before joining or after ceasing with ERA, and Rio Tinto Rights Issue adjustments to accrued balances.*
Note 3 *When key management personnel left prior to the end of the year, the balance reflects holdings at the date of resignation.*
Note 4 *Changes to balances for non-executive Directors do not relate to remuneration for services provided to ERA.*

ERA Long Term Incentive Plan

In addition to the conditional awards set out above, Ms Sutton was awarded a cumulative total of 223,528 rights (31 December 2017 balance: 223,528 rights) that had a value calculated by reference to the Company's share price (i.e. phantom shares). These awards had a three year performance period and, upon vesting, were converted into Rio Tinto MSA shares based on the five day average Rio Tinto Limited share price prior to the Rio Tinto MSA grant date in March of the year of vesting. Any Rio Tinto MSA shares provided vested after a further two year period. In 2016, the Remuneration Committee determined that the ERA LTIP would be discontinued. Accordingly, no further awards will be made under the program. Further details of the ERA LTIP are available on page 29.

DIRECTOR'S REPORT

Shareholdings

The number of shares held in ERA or Rio Tinto Limited during the financial year by each Director of ERA are set out below.

		BALANCE AT START OF THE YEAR[1]	INCREASED DURING THE YEAR	OTHER CHANGES DURING THE THE YEAR	BALANCE AT END OF THE YEAR[2]
Rio Tinto Limited					
P Mansell	**2018**	2,000	-	-	2,000
	2017	2,000	-	-	2,000
P Arnold	**2018**	704	2,009	-	2,713
	2017	658	46	-	704
A Sutton	**2018**	9,937	1,600	(1,600)	9,937
	2017	3,885	2,401	-	6,286
P Dowd	**2018**	1,744	-	(244)	1,500
	2017	1,744	-	-	1,744
Z Fisher	**2018**	4,162	1,832	(2,286)	3,708
	2017	2,877	1,285	-	4,162
S Kaufman	**2018**	2,944	1,721	-	4,665
	2017	2,944	-	-	2,944
K McLeish	**2018**	6,019	56	-	6,075
S Trott	**2017**	5,409	4,170	(4,513)	5,066

Note 1 *Where a Director was appointed during the year, balance reflects holdings at the time of commencement with the Company.*
Note 2 *Where a Director resigned during the year, balance reflects holdings at time of resignation as a Director of the Company.*

G Additional information

Loans and other transactions with Directors and other key management personnel

There are no loans with Directors and other key management personnel. Other transactions with Director related entities are disclosed in Note 24 – Related parties.

DIRECTOR'S REPORT

Principal activities

The principal activities of the Company during the course of the year consisted of the mining, processing and sale of uranium oxide.

Dividends

No dividends have been paid by ERA to members in respect of the 2018 financial year (2017: nil).

Operating and financial review

Details of ERA's review and results of operations are included in the Chairman's Report on page 2, the Chief Executive's Report on page 3, the Financial Performance and Operations and Rehabilitation sections on pages 5 and 6 respectively.

Significant changes to the state of affairs

The attached annual report for the year ended 31 December 2018 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. For further information, refer to Notes 1 and 28 to the financial statements, together with the auditors report.

In the opinion of the Directors, other than matters reported in the Directors' Report, the Chairman's Report and the Chief Executive's Report, there were no significant changes in the state of affairs of the Company during the year ended 31 December 2018.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material nature that has significantly affected or may significantly affect:

- the operations of the Company;
- the results of those operations; or
- the state of affairs of the Company subsequent to the financial year ended 31 December 2018.

Likely developments

In the opinion of the Directors, any likely developments in the operations of the Company known at the date of this report have been covered within the Annual Report and Notes to the financial statements.

A general review of developments for ERA is presented in the Operations and Rehabilitation section on page 6.

Annual General Meeting

The 2019 Annual General Meeting will be held on 10 April 2019 in Darwin, in the Northern Territory of Australia. Notices of the 2019 Annual General Meeting will be set out in separate letters to the shareholders of the Company.

Indemnification

Clause 11 of the Company's constitution provides that every Director, manager, officer or employee of the Company shall be indemnified out of the funds of the Company against all liability incurred by them in defending any proceedings in which they are successful.

The *Corporations Act 2001* prohibits a company from indemnifying Directors, secretaries, executive officers and auditors from liability except for liability to a party, other than the Company or a related body corporate, where the liability does not arise out of conduct involving a lack of good faith and except for liability for costs and expenses incurred in defending proceedings in which the officer or auditor is successful. An indemnity for officers or employees who are not Directors, secretaries or executive officers, is not expressly prohibited by the *Corporations Act 2001*.

The Directors and Company Secretary of the Company, and all former Directors and Company Secretaries, have the benefit of the indemnity in Clause 11 of the Company's constitution.

The indemnity also applies to executive officers of the Company (being the senior executives and managers who are concerned with, or take part in the management of the Company) as well as other employees.

Insurance

Since the end of the previous financial year, the Company has paid insurance premiums in respect of a Directors' and officers' liability policy of insurance.

The policy indemnifies all Directors and officers of ERA (including the Directors, Company Secretaries, and executive officers referred to above) against certain liabilities.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Environmental regulation and policy

ERA strives to be at the forefront of environmental management in the uranium industry. It operates in accordance with relevant Commonwealth and Northern Territory environmental legislation as well as site specific environmental licences, permits and statutory authorisations. ERA's environmental management system is ISO14001 compliant.

ERA is required to report any incident that is a divergence from strict compliance with statutory requirements, even if the incident has no detrimental environmental impact, and reports are made to the Department of Primary Industry and Resources (Northern Territory); the Supervising Scientist Branch of the Commonwealth Department of Environment; the Northern Land Council; the Commonwealth Department of Industry, Innovation and Science and the Gundjeihmi Aboriginal Corporation (representatives of the Mirarr Traditional Owners).

ERA's commitment to protect the environment in 2018 was overseen by the Supervising Scientist Branch, which conducts extensive monitoring and research programs on the Ranger Project Area and Jabiluka Mineral Lease.

There were no prosecutions commenced or fines incurred in respect of ERA's environmental performance during 2018. The environment remained protected throughout the period.

DIRECTOR'S REPORT

Corporate governance

The Board of ERA considers high standards of corporate governance to be critical to business integrity and performance. The corporate governance structures and practices in place at ERA are substantially in compliance with the 3rd Edition of the Corporate Governance Principles and Recommendations developed by the ASX Corporate Governance Council (Council).

Areas where the corporate governance practices of ERA do not follow the Council's recommendations arise due to Rio Tinto's 68.4 per cent ownership of the Company and the management direction, services and support this provides. The extent to which the Company does not comply is detailed in the Corporate Governance Statement on pages 44 to 49.

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 2016/191 and in accordance with that Class Order amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor

PricewaterhouseCoopers is the auditor of the Company. No person who was an officer of the Company during the year was a former partner or director of the auditor. Each of the Directors at the time this report was approved has confirmed that so far as he or she is aware, there is no relevant audit.

- information (ie information needed by the auditor in connection with preparing its report) of which the auditor is unaware and;
- he or she has taken all steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Non audit services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor for audit services are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for the auditor imposed by the *Corporations Act 2001*.

All non-audit services are reviewed by the Audit and Risk Committee to ensure they do not impact on the impartiality and objectivity of the auditor and do not undermine the general principles relating to auditor's independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards. Accordingly, the Directors have satisfied themselves that the provision of non-audit services by the auditor does not compromise the auditor independence requirements of the *Corporations Act 2001*.

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-audit related firms.

	2018 $000	2017 $000
AUDIT SERVICES		
PricewaterhouseCoopers Australia		
Audit and review of financial reports	290	245
Audit and review of financial reports	-	
(additional prior year fees)	10	86
Total remuneration for audit services	300	331
Taxation services	-	-
Audit related services	-	-
Total Remuneration	300	331

Information on Auditor

PricewaterhouseCoopers continues in office in accordance with Section 327 of the *Corporations Act 2001*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43.

Signed at Perth this 15 February 2019 in accordance with a resolution of the Directors.

Director
Perth
15 February 2019

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Energy Resources of Australia Ltd for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
15 February 2019

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

CORPORATE GOVERNANCE STATEMENT

The Board of ERA considers high standards of corporate governance to be critical to business integrity and performance and to maximise the overall long term return to shareholders. The Board seeks to ensure that ERA meets the objectives of its shareholders, while paying proper regard to the interests of employees and external stakeholders.

The corporate governance structures and practices in place at ERA are substantially in compliance with the 3rd Edition of the Corporate Governance Principles and Recommendations (Principles) developed by the ASX Corporate Governance Council (Council).

The Board has considered the Council's Principles, and ERA did not comply with the following recommendation for the whole of the reporting period:

- Recommendation 2.4 – there was not a majority of independent Directors.

As explained further below, the Board considers that this is appropriate.

This Corporate Governance Statement is current as at 15 February 2019 and has been approved by the Board of ERA.

Board responsibilities and charter

In carrying out its responsibilities and powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the ERA's shareholders and employees and the community.

The Board Charter underpins the strategic guidance and effective management oversight provided by the Board, and defines the division of responsibility between Board and management by formal delegation and a system of Board reserve powers.

Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of ERA's business is delegated to the Chief Executive who is accountable to the Board.

The Board approves strategy and business plans and monitors the performance of ERA against these plans. The Board also monitors compliance with policies prescribed by the Board in areas such as health and safety, environment, business ethics, internal control and risk management. These policies are designed to ensure that ERA meets or exceeds the regulatory requirements governing its operations.

In addition to the matters expressly required by law to be approved by the Board, the powers specifically reserved for the Board are as follows:

- confirming the appointment and removal of a Chief Executive proposed by Rio Tinto and the terms and conditions of the Chief Executive's employment;
- appointment and removal of a Company Secretary;
- appointment of the Chairman of the Board and members of Board Committees;
- any matters set out in the Schedule of Matters Reserved for Decision or Consideration by the Board; and
- approval, subject to the Constitution, the *Corporations Act 2001* and the ASX Listing Rules, of each of the following:
    - (i) the issue of new shares or other securities in the Company;
    - (ii) incurring of debt (other than trade creditors incurred in the normal course of business);
    - (iii) capital expenditure in excess of $5,000,000;
    - (iv) the acquisition, divestment or establishment of any significant business assets;
    - (v) changes to the discretions delegated from the Board;
    - (vi) the annual operating budget plan;
    - (vii) changes to the capital and operating approval limits of senior management; and
    - (viii) the annual report and interim and preliminary final reports.

The Board Charter is available at the Corporate Governance section of ERA's website.

Composition

Throughout 2018, the Board of ERA consisted of six Directors, five of whom were non-executive.

Mr Mansell, Mr Charles and Mr Dowd all served as independent non-executive Directors throughout 2018. Ms Fisher, Ms Kaufman and Ms Sutton, who are current executives of Rio Tinto, and Mr McLeish, a former executive of Rio Tinto, also served as non-executive Directors during the period.

On 19 June 2018, Ms Kaufman resigned as a Director.

Mr McLeish was appointed as a Director on 19 June 2018 and resigned on 30 October 2018.

On 30 October 2018, Ms Sutton was appointed as a Director.

Skills, experience and diversity

The Board strives to achieve a diversity of skills, experience and perspective among its Directors. Details of the Directors, their experience, qualifications and other appointments are set out on pages 20 to 22. Details of the independent status of each Director are outlined in the Independence section below.

Qualification for Board membership is driven by the principle that the Board's composition should reflect the right balance of skills, knowledge and diversity that the Board considers will best serve the interests of ERA and all of its shareholders.

The Board reviews its structure, size and composition regularly. The Board has not established a Nominations Committee. The Board considers that its existing practices in reviewing Director competencies, Board succession planning, Board performance evaluation and Director selection and nomination carried out in accordance with the Board Charter, are satisfactory and appropriate given the size of the Board and ERA's current ownership structure.

The process to identify and nominate new independent Directors from time to time is led by the incumbent independent Directors. Decisions relating to the appointment of Directors are made by

CORPORATE GOVERNANCE STATEMENT

the full Board. Directors appointed by the Board are required by ERA's Constitution to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment. There is no share ownership qualification for appointment as a Director.

The ERA Board undertakes appropriate background checks and screening prior to appointing a Director or putting a candidate to security holders for election as a Director. ERA provides security holders with all material information in its possession concerning each Director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

Non-executive Directors are required to retire at least every three years in accordance with ERA's Constitution, but may offer themselves for re-election. The key attributes that the Board seeks to achieve in its membership are set out below.

Mining	Senior executive experience in the resources industry, including mining, development, marketing and exploration
Health, Safety and Environment	Familiarity with issues associated with workplace health and safety, environment and social responsibility
Financial	Proficiency in financial accounting and reporting, corporate finance, internal financial controls, corporate funding and associated risks
Technical	A strong understanding in technical areas of the resource industry, including engineering, mining and processing
Strategy	Proven ability in developing and implementing successful business strategies, including the capacity to probe and challenge management on the delivery of strategic objectives
Governance	Commitment to the highest standards of governance, including Board experience with other ASX listed companies that demonstrate rigorous governance standards
Executive leadership	Sustainable success in business at a very senior executive level
Government relations	Interaction with government and regulators and involvement in public policy initiatives and decisions
Community and indigenous engagement	Experience in engaging with a cross-section of community and Indigenous stakeholders
Risk management	Experience in developing and establishing risk management frameworks, setting risk appetite and overseeing organisational risk culture

Appointment, induction training and professional development

All new non-executive Directors sign a letter of appointment which sets out the key terms and conditions of their appointment including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work. The Chief Executive and senior executives enter into service agreements which govern the terms of their employment (see page 36).

Induction training is provided to all new Directors. It includes comprehensive induction materials, discussions with the Chief Executive and senior executives and the option to visit the Company's operations at Ranger mine, either by appointment or with the Board during its next site tour. The induction materials and discussions include information on the Company's strategy, culture and values, key corporate and Board policies, the Company's financial, operational and risk management position, the rights and responsibilities of Directors, the role of the Board and its committees and meeting arrangements.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. ERA provides the opportunity for Directors to participate in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Independence

For the purposes of determining Director independence, the Board considers any material business relationship which could interfere, or be perceived to interfere, with the Director's independence of judgement, ability to provide a strong, valuable contribution to the Board's deliberations and the Director's ability to act in the best interests of ERA and all shareholders. Where contracts in the ordinary course of business exist between ERA and a company in which a Director has declared an interest, these are reviewed for materiality to both ERA and the other party to the contract.

In addition to the examples set out in the Principles, the following may be taken into account in considering such material business relationships:

- whether, within the last three years, the Director or a close family member has been a member of executive management of ERA, employed in a senior position with a member of the Rio Tinto Group or has received additional remuneration from the Company or a member of the Rio Tinto Group;
- whether the Director or a close family member is, or is associated with, a substantial shareholder (more than five per cent of the voting shares) in the Company or in a member of the Rio Tinto Group;
- the Director's cross directorships of, or significant links with, or involvement in, other companies;
- the Director's length of service on the Board and whether this may have compromised independence; and

CORPORATE GOVERNANCE STATEMENT

- whether, within the last three years, the Director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material business relationship with ERA or with a member of the Rio Tinto Group, whether as an auditor, professional adviser, supplier, or customer ("material" being more than five per cent of ERA's or the counterparty's consolidated gross revenue per annum).

Mr Mansell, Mr Charles and Mr Dowd are considered by the Board to be independent Directors.

For the reporting period, the Board of Directors did not consist of a majority of independent Directors. This does not follow Recommendation 2.4 of the Council's Principles. The Board considered it was appropriate that the composition of the Board recognised Rio Tinto's 68.4 per cent shareholding.

All Directors are required to, and do, bring an independent judgement to bear on Board decisions and act in accordance with their statutory duties of good faith and for a proper purpose, and in the interests of all shareholders.

All related party transactions, including those with Rio Tinto, have been determined by the independent Directors to be on arm's length terms and in the interests of ERA.

Chairman and Chief Executive

The Chairman, Mr Mansell, is an independent non-executive Director. Mr Mansell's other appointments are set out on page 20. The Board considers that none of his other commitments interfere with the discharge of his duties to ERA.

The Chief Executive is Mr Arnold, who is also a Director.

Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Details of the Company Secretary's experience and qualifications are set out on page 24.

Board meetings

The Board held six scheduled meetings and one extraordinary meeting during 2018. In addition, there were 9 meetings held in 2018 of Committees established by the Board. The Board and Committee meeting attendance details for Directors in 2018 are set out on page 25.

Performance self assessment

The Board has a process for periodically evaluating its performance, as well as the performance of its committees and individual Directors. The evaluation and self-assessment generally takes the form of an internal process facilitated by the Chairman. After consulting each Director and the Company Secretary, the Chairman reports a summary of the findings to all Directors for discussion at the next Board meeting where relevant actions are agreed. Periodically the Board may utilise the services of an external consultant to facilitate the process.

The external process takes the form of a questionnaire completed by each of the Directors and the Company Secretary. Following collation by the consultant, the results, adequacy and appropriateness of the self-assessment process are compiled. A report outlining the results is circulated to all Directors and discussed at the following Board meeting where actions arising are agreed.

The last formal performance evaluation was carried out in 2014 and facilitated by an external consultant. A formal evaluation was not carried out in the period. Chairman obtained informal feedback from the Directors on the performance of the Board and its committees in 2018, with a view to undertaking a formal evaluation in 2019.

Independent professional advice

The Board has adopted a procedure for Directors wishing to seek independent professional advice, at the Company's expense, in the furtherance of their duties. The Board recognises that there may be circumstances in which individual Directors are entitled to independent professional advice at the Company's expense in the furtherance of their duties, and any Director may do so by arrangement with the Company Secretary.

Remuneration

ERA's Constitution provides that the aggregate remuneration paid to non-executive Directors of ERA in any one year will not exceed $800,000 or such other amount as may be approved by shareholders from time to time. At the 2018 Annual General Meeting, the 2017 Remuneration Report was approved with 90.09 per cent of shares voted in favour (voting comprised 355,663,697 votes 'for' the resolution and 39,119,746 votes 'against' the resolution). North Limited and Peko-Wallsend Pty Ltd, which are both Rio Tinto entities, voted a combined total of 354,078,854 votes 'for' the resolution.

In 2012, the Board established a Remuneration Committee. Throughout 2018, the Remuneration Committee comprised three non-executive Directors, being Mr Mansell (Chair), Mr Dowd and Mr Charles, all of whom are independent. A majority of members constitutes a quorum for a meeting. The Chief Executive may be invited to attend Remuneration Committee meetings. Other executives may also be invited to discuss or report on particular agenda items.

The Remuneration Committee Charter sets out the role and objectives of the Remuneration Committee. A summary of the objectives of the Remuneration Committee and the policies and practices of the Company regarding the remuneration of non-executive Directors, the Chief Executive and senior executives is set out on pages 26 to 29 of the Remuneration Report.

The complete Remuneration Committee Charter is available at the Corporate Governance section of ERA's website at www.energyres.com.au.

Details of how the performance evaluation process is undertaken by the Board in respect of the Chief Executive and senior executives are set out on pages 26 to 29 of the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board and throughout 2018 comprised three non-executive Directors, all of whom are independent. A majority of members constitutes a quorum. The present members of the Audit and Risk Committee are Mr Charles (Chair), Mr Mansell and Mr Dowd. The Company's Chief Financial Officer, Chief Executive and Legal Counsel & Company Secretary, the external auditor and the internal auditor are invited to attend all meetings.

The Audit and Risk Committee Charter sets out the role and terms of reference of the Audit and Risk Committee and is reviewed regularly. The Audit and Risk Committee Charter is available at the Corporate Governance section of ERA's website.

The Committee provides a formal structure for reviewing ERA's financial statements, accounting policies, control systems, risk management practices and taxation issues and for liaison with the external and internal auditors. The Committee also reviews the adequacy of internal and external audit arrangements.

The Audit and Risk Committee advises the Board of any matters that might have a significant impact on the financial condition of ERA and has the authority to investigate any matters within its terms of reference, having full access to the information and resources of ERA to fulfil its function. Related party transactions are considered by the Audit and Risk Committee. The Audit and Risk Committee reviews compliance with the *Corporations Act 2001*, and the requirements of the ASX and other regulatory requirements.

The Audit and Risk Committee held three scheduled meetings during 2018. Attendance details of the 2018 meetings of the Audit and Risk Committee, and the qualifications and experience of the members, are set out in the Directors' Report on pages 25 and 20 to 22.

Each year the external auditor submits a schedule of audit services and fee estimate to the Audit and Risk Committee for consideration and approval. PricewaterhouseCoopers has been ERA's external auditor for a number of years. Each year, the Audit and Risk Committee reviews the effectiveness of the external audit process and the independence of the auditor. Based on its 2018 review, the Audit and Risk Committee was satisfied with the external audit process and that the external auditor remained independent. Any work to be conducted by the external auditor other than the audit is approved by the Audit and Risk Committee.

Details of the fees paid to PricewaterhouseCoopers during 2018 are outlined on page 42.

Health, Safety and Environment Committee

The Health, Safety and Environment Committee is appointed by the Board and ordinarily comprises three non-executive Directors. A majority of members constitutes a quorum. Throughout 2018, the members of the Health, Safety and Environment Committee were Mr Dowd (Chair), Mr Charles and Ms Fisher. The Company's Chief Executive, General Manager Operations and Company Secretary are invited to attend all meetings.

The Health, Safety and Environment Committee Charter sets out the role and objectives of the Health, Safety and Environment Committee and is reviewed regularly. It is available at the Corporate Governance section of ERA's website.

The Committee provides a formal structure to further support governance and initiatives for improvement in health, safety and the environmental management of ERA operations.

The Health, Safety and Environment Committee held three scheduled meetings during 2018. Attendance details of the 2018 meetings of the Health, Safety and Environment Committee, and the qualifications and experience of the members, are set out in the Directors' Report on pages 25 and 20 to 22 respectively.

Diversity

ERA acknowledges the benefits that flow from advancing Board and employee diversity, in particular gender and Indigenous diversity. These benefits include identification and rectification of gaps in the skills and experience of Directors and employees, enhanced employee retention, greater innovation and maximisation of available talent to achieve corporate goals and increased financial performance.

Diversity, in the context of the Company, primarily refers to groups which are underrepresented in its workforce. ERA has a particular focus on the representation of women and Indigenous people in its workforce. ERA's policy on diversity can be found on the Company's website at www.energyres.com.au. In accordance with the Company's diversity policy, ERA has set measurable objectives to achieve diversity.

The objectives and the Company's progress in achieving each objective are set out below:

OBJECTIVE	OUTCOME
Women to represent 20 per cent of the management (being manager level and above) and the Board by end of 2018.	As at 31 December 2018 female participation at manager, Executive Committee and Board level is 37 per cent. Women comprise 33 per cent of Directors. Total female participation is 18 per cent.
Target of 33 per cent Indigenous people and 25 per cent female participation in new apprenticeships by end of 2018.	Throughout 2018, ERA had 4 full time apprentices, 3 of whom are female (75 per cent). In addition, ERA had two school based apprentices and four Indigenous trainees.
Target Indigenous employment of 20 per cent by the end of 2018.	ERA ended 2018 with an Indigenous employment rate of 13 per cent.

CORPORATE GOVERNANCE STATEMENT

As at 31 December 2018, the proportion of women employed by ERA was as follows:

Board of Directors	33%
Executive Committee and managers	36%
Company	18%

Code of business conduct

ERA has a Code of Business Conduct to be met by all employees and Directors. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia and in every other country in which the Company engages in business.

The Code of Business Conduct is reviewed to ensure it adequately addresses the issues facing the Company and is available for inspection on the Corporate Governance section of the Company's website at www.energyres.com.au.

In addition to the Company's Code of Business Conduct, the Company's employees are required to comply with Rio Tinto's statement of business practice *The Way We Work*, available at Rio Tinto's website at www.riotinto.com.

The Company has a confidential whistleblower program known as Speak-Out 'Talk to Peggy'. Employees are encouraged to report any suspicion of unethical or illegal practices.

Purchase and sale of Company securities

ERA has in place a formal policy that reinforces to all Directors, officers and employees the prohibitions against insider trading. The Share Trading Policy is available for inspection at the Corporate Governance section of the Company's website at www.energyres.com.au.

In addition, the "Rules for dealing in securities of Rio Tinto" (Dealing Rules) apply to the participation of ERA executives in the Rio Tinto long term incentive plans involving the awarding of Rio Tinto securities at a future date. Any such grants of shares and options under the Rio Tinto plans are subject to, and conditional upon, compliance with the terms of the Dealing Rules, including an express prohibition on hedging or limiting of exposure to economic risk in relation to such securities.

Under the ERA Share Trading Policy:

- Directors, senior executives and senior managers must advise the Chairman in writing, and receive approval in writing from the Chairman, if they intend to purchase or sell ERA securities. In regard to his own dealings, the Chairman is required to notify the Chair of the Audit and Risk Committee.
- No dealings in ERA securities may take place for the period from the end of any relevant financial period to the trading day following announcement of ERA's annual results or half year results.

Particulars of the interests held by Directors are outlined on page 25 of the Remuneration Report.

Risk identification and management

ERA has in place a range of policies and procedures to manage the risks associated with its operating activities. These policies and procedures have been adopted by the Board, with primary oversight by the Audit and Risk Committee, to ensure that potential business risks are identified and appropriate action taken.

The Company has an annual internal audit program that is determined by the Audit and Risk Committee. The annual internal audit program is executed by an outsourced provider which reports back to the Audit and Risk Committee on its assessment of the Company's control environment. In addition, the Company's compliance officer provides support for internal audit planning activities and the monitoring of actions implemented by the Company in response to findings raised by the internal auditor.

ERA benefits from the Rio Tinto Group's knowledge, policies and practices on risk management and corporate assurance, developed to manage Rio Tinto's diverse business activities covering a variety of commodities and operational locations. Together, these make up a comprehensive framework and approach to risk analysis and risk management.

The Board has in place a number of systems to identify and manage business risks. These include:

- the identification and review of all of the business risks known to be facing the Company;
- the provision of reports and information by management to the Board, on a periodic basis, confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks;
- guidelines for ensuring that capital expenditure and revenue commitments exceeding certain approved limits are placed before the Board for approval;
- limits and controls for all financial exposures, including the use of derivatives;
- a regulatory compliance program; and
- safety, health and environmental policies which are supported by a set of standards and management systems which recognise the Company's commitment to achieving high standards of performance in all its activities in these areas.

The Audit and Risk Committee reviews ERA's risk management framework at least annually, and did so in 2018, to satisfy itself that it continues to be sound.

The Audit and Risk Committee and the Board has assessed the strategic risks to the Company's business and the mitigation strategies to be implemented by management. The strategic risks identified through this assessment were future operating cash flow and financial resources, stakeholder support of the Company's strategic initiatives, rehabilitation of the Ranger Project Area, internal constraints relating to the Company's licence to operate, external events relating to the Company's licence to operate and retention and recruitment of key personnel.

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These strategic risks are in addition to risks inherent to the mining industry generally which include economic conditions (fluctuations in commodity pricing and exchange rates), international regulation of greenhouse gas emissions and impact of climatic conditions. More information on ERA's business risks, including any material exposure to economic, environmental and social sustainability risks, is set out on pages 10 and 11 of the Annual Report.

Each reporting period, the Chief Executive and the Chief Financial Officer give statements to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the Australian Accounting Standards and give a true and fair view of the Company's financial position and performance. The statements also provide that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects.

Public statements and disclosure matters

ERA makes full and immediate disclosures to its shareholders and the market as required by, and in accordance with, its legal and regulatory obligations. Established systems are in place to ensure compliance and matters that may have a material impact on the price or value of ERA's securities are reported to the market in accordance with the ASX Listing Rules and the *Corporations Act 2001*. ERA's Continuous Disclosure Policy is available at the Corporation Governance section of ERA's website at www.energyres.com.au.

Shareholder communication

ERA recognises the importance of effective communication with shareholders and the general investment community. Apart from ERA's compliance with its mandatory continuous disclosure obligations, ERA takes steps to ensure that its shareholders and other stakeholders are kept informed. Full advantage is taken of the Annual General Meeting to inform shareholders of current developments and to give shareholders the opportunity to ask questions. PricewaterhouseCoopers, ERA's external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. ERA shareholders are also able to submit written questions regarding the statutory audit report to the auditor via the Company. Any questions received and answers provided will be made available to members at the Annual General Meeting. Shareholders who are unable to attend meetings are encouraged to appoint a proxy to vote either as they direct or at their discretion.

ERA believes that investor seminars, presentations and briefings on financial and operational issues, including social and environmental performance, are valuable ways of communicating with relevant professionals, employees and other interested persons. The Chief Executive and Chief Financial Officer conduct meetings with the Company's major investors, and the Company provides investor briefings to coincide with the release of half year and full year financial results.

ERA gives equal access to information disclosed in investor seminars, presentations and briefings. If any such event is used to disclose new material, it will, in advance or simultaneously, be disclosed to the ASX and available on ERA's website.

ERA provides shareholders with the option to receive communications from, and send communications to, the Company and the share registrar electronically. The contact details are available on the Company's website.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 $'000	2017 $'000
Revenue from continuing operations	3	215,612	240,471
Changes in inventories		30,799	(22,193)
Materials and consumables used		(79,877)	(71,130)
Employee benefits and contractor expenses		(109,953)	(111,824)
Government and other royalties	4	(10,724)	(11,215)
Commission and shipping expenses		(3,453)	(4,890)
Depreciation and amortisation expenses		-	-
Non-cash impairment charge	12	(113,776)	-
Changes in estimate of rehabilitaton provision	17	(343,199)	(21,135)
Financing costs	4	(22,539)	(22,072)
Statutory and corporate expenses		(14,205)	(11,046)
Other expenses	4	(5,008)	(8,498)
Profit/(loss) before income tax		(456,323)	(43,532)
Income tax (expense)/benefit	5	21,049	-
Profit/(loss) for the year		(435,274)	(43,532)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(435,274)	(43,532)
Profit/(loss) is attributable to:			
Owners of Energy Resources of Australia Ltd		(435,274)	(43,532)
Total comprehensive income for the year is attributable to:			
Owners of Energy Resources of Australia Ltd		(435,274)	(43,532)
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share (cents)	27	(84.1)	(8.4)
Diluted earnings per share (cents)	27	(84.1)	(8.4)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 31 DECEMBER 2018

	NOTES	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	313,736	395,477
Trade and other receivables	8	10,519	8,903
Inventories	9	115,352	115,926
Other	10	1,484	473
Total current assets		441,091	520,779
Non-current assets			
Inventories	11	30,104	-
Undeveloped properties	12	89,856	203,632
Property, plant and equipment	13	-	-
Investment in trust fund	14	74,715	72,901
Total non-current assets		194,675	276,533
Total assets		635,766	797,312
LIABILITIES			
Current liabilities			
Payables	15	37,877	36,777
Income received in advance		34,561	45,981
Provisions	16	102,233	80,930
Total current liabilities		174,671	163,688
Non-current liabilities			
Provisions	17	741,885	457,688
Deferred tax liabilities	18	-	21,049
Total non-current liabilities		741,885	478,737
Total liabilities		916,556	642,425
Net assets		(280,790)	154,887
EQUITY			
Contributed equity	19	706,485	706,485
Reserves	20	388,897	389,300
Accumulated losses	20	(1,376,172)	(940,898)
Total equity		(280,790)	154,887

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 January 2017		706,485	389,440	(897,366)	198,559
Profit/(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	20	-	(140)	-	(140)
		-	(140)	-	(140)
Balance at 31 December 2017		706,485	389,300	(940,898)	154,887
Profit/(loss) for the year		-	-	(435,274)	(435,274)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	(435,274)	(435,274)
Transactions with owners in their capacity as owners:					
Employee share options – value of employee services	20	-	(403)	-	(403)
		-	(403)	-	(403)
Balance at 31 December 2018		706,485	388,897	(1,376,172)	(280,790)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers			
(inclusive of Goods and Services Tax)		215,290	259,070
Payments to suppliers and employees			
(inclusive of Goods and Services Tax)		(239,089)	(229,563)
		(23,799)	29,507
Payments for exploration and evaluation		-	-
Payments for rehabilitation		(58,946)	(27,025)
Interest received		8,479	7,281
Financing costs paid		(2,070)	(1,925)
Net cash (outflow)/inflow from operating activities	26	(76,336)	7,838
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(4,334)	(7,295)
Proceeds from sale of property, plant and equipment		-	169
Net cash (outflow)/inflow from investing activities		(4,334)	(7,126)
CASH FLOW FROM FINANCING ACTIVITIES			
Employee share option payments		(1,068)	(837)
Net cash (outflow)/inflow from financing activities		(1,068)	(837)
Net increase/(decrease) in cash and cash equivalents		(81,738)	(125)
Cash and cash equivalents at the beginning of the financial year		395,477	395,598
Effects of exchange rate changes on cash and cash equivalents		(3)	4
Cash and cash equivalents at end of year	7	313,736	395,477

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for Energy Resources of Australia Ltd (ERA).

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*.

(i) Going Concern

As at 31 December 2018, ERA has a deficiency of capital and reserves of $281 million, it has also experienced operating losses and negative cash flows during the financial year ending on that date.

The continuing viability of ERA and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon it being successful in obtaining additional funding support from its shareholders. Rio Tinto has advised ERA that it will work with ERA and its other shareholders and stakeholders with the objective of ensuring that ERA is in a position to meet in full the likely future rehabilitation requirements of the Ranger Project Area. Further details are provided in note 28.

As a result of these matters, there is a material uncertainty that may cast significant doubt on ERA's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the directors believe that ERA will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

(ii) Compliance with IFRS

The financial statements of the Company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(iv) Critical accounting estimates

The presentation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(b) Principles of consolidation

(i) Subsidiaries

ERA has no subsidiaries and is referred to in the financial report as the Company or ERA.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sales are brought to account when the products pass from the physical control of the Company pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the products are in a form that requires no further treatment by the Company.

In the case where a sale occurs and immediately after which (part of) the goods are borrowed back by the Company under a separate agreement, the revenue is deferred until repayment of the borrowed goods occurs.

Under the marketing agreement with Rio Tinto Uranium, payment for uranium oxide is connected to the date the material is shipped. Once cash is received, it is treated as unearned revenue until the sale occurs and ownership transfers.

Additional details are presented in Note 1 (y) (ii).

(ii) Rendering of services

Revenue from the rendering of services is recognised when the service is provided.

(iii) Other revenue/income

Other revenue/income recognised by the Company includes:

- interest income, which is recognised on a time proportion basis using the effective interest rate method;
- rental income, which is recognised on a straight line basis;
- net gains on disposal of assets, which is recognised at the date control of the asset passes to the acquirer;
- contract compensation, which is recognised upon cancellation of a sales contract;
- foreign exchange gains; and
- insurance recoveries, which is recognised on confirmation from the insurer that the claim payment has been approved.

NOTES TO THE FINANCIAL STATEMENTS

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(e) Financing costs

Financing costs (including interest) are included in the statement of comprehensive income in the period during which they are incurred, except where they are included in the cost of non-current assets that are currently being developed and will take a substantial period of time to complete. The borrowing costs included in the cost of such developments are those costs that would have been avoided if the expenditure on the development had not been made.

Once the asset is ready for use, the capitalised borrowing costs are depreciated as a part of the carrying amount of the related asset.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Company's outstanding borrowings during the year.

(f) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure, adjusted for risk, required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Rehabilitation

The Company is required to rehabilitate the Ranger Project Area upon cessation of mining operations. The costs are estimated on the basis of a closure model, taking into consideration the technical closure options available to meet the Company's obligations and applying a probability weighting to each option based on the likelihood of executing each option. When it is deemed only one option is available it is assigned a 100 per cent probability. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to regular reviews.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the statement of comprehensive income in each accounting period. The amortisation of the discount is shown as a financing cost. Other movements in the provision for closure and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to lives of operations and revisions to discount rates are capitalised within fixed assets, unless the assets that they relate to are fully written down or impaired in which case the movement in the provision is allocated directly to the statement of comprehensive income. These costs are then depreciated on a unit of production basis over the life of the reserves.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each balance date. All costs of continuous rehabilitation work are charged to the provision as incurred.

Costs are allowed for in the closure provision when they are directly related to rehabilitation of the Ranger Project Area. Costs incurred to operate and manage the site whilst uranium oxide production is occurring are allocated to operating costs and so excluded from the rehabilitation provision. The operation of the brine concentrator and pond water management are costs that are allocated to operating costs up until such time as the production of uranium oxide ceases (forecast to be January 2021), they are then included in the closure provision from this time. Following cessation of uranium oxide production all costs associated with the Ranger Project Area are included in the closure provision, cost associated with other corporate activities will remain in operating costs and so are not provided for.

Separately, the Company is required to maintain with the Commonwealth Government the Ranger Rehabilitation Trust Fund (Trust Fund), to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). Each year, the Company is required to prepare and submit to the Commonwealth Government an Annual Plan of Rehabilitation. Once accepted by the Commonwealth Government, the annual plan is then independently assessed and costed and the amount to be provided by the Company in the Trust Fund, is then determined. The Trust Fund includes both cash and financial guarantees. The cash portion is shown as an investment on the balance sheet (Note 14), and interest received by the Trust Fund is shown as interest income.

The Company is required to rehabilitate the Jabiluka Mineral Lease upon cessation of operations to a standard specified by the Authorisation to operate issued by the Northern Territory Government. The estimated cost of rehabilitation is currently secured by a bank guarantee and fully provided for in the financial statements.

(g) Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income

NOTES TO THE FINANCIAL STATEMENTS

tax rate adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company generates taxable income (Australia).

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Trade and other receivables

Trade receivables are recognised at fair value through the profit and loss.

Trade receivables are normally settled within 45 days and are carried at the fair value of the amounts due. The collectability of trade receivables is reviewed on an ongoing basis and fair value adjusted for any doubtful amounts. Receivables which are known to be uncollectible are written off.

Other receivables relate to transactions outside the usual operating activities of the Company and are predominantly concerned with rental receipts from employees and businesses located within the Jabiru township. These ongoing activities are expected to be settled during the 12 months subsequent to balance date but are assessed regularly.

Additional details are provided in Note 1 (y) (i) in the Notes to the Financial Statements.

(i) Inventories

Inventories, other than stores, are carried at the lower of cost and net realisable value. Net realisable value is determined based on estimated future sales prices, exchange rates and capital and production costs, including transport.

Inventory is valued using the weighted average cost method and includes both fixed and variable production costs as well as cash and non-cash charges.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, for example because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value.

Work in progress inventory includes ore stockpiles and other partly processed material. Quantities are assessed primarily through surveys and assays.

Stores are valued at the lower of cost or net realisable value and are impaired accordingly to take into account obsolescence.

For inventory management purposes the Company may enter into uranium loans as a lending or receiving party. These loans are entered into for logistical purposes and loans received are repaid from the Company's inventory. The uranium loans do not meet the definition of a financial liability and are recorded net of inventory.

(j) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction.

The value in use is determined using the present value of the future cashflow expected to be derived from an asset or cash generating unit.

(k) Property, plant and equipment

(i) Acquisition

Items of property, plant and equipment are recorded at historical cost and, except for land, are depreciated as outlined below. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

(ii) Depreciation and amortisation

Depreciation of plant and equipment is provided for as follows:

NOTES TO THE FINANCIAL STATEMENTS

(a) individual assets that have a life equal to or longer than the estimated remaining life of the Ranger mine are depreciated on a unit of production basis over the life of the reserves; and
(b) each other asset is depreciated over its estimated operating life on a straight line basis.

The following indicates the depreciation method for buildings and plant and equipment on which the depreciation charges are based:

- buildings – units of production over the life of reserves;
- plant and equipment* – units of production over the life of reserves.

* Some of these assets are depreciated on a straight line basis over their useful operating life which is less than the life of the Ranger mine. See below for the estimated useful lives.
- Office equipment: computers - three years
- Office equipment: general - five years
- Plant and equipment - five years
- Furniture and fittings - ten years
- Motor vehicles - five years
- Tailings Storage Facility - three years
- Brine Concentrator - seven years

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

All ERA's property, plant and equipment is currently fully impaired. Property, plant and equipment expenditure incurred is recorded directly in other expenses.

(iii) Leases
Leases in which a significant portion of risks and rewards of ownership are not transfered to the Company as lessee are classified as operating leases (Note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(iv) Mine properties
Mine properties, consisting principally of Ranger Project Area mining rights, are amortised on a unit of production basis over the life of the economically recoverable reserves of Ranger.

(v) Deferred stripping costs
Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units of production basis.

Stripping costs incurred during the production stage of mining operations are deferred where they are separately identifiable and do not form part of normal mining activities. These costs are deferred and amortised over the period in which the associated ore is produced.

(l) Exploration and evaluation expenditure
Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- construction of underground tunnels, where necessary for exploration drilling;
- examining and testing extraction and treatment methods; and
- compiling prefeasibility and feasibility studies.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Capitalisation of exploration expenditure commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Company. Capitalised exploration expenditure is reviewed for impairment indicators at each balance sheet date.

Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project. If a project does not prove viable, all unrecoverable costs associated with the project and the related impairment provisions are written off. Any impairment provisions raised in previous years are reassessed if there is a change in circumstances which indicates that they may no longer be required, for example if it is decided to proceed with development. If the project proceeds to development, the amounts included within intangible assets are transferred to property, plant and equipment.

(i) Undeveloped properties
Undeveloped properties are mineral concessions where the intention is to develop and go into production in due course. The carrying values of these assets are reviewed annually by management and the results of these reviews are reported to the Board and Audit and Risk Committee. Impairment is assessed using the fair value less cost of disposal method.

(m) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

(n) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days. These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates derivatives as hedges against highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective.

The effective portion of changes in the fair value is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). When a forecast transaction is no longer expected to occur the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Derivative financial instruments are not held for speculative purposes.

(q) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

The liability for employee entitlements to wages and salaries represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. A provision exists for annual leave and accumulating sick leave as it is earned by employees and is measured at the amount expected to be paid when it is settled and includes all related on costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision of employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using the rates attaching to Commonwealth Government securities at the reporting date, which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation plan

Employees of the Company are entitled to benefits on retirement, disability or death from their membership of the Rio Tinto Staff Superannuation Fund (The Fund). The Fund has both a defined benefit and a defined contribution section. Contributions to the defined contribution superannuation plans are expensed in the income statement when incurred.

The Company has no staff who are members of the defined benefits section.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(r) Segment reporting

Management has determined the operating segments based on the reports reviewed by the Chief Executive, used to make strategic decisions. The Chief Executive considers the business from a product perspective.

(s) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call, net of any bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been 'rounded off' in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(w) Share based payments

The fair value of cash settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between accounting dates are recognised as an expense. The grant date fair value of the awards is taken to be the market value of the shares at the date of award reduced by a factor for anticipated relative Total Shareholder Return (TSR) performance. Fair values are subsequently re-measured at each accounting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration for the equity instruments issued.

Equity settled share plans are settled either by the issue of shares by the relevant parent Company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to other reserves.

If the cost of shares acquired to satisfy the plans exceeds the expense charged, the excess is taken to the appropriate reserve. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (e.g. TSR). The Company uses fair values provided by independent actuaries calculated using a lattice based option valuation model. Non-market based vesting conditions (e.g. earnings per share targets) are taken into account in estimating the number of awards likely to vest.

The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.

Further information about the treatment of individual share based payment plans is provided in Note 30.

(x) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

(y) New accounting standards and interpretations

The new accounting standards and interpretations adopted on 1 January 2018 were AASB 9 "Financial Instruments", AASB 15 "Revenue from Contracts with Customers" and IFRIC 22 "Foreign Currency Transactions and Advance Consideration" are mandatory in 2018. AASB 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" are mandatory in 2019 and AASB 17 "Insurance Contracts" is mandatory in 2021. The impact of the transition and new accounting policies are disclosed in pages 59 to 61 below.

The Company has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective.

Changes in accounting policies resulting from application of Australian Accounting Standards applied from 1 January 2018

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Company's financial report and also discloses the new accounting policies applied from 1 January 2018, where these differ from those applied in prior periods.

The impact on equity attributable to owners of ERA as at 1 January 2018 of the adoption of AASB 9 and AASB 15 is immaterial.

(i) AASB 9 Financial Instruments - Accounting policy applied from 1 January 2018

The standard replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; de-recognition of financial instruments; impairment of financial assets and hedge accounting.

Financial Assets

<u>Classification and measurement</u>

The Company classifies its financial assets into the following

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categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through the income statement (FVPL)) and those to be held at amortised cost.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. The Company's policy with regard to financial risk management is set out in Note 28. Generally, ERA does not acquire financial assets for the purpose of selling in the short term. The Company's business model is primarily that of 'Hold to collect' (where assets are held in order to collect contractual cash flows).

Financial assets held at fair value through profit or loss (FVPL)

This classification applies to the following financial assets, in all cases, transactions costs are immediately expensed to the income statement.

The Company is required to maintain with the Commonwealth Government the Ranger Rehabilitation Trust Fund (Trust Fund) to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). Each year, the Company is required to prepare and submit to the Commonwealth Government an Annual Plan of Rehabilitation. Once accepted by the Commonwealth Government, the annual plan is then independently assessed and costed and the amount to be provided to the Commonwealth into the Trust Fund is then delivered. The Trust Fund includes both cash and financial guarantees. The cash funds are invested in local Australian deposit taking institutions and earn interest. The cash fund has previously been held at cost and under AASB 9 will be held at fair value through the profit & loss.

Trade receivables include provisionally priced receivables relating to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract. At 31 December 2017, the quotational period exposure was considered to be an embedded derivative, which was separated from the host receivable and measured at fair through the profit and loss statement. On adoption of IFRS 9, the embedded derivative is no longer separated and the entire balance is accounted for as one instrument and measured at fair value. Revenue from contracts with customers is recognised on provisionally priced sales based on the selling price for the period stipulated in the contract, with subsequent fair value movements reported as revenue. At the end of December 2018, the provisionally priced receivables were immaterial.

Impairment of financial assets

A forward looking expected credit loss (ECL) review is required for; debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

As permitted by AASB 9, the Company applies the 'simplified approach' to trade receivable balances and the 'general approach' to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates. For trade receivables, the assessment takes into account the use of credit enhancements for example, letters of credit.

Financial liabilities

Borrowings and other financial liabilities (including trade payables) are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost.

Impact of transition to AASB 9 Financial Instruments as at 1 January 2018

The Company adopted AASB 9 Financial Instruments on 1 January 2018, which resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements as at this date.

For transition, the Company has elected to apply the limited exemption in AASB 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods. No resulting adjustments were required to carrying values in the opening balance sheet.

The Company applies the new forward looking expected credit loss model required by AASB 9, using the simplified approach for its trade receivables portfolio review and the general approach for all other financial assets as required by the standard. This did not result in a change in the provision.

(ii) AASB 15 Revenue from Contracts with Customers - Accounting policy applied from 1 January 2018

AASB 15 replaces IAS 18 Revenue. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

ERA places all sales through a marketing agreement with Rio Tinto Marketing PTE Limited (Rio Tinto Uranium) based in Singapore (Marketing Agreement). The Company reviewed the Marketing Agreement to identify potential changes in: timing of revenue recognition, measurement of the amount of revenue and note disclosure between IAS 18 and AASB 15.

The Company has adopted the modified transitional approach to implementation and the new standard has therefore been applied to the Marketing Agreement that remained in force at 1 January 2018.The change in accounting has no impact on the commercial arrangement or current or future cash flows. Under AASB 15, sales revenue is recognised in the income statement when the product is transferred out of the Company's holding account at the uranium converter (usually upon delivery to the converter) or upon delivery if the exchange occurs not at a uranium converter. There is no material impact as a result of the transition to the new standard.

Impact of transition to AASB 15 Revenue from contracts with customers

Sales revenue as reported in the income statement comprises sales to third parties. Certain sales may be provisionally priced

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at the date revenue is recognised. Sales revenue includes revenue from contracts with customers, which are accounted for under AASB 15 'Revenue from Contracts with Customers' and subsequent movements in provisionally priced receivables is accounted for under AASB 9 'Financial Instruments'.

Revenue from contracts with customers is recognised on provisionally priced sales based on the selling price for the period stipulated in the contract, with subsequent fair value movements reported as revenue. This is because it is highly probable that the revenue would not be subject to a significant revenue reversal. Sales revenue as disclosed in these accounts includes revenue from movements in provisionally priced receivables, consistent with the treatment in prior periods.

ERA recognises sales revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Company is or expects to be entitled in exchange for those goods or services.

Sales revenue is recognised on individual sales when control transfers to the customer. Judgement is required and generally the Company would consider the following indicators (acknowledging the standard does not have a hierarchy). The customer has control if the customer has:

- the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the good or service;
- a present obligation to pay in accordance with the terms of the sales contract;
- accepted the asset. Sales revenue may be subject to adjustment if the product specification does not conform to the terms specified in the sales contract but this does not impact the passing of control and is immaterial. Assay and specification adjustments have been immaterial historically;
- legal title to the asset. The Company usually retains legal title until payment is received for credit risk purposes only; and
- physical possession of the asset. This indicator may be less important as the customer may obtain control of an asset prior to obtaining physical possession, which may be the case for goods in transit.

After consideration of these five indicators, control passes and sales revenue is recognised when, following a contractual requirement the product is transferred out of the Company's holding account at the uranium converter (usually upon delivery to the converter) or upon delivery if the exchange occurs not at a uranium converter, at which stage the risks of ownership are transferred.

Sales revenue excludes any applicable sales taxes. Mining royalties payable are presented as an operating cost.

The Company sells a significant proportion of its products on Delivered at Place (DAP), where control of the goods passes when the product is delivered to the agreed destination. There is only one performance obligation, being for provision of product at the point where control passes.

The Company's products are sold to customers under contracts which vary in tenure and pricing mechanisms, including some volumes sold in the spot market.

As noted above, certain sales may be provisionally priced at the date revenue is recognised, however, substantially all Uranium sales are reflected at final prices in the results for the period due to the majority of sales being settled prior to the period end. The final selling price for all provisional priced products is based on the price for the quotational period stipulated in the contract. The change in value of the provisionally priced receivable is based on relevant market prices and is included in sales revenue as noted above.

Typically ERA has a right to payment before or at the point that control of the goods passes including a right, where applicable, to payment for provisionally priced products. Cash received before control passes is recognised as a contract liability. The amount of consideration does not contain a significant financing component as payment terms are significantly less than one year.

(iii) Australian Accounting standards mandatory beyond 2018

AASB 16 "Leases" – work has been completed on understanding the provisions of the standard most relevant to the Company, adapting the contract review process to identify items relevant to the measurement of new leases, performing financial reporting impact analysis and determining system requirements.

AASB 16 will not impact the primary statements of the Company at transition but may in future years meaning all appropriately termed new leases will come on to the balance sheet as a right of use asset and lease liability, with operating expenses now replaced by interest and amortisation.

The Company has used the modified retrospective approach for transition to the standard. As a result no leases have been identified that are required to be recognised as they are all either; below $5,000, with a term less than 12 month or relate to mineral leases.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Rehabilitation provision

The calculation of the rehabilitation provision relies on estimates of costs and their timing to rehabilitate and restore disturbed land to original condition.

The costs are estimated on the basis of a closure model, taking into account considerations of the technical closure

NOTES TO THE FINANCIAL STATEMENTS

options available to meet ERA's obligations. The provision for rehabilitation represents the net present cost at 31 December 2018 of the preferred 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 an updated feasibility study that was conducted in 2018 expanding on the previous prefeasibility study completed in 2011. Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping and design, construction and commissioning of the tailings dredging system.

Major activities to complete the rehabilitation plan include: material movements, water treatment, tailings transfer, demolition and revegetation. Major cost sensitivities include: material movements, water treatment and tailings transfer costs.

Finalisation of the feasibility study identified a net increase in estimate of $305 million compared to December 2017. Whilst the strategy remains unchanged a greater level of engineering design and technical understanding identified expected increases in costs associated with:

- costs associated with tailings transfer to Pit 3, additional water treatment and related infrastructure and revegetation requirements;
- higher forecast costs related to site services and owners' costs; and
- an increase in contingency.

The ultimate cost of rehabilitation is uncertain and can vary in response to many factors including legal requirements, technological change, weather events and market conditions. It is reasonably possible that outcomes from within the next financial year that are different from the current cost estimate could require material adjustment to the rehabilitation provision for the Ranger Project Area.

Selected downside sensitivities on the Ranger rehabilitation provision are detailed below.

Process water

Additional process water volumes are sensitive to many factors and any additional water would require treating through ERA's process water treatment infrastructure, primarily the brine concentrator. Water volumes can vary due to:

- additional rainfall above an average wet season;
- the performance of water treatment plants, including new smaller scale plants that are yet to be commissioned;
- the timing of closure of which water catchments occurs; and
- the volume of water expressed from tailings.

If water treatment volumes exceed the available capacity, it may be necessary to expand treatment capacity. This may involve the construction of an additional brine concentrator plant or other alternate technology. This has not been allowed for in the estimate and would come at significant additional cost. Furthermore, any significant delay may further compress the schedule requiring alteration to other closure activities.

Bulk material movement

Pit 3 bulk material movements are sensitive to the volume of material which is to be moved and the schedule of movement.

Tailings transfer

Tailings transferred from the Tailings Storage Facility to Pit 3 are principally sensitive to the characteristics of the tailings being moved. It is planned that in quarter 3, 2019 an additional dredge will be commissioned to derisk this process and maintain the schedule.

Other factors

In addition to the factors identified above there are many additional items that the estimate is sensitive to, including: evaporation rates, stakeholder requirements, brine salt disposal, engineering studies, tailings consolidation rates, plant mortality and project support costs.

In estimating the rehabilitation provision a risk-free discount rate is applied to the underlying cash flows. At 31 December 2018, the real discount rate was 2.00 per cent.

(b) Taxation

The income tax benefit recorded for the 31 December 2018 of $21 million comprises $23.4 million writeback of the deferred tax liability from the partial impairment of the Jabiluka Undeveloped Property. This is partially offset by $2.4 million write-off of the remaining deferred tax assets on temporary differences.

ERA has approximately $191 million tax losses (at 30 per cent) that are not recognised as deferred tax assets due to uncertainty regarding ERA'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 ERA's ability to utilise available tax losses in future periods.

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.

(c) Determination of ore reserves and resources

ERA estimates the Ore Reserves and Mineral Resources based on information compiled by a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code). There are numerous uncertainties inherent in estimating Ore Reserves and Mineral Resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of Ore Reserves and may, ultimately, result in the Ore Reserves being restated. Such changes in Ore Reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation. ERA's Ore Reserves and Mineral Resources Statement as at 31 December 2018 is on pages 13 and 14.

(d) 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

NOTES TO THE FINANCIAL STATEMENTS

Project Area, including the rehabilitation provision. The Jabiluka Undeveloped Property relates to the Jabiluka Mineral Lease which is currently subject to a Long Term Care and Maintenance Agreement with Traditional Owners.

At 31 December 2018, the property, plant and equipment in the Ranger CGU continues 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 2018, $4.3 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 judgement in analysing possible impacts caused by factors such as the price of uranium oxide, foreign exchange movements, discount rate, 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.

(e) Undeveloped Properties

Undeveloped properties are considered 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 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 judgement. To determine the fair value, ERA uses a probability weighted discounted cash flow model, based on post-tax cash flows expressed in real terms, estimated until the end of the life of mine plan and discounted using an asset-specific post-tax real discount rate. Results are cross checked against market valuations 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. The approach has been reviewed by an external valuation expert.

ERA regularly reviews and updates these assumptions and assesses potential impairment indicators. In the June 2018 half-year, the review identified indicators that the carrying amount of the Jabiluka Undeveloped Property may not be recovered in full from successful development or sale, following the significant reduction in the forecast long-term consensus uranium price.

As a result, the Company, as required by the Australian Accounting Standard AASB 136 Impairment of Assets, completed a full impairment test. ERA commissioned an external assessment of the forecast long-term uranium oxide price.

ERA concluded that the fair value of the Jabiluka Undeveloped Property amounted to $89.9 million, resulting in an after tax impairment charge of $90.4 million, comprising impairment charge of $113.8 million, partially offset by the release of a deferred tax liability of $23.4 million as at June 2018.

The reduction in fair value and resulting impairment charge were primarily driven by external factors including a material decline in long-term broker consensus uranium price and an increase in the asset-specific discount rate, reflecting recent volatility in the uranium equity market.

At 31 December 2018, no further impairment indicators were identified.

Key assumptions to which the Jabiluka model is sensitive include: the probability of future development, uranium oxide prices (including term contract price premiums in the future), foreign exchange rates, production and capital costs, discount rate, ore reserves and mineral resources, lease tenure renewal and development delays. A change in these assumptions may result in further impairment.

Selected downside sensitivities to the fair value of the Jabiluka CGU and the potential further impact on impairment testing at 31 December 2018 are summarised below:

Sensitivity	Potential further impairment
-10 per cent change in the forecast uranium oxide prices	$83 million further impairment
+20 per cent change in development capital	$84 million further impairment
+5 per cent change in forecast Australian/US dollar exchange rates	$33 million further impairment
+1 per cent change in discount rate	$32 million further impairment

Notwithstanding the impact on the carrying value, ERA's view remains that Jabiluka is a large, high quality uranium ore body of global significance.

(f) Inventory net realisable value

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.

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 $Nil million (pre-tax) (2017: $7.1 million). The net realisable value adjustment has been included in 'Changes in inventories' in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Revenue

	2018 $'000	2017 $'000
REVENUE FROM CONTINUING OPERATIONS		
Sale of goods	201,203	211,150
Rendering of services	70	31
Total sales revenue	201,273	211,181
Other revenue		
Interest received/receivable, other parties	10,293	9,393
Rent received	904	866
Contract compensation	3,194	3,212
Insurance recoveries	152	15,224
Net gain on sale of property, plant and equipment	-	169
Net revenue foreign exchange gain / (Loss)	(204)	426
Total other revenue	14,339	29,290
Total revenue from continuing operations	215,612	240,471

4 Expenses

	NOTES	2018 $'000	2017 $'000
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:			
Cost of sales			
Produced product (uranium oxide)		144,432	186,680
Total cost of sales		144,432	186,680
Government and other royalties			
Royalty payments	22	2,437	2,549
Payments to Indigenous interests	22	8,287	8,666
Total Government and other royalties		10,724	11,215
Financing costs			
Other parties		2,070	1,924
Unwinding of discount (rehabilitation provision)		20,469	20,148
Total Financing Costs		22,539	22,072
Other Expenses			
Property, plant and equipment expensed		4,334	7,295
Office and other expenses		674	1,203
Total Other Expenses		5,008	8,498
Other individually significant expenses			
Net expenses foreign exchange (gain)/loss		362	355
Rental expense relating to operating leases		4,110	4,539
Defined contribution superannuation expense		3,992	4,235

NOTES TO THE FINANCIAL STATEMENTS

5 Income tax expense/(benefit)

	2018 $'000	2017 $'000
INCOME TAX EXPENSE/(BENEFIT)		
Current tax	-	-
Deferred tax	(21,049)	-
Under/(over) provided in prior years	-	-
Income tax expense/(benefit)	(21,049)	-
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 18B)	2,280	10,724
(Decrease)/increase in deferred tax liabilities (Note 18A)	(23,329)	(10,724)
Deferred tax	(21,049)	-
RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Operating loss before income tax	(456,323)	(43,532)
Tax at the Australian tax rate of 30% (2017: 30%)	(136,897)	(13,060)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Derecognition of deferred tax assets	126,977	17,028
Rehabilitation expenditure	(11,632)	(4,167)
Other items	503	199
Income tax expense/(benefit)	(21,049)	-
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity		
Net deferred tax asset (Note 18B)	-	(19)

6 Dividends

Dividends paid or declared

No dividends have been paid or declared for the year ended 31 December 2018 (2017: nil).

Dividends franking account

	2018 $'000	2017 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2017: 30%)	234,095	234,095

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax as applicable.

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

NOTES TO THE FINANCIAL STATEMENTS

7 Cash and cash equivalents

	2018 $'000	2017 $'000
CURRENT		
Cash at bank and in hand	15,528	3,680
Deposits at call	298,208	391,797
Cash and cash equivalents	313,736	395,477

Cash at bank/Deposits at call

Cash assets and deposits bear floating interest rates between 0 per cent and 2.70 per cent (2017: 0.0 per cent and 2.48 per cent).

Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in Note 28.

8 *Trade and other receivables*

	2018 $'000	2017 $'000
CURRENT		
Trade debtors	7,831	6,603
Other debtors	2,688	2,300
Trade and other receivables	10,519	8,903

Impairment of receivables

No trade receivables are past due. There is no impairment of trade receivables.

Other debtors relate to transactions outside the usual operating activities of the Company and are predominately concerned with receipts from employees and businesses operating within the Jabiru township. These ongoing activities are expected to be settled during the 12 months subsequent to balance date.

Foreign exchange and interest rate risk

The Company operates internationally but is primarily exposed to foreign exchange risk arising from currency exposures with respect to the US dollar.

A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in Note 28.

Fair value and credit risk

Due to the short-term nature of trade and other receivables, their carrying amount approximates their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

The Company does not hold any collateral as security. Refer to Note 28 for more information on the financial risk management policy of the Company.

9 Inventories – current

	2018 $'000	2017 $'000
Stores and spares	15,913	17,182
Ore stockpiles at cost	-	8,863
Work in progress at cost	1,879	3,737
Finished product U_3O_8 at cost	97,560	86,144
Total current Inventory	115,352	115,926

NOTES TO THE FINANCIAL STATEMENTS

Inventory expense

Obsolescence of inventory provided for and recognised as an expense during the year ended 31 December 2018 amounted to $141,812 (2017: $Nil).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2018 amounted to $Nil (2017: $7,102,511). The expense has been included in 'Changes in inventories' in the statement of comprehensive income.

10 Other assets

	2018 $'000	2017 $'000
Prepayments	1,484	473

11 Inventories – non-current

	2018 $'000	2017 $'000
Finished product U_3O_8 at cost	30,104	-

12 Undeveloped properties

	2018 $'000	2017 $'000
Jabiluka: Long-term care and maintenance development project		
Balance brought forward	203,632	203,632
Amount capitalised during the year	-	-
Non-cash impairment change	(113,776)	-
Total undeveloped properties	89,856	203,632

Undeveloped properties are considered an asset not yet ready for use. In reporting periods where impairment testing is required, the the recoverable amount of the undeveloped properties is determined using the fair value less cost of disposal method.

Fair value less cost of disposal has been determined using a discounted cash flow model. Key assumptions to which the model is most sensitive include:

- probability of future development;
- uranium prices (including term contract price premium in the future);
- foreign exchange rates;
- production and capital costs;
- discount rate;
- Ore Reserves and Mineral Resources; and
- lease tenure renewal and development delays.

In determining the value assigned to each key assumption, where possible, the Company has used external sources of information and has utilised the expertise of external consultants to validate entity-specific assumptions such as costs, production techniques and Mineral Resources.

Further, the Company's cash flow forecasts are based on estimates of future uranium prices, which are based on long term broker consensus forecasts and assume a premium for long term contracts. As a result of identifying an indicator of impairment at 30 June 2018 ERA conducted an impairment review of the Jabiluka Undeveloped Property. ERA concluded that the fair value of the Jabiluka Undeveloped Property amounted to $89.9 million, resulting in an after tax impairment charge of $90.4 million, comprising impairment charge of $113.8 million, partially offset by the release of a deferred tax liability of $23.4 million as at June 2018.

The recoverable amount is dependent on the development and life of the ore body together with the term and continuity of the mining lease. It reflects expected future cashflows contained in the long term asset plan with an adjustment of cashflows expected to take into account project development risk. The Company has projected cashflows for the period of the current mining lease, together with a ten year renewal period.

The Jabiluka Mineral Lease is currently under long-term care and maintenance. The Company has agreed that future mining

NOTES TO THE FINANCIAL STATEMENTS

development will not occur 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 discount rate applied to the future cash flow forecasts represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

13 Property, plant and equipment

	MINE LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	MINE PROPERTIES $'000	REHABILITATION $'000	TOTAL $'000
YEAR ENDED 31 DECEMBER 2018					
Opening net book amount	-	-	-	-	-
Additions	-	4,334	-	-	4,334
Disposals	-	-	-	-	-
Change in estimate	-	-	-	-	-
Depreciation/amortisation charge/ writeoffs	-	(4,334)	-	-	(4,334)
Impairment Loss	-	-	-	-	-
Closing net book amount	**-**	**-**	**-**	**-**	**-**
Cost	110,845	1,175,724	421,700	342,327	2,050,596
Accumulated depreciation/ amortisation/impairment/writeoffs	(110,845)	(1,175,724)	(421,700)	(342,327)	(2,050,596)
Net book amount	-	-	-	-	-
YEAR ENDED 31 DECEMBER 2017					
Opening net book amount	-	-	-	-	-
Additions	-	7,295	-	-	7,295
Disposals	-	-	-	-	-
Change in estimate	-	-	-	-	-
Depreciation/amortisation charge	-	(7,295)	-	-	(7,295)
Impairment Loss	-	-	-	-	-
Closing net book amount	**-**	**-**	**-**	**-**	**-**
Cost	110,845	1,171,390	421,700	342,327	2,046,262
Accumulated depreciation/ amortisation/impairment	(110,845)	(1,171,390)	(421,700)	(342,327)	(2,046,262)
Net book amount	-	-	-	-	-

Assets under construction

The cost of the assets disclosed above include the following expenditure disclosed in property, plant and equipment which is in the course of construction:

	2018 $'000	2017 $'000
Plant and equipment	1,618	5,710

NOTES TO THE FINANCIAL STATEMENTS

14 Investment in trust fund

	2018 $'000	2017 $'000
NON-CURRENT		
Trust Fund	74,715	72,901

Trust Fund

The Ranger Rehabilitation Trust Fund holds a restricted fixed term investment in the form of bank bills which mature and are reinvested periodically. The Trust Fund is held at cost with accrued interest and is classified as a non-current receivable. The applicable weighted average interest rate for the year ended 31 December 2018 was 2.47 per cent (2017: 2.40 per cent).

15 Payables

	2018 $'000	2017 $'000
CURRENT		
Trade payables	36,059	35,033
Amounts due to related parties	1,110	1,060
Other payables	708	684
Total payables	37,877	36,777

16 Provisions – current

	2018 $'000	2017 $'000
CURRENT		
Employee benefits	10,357	9,290
Rehabilitation	91,876	71,640
Total current provisions	102,233	80,930

Movements in current rehabilitation provision

Movements in the rehabilitation provision during the financial year are set out below:

	REHABILITATION $'000
2018	
Carrying amount at the start of the year	71,640
Payments	(58,946)
Transfer from non-current provision	79,182
Carrying amount at the end of the year	91,876

	REHABILITATION $'000
2017	
Carrying amount at the start of the year	48,711
Payments	(27,025)
Transfer from non-current provision	49,954
Carrying amount at the end of the year	71,640

NOTES TO THE FINANCIAL STATEMENTS

17 Provisions – non-current

	2018 $'000	2017 $'000
NON-CURRENT		
Employee benefits	3,350	3,639
Rehabilitation	738,535	454,049
Carrying amount at the end of the year	741,885	457,688

Movements in non-current rehabilitation provision

As a result of the Ranger Cash Generating Unit being fully impaired in 2016, the 2018 changes in rehabilitation estimates have been allocated directly to the Statement of Comprehensive Income. Movements in the rehabilitation provision during the financial year are set out below:

	REHABILITATION $'000
2018	
Carrying amount at the start of the year	454,049
Change in estimate	343,199
Unwinding of discount	20,469
Transfer to current provision	(79,182)
Carrying amount at the end of the year	738,535

	REHABILITATION $'000
2017	
Carrying amount at the start of the year	462,720
Change in estimate	21,135
Unwinding of discount	20,148
Transfer to current provision	(49,954)
Carrying amount at the end of the year	454,049

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred tax liability

	2018 $'000	2017 $'000
(A) DEFERRED TAX LIABILITY		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Investment in trust fund	22,415	21,870
Undeveloped properties	-	23,405
Inventories	3,734	4,137
Receivables	570	636
Total deferred tax liabilities	26,719	50,048
Off-set of deferred tax asset pursuant to set-off provisions (Note 18B)	(26,719)	(28,999)
Net deferred tax liabilities	-	21,049
Movements		
Opening balance at 1 January	50,048	60,772
(Credited)/debited to the income statement (Note 5)	(23,329)	(10,724)
Closing balance at 31 December	26,719	50,048

	2018 $'000	2017 $'000
(B) DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Property, plant and equipment	20,331	24,339
Employee provisions	4,111	3,879
Other	2,277	781
Total deferred tax assets	26,719	28,999
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18A)	(26,719)	(28,999)
Net deferred tax assets	-	-
Movements		
Opening balance at 1 January	28,999	39,704
Credited to the income statement (Note 5)	(2,280)	(10,724)
Credited to equity (Note 5)	-	19
Closing balance at 31 December	26,719	28,999

NOTES TO THE FINANCIAL STATEMENTS

19 Share capital

	2018 SHARES	2017 SHARES	2018 $'000	2017 $'000
SHARE CAPITAL				
A Class shares fully paid	517,725,062	517,725,062	706,485	706,485
Total contributed equity			706,485	706,485

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a shareholders' meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital risk management

Details of the Company's exposure to risks when managing capital are set out in Note 28.

20 Reserves and retained profits

	2018 $'000	2017 $'000
RESERVES		
Share-based payments reserve	(603)	(200)
Capital reconstruction	389,500	389,500
Total Reserves	388,897	389,300
Movements		
Share-based payments reserve		
Balance 1 January	(200)	(60)
Option expense	(403)	(140)
Balance 31 December	(603)	(200)
Capital reconstruction		
Balance 1 January	389,500	389,500
Movements	-	-
Balance 31 December	389,500	389,500
ACCUMULATED LOSSES		
Movements in retained profits were as follows:		
Opening retained earnings – 1 January	(940,898)	(897,366)
Net loss for the year	(435,274)	(43,532)
Closing retained earnings/(accumulated losses) – 31 December	(1,376,172)	(940,898)

Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of equity instruments issued to employees but not exercised.

Capital reconstruction reserve

In June 1995, the Company reduced its share capital by cancelling $0.95 of the capital paid up on each issued share and reducing the par value of each issued share from $1.00 to $0.05. The cancelled capital (comprising $389,500,000 in total) was credited to a Capital Reconstruction Reserve. The Company has the ability to distribute capital to shareholders from this reserve.

NOTES TO THE FINANCIAL STATEMENTS

21 Contingencies

Contingent Assets

Legal actions for the Company:

As at 31 December 2018, the Company was in negotiations regarding a dispute related to the commissioning and operation of certain mine infrastructure. In February 2019, the Company received compensation of US$10.2 million which will be recognised in the 2019 Financial Statements.

Contingent liabilities

Legal actions against the Company:

The remaining argument in the action listed in the Federal Court against the former Commonwealth Minister for Resources and the Company claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative is dormant. Should the Company proceed with the Jabiluka Mill Alternative, notice will be given to the applicant who may or may not wish to pursue the argument further.

No material losses are anticipated in respect of the contingent liability disclosed above.

22 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date is as follows:

	2018 $'000	2017 $'000
Within one year	3,158	2,943

Lease commitments

Future operating lease rentals not provided for in the financial statements and payable:

	2018 $'000	2017 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable		
Within one year	1,386	1,644
Later than one year but not later than five years	2,149	3,473
Total operating leases	3,535	5,117

The Company leases property, plant and equipment under operating leases expiring between one and three years. Some leases provide the Company with a right of renewal at which time all terms are renegotiated.

Mineral tenement leases

Future mineral tenement lease payments not provided for in the financial statements and payable:

	2018 $'000	2017 $'000
Within one year	153	146
Later than one year but not later than five years	612	583
Later than five years	102	243
Total mineral tenement leases	867	972

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay an amount of $153,011 in the year ending 31 December 2018 in respect of tenement lease rentals.

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The Company is liable to make payments to the Commonwealth as listed below:

(i) An annual amount equal to the sum payable by the Commonwealth to the Northern Land Council pursuant to the Section 44 Agreement for rent for the duration of the agreement. This amounted to $1,018,911 for 2018 and is indexed for future years.

(ii) Amounts equal to the sums payable by the Commonwealth to the Aboriginal Benefits Reserve pursuant to a determination under Section 63(5) (b) of the *Aboriginal Land Rights (Northern Territory) Act 1976*. The Company is required to pay 2.5 per cent of Ranger net sales revenue to the Commonwealth and 1.75 per cent of Ranger net sales revenue to the Northern Land Council or an entity representing the Mirarr Traditional Owners as directed by the Northern Land Council (amounts paid during 2018: $8,286,580; 2017: $8,665,997).

(iii) Amounts equal to sums payable by the Commonwealth to the Northern Territory pursuant to an understanding in respect of financial arrangements between the Commonwealth and the Government of the Northern Territory. These amounts are also calculated as though they were royalties and the relevant rate is 1.25 per cent of Ranger net sales revenue (amounts paid during 2018:$2,437,229; 2017:$2,548,996).

The Company is liable to make payments to the Northern Land Council pursuant to the Section 43 Agreement between Pancontinental Mining Limited and Getty Oil Development Company Limited and the Northern Land Council dated 21 July 1982, which was assigned to the Company with the consent of the Northern Land Council, as listed below:

(i) Up front payment of $3,400,000 on the commencement of production at Jabiluka.

(ii) Annual royalty payments calculated at 4.5 per cent of net sales revenue less $500,000 less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the Jabiluka Mineral Lease for the first 10 years and thereafter at 5 per cent of net sales revenue less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease (refer commitment below).

The Company is liable to make payments to the Commonwealth in respect of the Jabiluka project pursuant to the conditions attached to the mineral lease. The amount payable was, until 30 June 1990, calculated at the rate of 5.25 per cent of net sales revenue from the Jabiluka project. The Jabiluka project is now under long term care and maintenance and will not be developed without the consent of the Mirarr Traditional Owners.

23 Auditor’s remuneration

During the year the auditor of the Company earned the following remuneration:

	2018 $’000	2017 $’000
AUDIT SERVICES		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	290	245
Audit and review of financial reports (additional prior year fees)	10	86
Audit related services	-	-
Total remuneration of PricewaterhouseCoopers Australia	300	331

NOTES TO THE FINANCIAL STATEMENTS

24 Related parties

Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows:

Peter Mansell, Shane Charles, Paul Dowd, Paul Arnold, Zara Fisher, Andrea Sutton (appointed 30 October 2018), Kevin McLeish (appointed 19 June 2018, resigned 30 October 2018), and Sinead Kaufman (resigned 19 June 2018).

Information relating to Directors' compensation, shareholdings and retirement benefits is set out in the Remuneration Report in the Directors' Report.

Key management personnel

Key management personnel and Directors' compensation

	2018 $'000	2017 $'000
Short-term employee benefits	2,974	2,739
Post-employment benefits	226	191
Share-based payments	353	348
	3,553	3,278

In compliance with *Corporations Regulations 2001* 2M.3.03 the Company has provided detailed remuneration disclosures in the Director's report. The relevant information can be found in the Remuneration Report on pages 26 to 40.

Loans with Directors and key management personnel

There were no loans with Directors or key management personnel during 2018 (2017: Nil).

Transactions with Directors and Director-related entities

There were no transactions with Directors or Director-related entities other than Rio Tinto Limited during 2018 (2017: nil). Details of transactions with Rio Tinto Group Companies are outlined below.

Ultimate parent entity

The ultimate parent entity is Rio Tinto Limited. This interest is held through North Limited (incorporated in Victoria, Australia) which has beneficial ownership of 68.4 per cent of the issued ordinary shares of the Company. North Ltd owns 34.1 per cent directly and the remaining 34.3 per cent through its subsidiary, Peko-Wallsend Pty Ltd.

Interest income

Interest income is received from Rio Tinto Finance Ltd which holds cash on behalf of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Transactions with related parties

The following transactions occurred with related parties:

	2018 $'000	2017 $'000
Management services fees paid to ultimate parent entity:		
Rio Tinto Group Companies	(91)	(91)
Consulting fees paid to:		
Rio Tinto Group Companies	(2,193)	(2,031)
Other reimbursements paid for commercial services received:		
Rio Tinto Group Companies	(12,154)	(13,703)
Amounts received from related parties:		
Rio Tinto Group Companies – sales	202,327	212,502
Rio Tinto Group Companies – interest	1,105	1,634
Dividends paid to:		
Related parties – North Ltd	-	-
Related parties – Peko-Wallsend Pty Ltd	-	-

Amounts received from related parties include sales of uranium oxide at market price. The Company is party to a marketing agreement with Rio Tinto Uranium on the basis that it represented a superior value to the Company then alternative marketing agreements considered. Under the revised marketing agreement, uranium oxide produced by the Company is sold to Rio Tinto Uranium a related party of Rio Tinto plc.

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Aggregate amounts received from and payable to each class of other related parties at balance date were as follows:	2018 $'000	2017 $'000
Current assets - cash assets		
Related parties - Rio Tinto Finance Ltd	98,208	56,898
Current assets - receivables		
Related parties - Rio Tinto Group Companies	5,016	4,035
Current liabilities - creditors		
Related parties - Rio Tinto Group Companies	1,110	1,060
Current liabilities - income received in advance		
Related parties - Rio Tinto Group Companies	34,561	45,981

All related party transactions were conducted on arm's length terms and conditions and at market rates.

NOTES TO THE FINANCIAL STATEMENTS

25 Segment information

Description of segments

Management has determined the operating segment based on the reports reviewed by the Chief Executive that are used to make strategic decisions.

The Chief Executive considers the business from a product prospective and has identified only one reportable segment in the year ended 31 December 2018, being the mining, processing and selling of uranium. There are no other unallocated operations.

Primary reporting – business segments

The segment information provided to the Chief Executive for the reportable segment is as follows:

	URANIUM	
	2018 $'000	**2017 $'000**
Revenue from external customers	201,273	211,181
Other revenue	14,339	29,290
Total segment revenue	215,612	240,471
Segment result	(456,323)	(43,532)
Income Tax Benefit	21,049	-
Profit/(loss) for the year	(435,274)	(43,532)
Segment assets	635,766	797,312
Total assets	635,766	797,312
Segment liabilities	916,556	642,425
Total liabilities	916,556	642,425
Acquisitions of non-current assets	4,334	7,295
Non-cash Impairment charge	113,776	-
Net (gain)/loss on sale of property, plant and equipment	-	(169)

NOTES TO THE FINANCIAL STATEMENTS

Other segment information

Segment revenue

The revenue from external parties reported to the Chief Executive is measured in a manner consistent with that in the income statement.

Revenues from external customers are derived from the sale of uranium. A breakdown of revenue and results is provided in the tables below. Segment revenue reconciles to total revenue from continuing operations as disclosed in Note 3.

The Company is domiciled in Australia. The result of its revenue from external customers in other countries is outlined in the table below:

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS	
	2018 $'000	**2017 $'000**
Asia	201,203	211,150
Total revenue	201,203	211,150

Segment revenues are allocated based on the country in which the customer is located. During 2014 the Company entered into a marketing agreement with Rio Tinto Uranium based in Asia. Details are disclosed in Note 24.

Segment assets

The amounts provided to the Chief Executive with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other assets, net of provisions.

All assets of the Company as at 31 December 2018 are in Australia with the exception of inventories in transit or at converters of \$57,344,834 (2017: \$80,219,681). All acquisitions of property, plant and equipment and other non-current assets occurred in Australia.

Segment liabilities

The amounts provided to the Chief Executive with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions. The Company does not have any borrowings or derivative financial instruments as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

26 Reconciliation of loss after income tax to net cash inflow/(outflow) from operating activities

	2018 $'000	2017 $'000
Loss for the year	(435,274)	(43,532)
Add/(less) items classified as investing/financing activities:		
Property, plant and equipment expensed	4,334	7,126
Add/(less) non-cash items:		
Depreciation and amortisation	-	-
Non cash impairment charge	113,776	-
Rehabilitation provision: unwinding of discount	20,469	20,148
Employee benefits: share based payments	665	697
Net exchange differences	3	(4)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(13,036)	9,010
(Increase)/decrease in inventories	(29,530)	21,139
(Increase)/decrease in other assets	(1,011)	(473)
(Increase)/decrease in investment in trust fund	(1,814)	(2,112)
(Decrease)/increase in payables	1,100	2,420
(Increase)/decrease in net deferred tax assets	(21,049)	(19)
(Decrease)/increase in provisions	285,031	(6,562)
Net cash inflow/(outflow) provided from operating activities	(76,336)	7,838

27 Earnings per share

	2018 CENTS	2017 CENTS
Basic earnings per share	(84.1)	(8.4)
Diluted earnings per share	(84.1)	(8.4)

Earnings used in the calculation of basic and diluted earnings per share: 2018: ($435,273,942) (2017: ($43,532,097).
Weighted average number of ordinary shares on issue used in calculation of basic earnings per share: 2018: 517,725,062 shares (2017: 517,725,062).

Options

Options granted to employees under the share-based payment plans are for options in Rio Tinto plc and Rio Tinto Limited. Therefore, the options have not been included in the determination of diluted earnings per share. Details relating to the options are set out in Note 30.

28 Financial risk management

The Company carries out risk management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and other risks, use of derivative and non-derivative financial instruments.

The Company's business is mining and not trading. Accordingly, the Company only contracts to sell uranium that it plans to produce, however purchasing uranium for resale may be required in circumstances where actual production falls short of contractual sales volumes. The Company operates entirely in Australia and is exposed primarily to Australian dollar denominated costs. Sales are primarily denominated in US dollars.

NOTES TO THE FINANCIAL STATEMENTS

Market risk

The Company markets its products internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Company's exposure to foreign currency risk at the reporting date was as follows:

	2018 USD $'000	2017 USD $'000
Trade receivables	3,364	3,017
Trade payables	(275)	(278)

Group sensitivity

At 31 December 2018, had the Australian Dollar weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in trade receivables would have affected pre-tax profit for the year by $477,596 higher/lower (2017: $387,214 higher/lower).

At 31 December 2018, had the Australian Dollar weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in trade payables would have effected pre-tax profit for the year by $38,982 higher/lower (2017: $35,645 higher/lower).

Commodity price risk

In the absence of uranium being traded on global futures exchanges, the Company uses a combination of both fixed and market price related contracts for future sales to manage this exposure. No financial instruments are used by the Company to manage commodity price risk.

Interest rate risk

The Company's main interest rate risk arises from cash on deposit. When cash is surplus to operational and investing requirements it is invested in lump sum deposits to maximise interest received. In addition, the Company is exposed to interest rate risk on cash in the Ranger Rehabilitation Trust Fund.

Credit risk

The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Where customers are rated by an independent credit rating agency, these ratings are used to set credit limits. If no independent rating exists, the credit quality of the customer is subject to extensive assessment. Letters of credit and other forms of credit insurance are also used as required. Derivative counterparties, cash transactions and cash invested through the Ranger Rehabilitation Trust Fund are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

	2018 $'000	2017 $'000
TRADE RECEIVABLES		
AA	-	-
A	7,831	6,603
BBB	-	-
Other	-	-

Liquidity and capital risk

ERA's objectives when managing capital are to safeguard ERA's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

ERA does not have a target debt to equity ratio, but has a policy of maintaining a flexible financing structure to be able to fund capital expenditure programs, pay dividends and fund expansion opportunities as they arise. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of ERA's balance sheet in the longer term through pro-active capital management programs.

NOTES TO THE FINANCIAL STATEMENTS

The future liquidity and capital requirements of ERA will depend on many factors. As a result of the rehabilitation provision increase, ERA is continuing to review all funding options. An inability to obtain sufficient funding would have a material impact on ERA's business, financial performance and assessment as a going concern. Rio Tinto has advised ERA it will work with ERA and its other shareholders and stakeholders with the objective of ensuring that ERA is in a position to meet in full the likely future rehabilitation requirements of the Ranger Project Area. ERA and Rio Tinto continue to engage in active discussions regarding a funding solution.

In April 2016, ERA entered into a $100 million credit facility agreement with Rio Tinto. This agreement, whilst still in place is now insufficient to meet ERA's funding shorfall.

Each year, ERA is required to prepare and submit to the Commonwealth Government an Annual Plan of Rehabilitation. Once accepted by the Commonwealth Government, the annual plan is then independently assessed and costed and the amount to be provided by ERA into the Ranger Rehabilitation Trust Fund (Trust Fund) is then determined. The Trust Fund includes both cash and financial guarantees.

ERA's ability to continue to access these financial guarantees can be influenced by many factors including future cash balance, cash flows and shareholder support. Guarantees are subject to periodic review by the banks. Should the Company at any point be unable to access financial guarantees, substantial additional cash would be required to be deposited into the Trust Fund. In the scenario where this occurs ERA's cash reserves available to fund operations would reduce.

ERA currently has no debt and $388 million in total cash resources (comprising $313.7 million of cash on hand or at call and $74.7 million invested as part of the Trust Fund).

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these amounts.

29 Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations or state of affairs of the Company in subsequent financial years.

30 Share-based payments

ERA participates in a number of share-based payment plans administered by Rio Tinto plc and Rio Tinto Limited, which are described in detail in the Remuneration Report. These plans have been accounted for in accordance with the fair value recognition provisions of AASB2, 'Share-based Payment'.

Rio Tinto Performance Share Awards

Rio Tinto Performance Share Awards (PSA) details are described in the Remuneration Report. The awards are accounted for in accordance with the requirements applying to equity-settled sharebased payments transactions. The fair value of each award on the day of grant is set equal to the share price on the day of grant. No forfeitures are assumed. A summary of the status of shares granted under the share plan at 31 December 2018, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXER-CISABLE AT END OF THE YEAR
2018							
Rio Tinto Limited	1,058	2,622	(238)	(427)	(188)	2,827	-
Weighted average fair value at grant date	$39.25	$83.37	$55.24	$34.52	$34.52	$83.61	-
2017							
Rio Tinto Limited	8,412	3,911	(9,223)	(1,092)	(950)	1,058	560
Weighted average fair value at grant date	$39.09	$58.16	$48.17	$34.52	$34.52	$39.25	$34.52

The weighted average share price at the date of exercise of conditional grants of shares exercised during the year ended 31 December 2018 was $82.25 (2017: $57.07).

The weighted average remaining contractual life of rights to shares outstanding at the end of the period was five years (2017: two years).

NOTES TO THE FINANCIAL STATEMENTS

Where shares are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these shares.

Share Option Plan

The Share Option Plan was discontinued in 2013 and as such no awards were made. It is policy to settle these awards in equity, although the participants at their discretion can be offered a cash alternative. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The performance conditions in relation to Total Shareholder Return (TSR) have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto's TSR and that of the index. The relationship between Rio Tinto's TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice-based option valuation model, was used to determine the fair value of the options. Expected volatilities are based on the historical volatility of Rio Tinto's share return.

A summary of the status of options granted under the plan at 31 December 2018, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
2018							
Rio Tinto Limited	-	-	-	-	-	-	-
Weighted average exercise price	-	-	-	-	-	-	-
2017							
Rio Tinto Limited	1,158	-	(1,158)	-	-	-	-
Weighted average exercise price	$33.45	-	$33.45	-	-	-	-

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2018 was nil (no options were exercised) (2017: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0 years (2017: 0 years).

Where options are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these options.

NOTES TO THE FINANCIAL STATEMENTS

Share Savings Plan

The Share Savings Plan was replaced with the myShare Savings Plan in 2013, and as such no awards were made in 2018. Awards under these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice-based option valuation model, including allowance for the exercise price being at a discount to market price. A summary of the status of options granted under the plan at 31 December 2018, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
2018							
Rio Tinto Limited	-	-	-	-	-	-	-
Weighted average exercise price	-	-	-	-	-	-	-
2017							
Rio Tinto Limited	2,316	-	-	(1,059)	(1,257)	-	-
Weighted average exercise price	$55.62	-	-	$55.62	$55.62	-	-

The weighted average share price at the date of exercise of conditional grants of shares exercised during the year ended 31 December 2018 was $Nil (2017: 60.05).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0 years (2017: $0).

Where shares are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these shares.

myShare Savings Plan

The myShare plan was introduced to all eligible staff members in 2013 and is described in the Remuneration Report. Awards under this plan are settled in equity and accounted for accordingly. The fair value of each award on the day of grant is set equal to the share price on the day of grant.

A summary of the status of conditional shares granted under the plan at 31 December 2018, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	VESTED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
2018							
Rio Tinto Limited	16,103	4,987	(111)	(5,405)	(1,507)	14,067	-
Weighted average exercise price	$61.69	$78.80	$62.32	$51.87	$62.32	$78.13	-
2017							
Rio Tinto Limited	18,486	5,930	(385)	(5,103)	(2,825)	16,103	-
Weighted average exercise price	$50.76	$64.17	$54.79	$54.79	$59.63	$61.69	-

The weighted average share price at the date of exercise of conditional grants of shares exercised regularly during the year ended 31 December 2018 was $78.18 (2017: $65.25).

The weighted average remaining contractual life of share options outstanding at the end of the period was two years (2017: two years).

Where shares are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these shares.

NOTES TO THE FINANCIAL STATEMENTS

Rio Tinto Management Share Awards

Rio Tinto Management Share Awards (MSA) are described in the Remuneration Report. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The fair value of each award on the day of grant is set equal to share price on the day of grant. No forfeitures were assumed. A summary of the status of shares granted under the MSA plan at 31 December 2018, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXER-CISABLE AT END OF THE YEAR
2018							
Rio Tinto Limited	16,246	5,527	(1,708)	(5,096)	-	14,969	-
Weighted average fair value at grant date	$52.75	$81.55	$59.62	$54.02	-	$62.17	-
2017							
Rio Tinto Limited	17,238	6,250	(3,222)	(4,020)	-	16,246	-
Weighted average fair value at grant date	$52.50	$59.05	$53.89	$60.57	-	$52.75	-

The weighted average share price at the date of exercise of conditional grants of shares exercised regularly during the year ended 31 December 2018 was $82.48 (2017: $53.11).

The weighted average remaining contractual life of conditional grants of shares outstanding at the end of the period was two years (2017: two years).

Where shares are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these shares.

Bonus Deferral Awards

The Bonus Deferral Awards (BDA) are described in the Remuneration Report. These awards were established for the mandatory deferral of a specific percentage of the Chief Executive's Short Term Incentive Plan bonus payment into Rio Tinto shares. The vesting of these awards is dependent only on service conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends vesting. No forfeitures are assumed.

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXER-CISABLE AT END OF THE YEAR
2018							
Rio Tinto Limited	-	745	-	-	-	745	-
Weighted average fair value at grant date	-	$83.39	-	-	-	$83.39	-
2017							
Rio Tinto Limited	2,281	1,187	(3,468)	-	-	-	-
Weighted average fair value at grant date	$48.19	$58.07	$51.88	-	-	-	-

The weighted average share price at the date of exercise of conditional grants of shares exercised during the year ended 31 December 2018 was $Nil (2017: $53.11).

NOTES TO THE FINANCIAL STATEMENTS

The weighted average remaining contractual life of share options outstanding at the end of the period was 2 years (2017: Nil years).

Where shares are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these shares.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 $'000	2017 $'000
Share based payment expense	665	697

DIRECTOR'S DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 50 to 85 are in accordance with the *Corporations Act 2001* (Cth), including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable. Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive and the Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth). This declaration is made in accordance with a resolution of the directors.

P Mansell
Perth

15 February 2019

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the members of Energy Resources of Australia Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Energy Resources of Australia Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 31 December 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Company has a deficiency of capital and reserves of $281 million, and it has experienced operating losses and negative cash flows

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

INDEPENDENT AUDITOR'S REPORT

during the year ended 31 December 2018. As a result the continuing viability of the Company and its ability to continue as a going concern and meet its debt and commitments as they fall due is dependent upon it being successful in obtaining additional funding support from its shareholders. These conditions, along with other matters set forth in Note 28, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*
• For the purpose of our audit we used overall materiality of \$1.4 million, which represents approximately 5% of the Company's profit/loss before tax and averaged for the current and two previous years (excluding impairment charges and the changes in estimate of rehabilitation provision recorded in 2018). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose profit before tax because, in our view, it is the benchmark against which the performance of the Company is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a three year average. We also adjusted for impairment and the changes in estimate of	• Our audit focused on where the Company made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The audit procedures were predominately performed at the Company's Darwin office and the shared service centre in Brisbane.

INDEPENDENT AUDITOR'S REPORT

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rehabilitation provision recorded in 2018 as they are unusual or infrequently occurring items impacting profit and loss.

- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for the cost of rehabilitation of the Ranger Project Area *(Refer to notes 16 and 17) $830 million provision*	
The Company is required under the Ranger section 41 Authority (Ranger Authority) to fully rehabilitate the Ranger Project Area (RPA) site by January 2026. Calculating the final rehabilitation provision requires significant estimation and judgement by the Company. Assumptions are required to be made in respect of methods of rehabilitation, costs and timing, as well as the potential for changes in legal requirements, technological change and market conditions. The most significant components of the provision relate to material movement, water treatment, tailings transfer, demolition and revegetation. During 2018 a feasibility study was completed which involved more detailed studies than those completed in the past and resulted in an increase to the provision. Consideration was required by the Company around whether the increase in estimated costs was a change in estimate or an error in the previous provision.	We obtained the Company's calculation of the rehabilitation obligation (the model). We checked the timing of the cash flows in the model were consistent with the requirements of the Ranger Authority. We obtained an understanding of the basis of estimate for the significant costs within the model and assessed the reasonableness of these. For significant assumptions within the model we compared the provision to the Company's external experts' estimate of costs and assessed the experts' objectivity, competence and independence. We gained an understanding of the drivers of the increase in the provision and assessed the Company's consideration whether the increase was a change in estimate or a prior year error. We checked that the discount rate used was consistent with that generally used in the industry to discount

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Key audit matter	*How our audit addressed the key audit matter*
This provision may still change as a result of the outcomes of current progressive rehabilitation activity and ongoing technical studies. The calculation of the provision requires significant input from specialists and experts, both within and external to the Company. Given the significance of this balance and the factors outlined above, the provision for rehabilitation was a key audit matter.	liabilities of this type.
Carrying value assessment for the Jabiluka Undeveloped Property *(Refer to note 12) $90 million carrying value*	
Assessing the carrying amount of the Company's Jabiluka Undeveloped Property asset was a key audit matter. Factors giving rise to this conclusion included the financial size of the balance and the judgement required by the Company in the assessment of the carrying value as a result of the long-term nature of the asset, particularly in relation to: • Whether development of the Jabiluka resource will ultimately proceed given it requires the consent of the Mirarr Traditional Owners under the Long Term Care and Maintenance Agreement; • The long-term uranium oxide price and the AUD/USD exchange rate used in the probability weighted discounted cash flow model to estimate the fair value of the asset. The Company identified an impairment in the carrying value at 30 June 2018. No further impairment indicators were identified by the Company at 31 December 2018.	At 30 June 2018 we performed the following procedures over the Company's impairment assessment (the model): • Compared the long-term forecast uranium oxide price and AUD/USD exchange rates to market data; • Assessed evidence regarding the resource including size and grade; • Assessed determination of production and capital costs; • Assessed the discount rate; • Tested the mathematical accuracy of the model; and • Assessed the likelihood of development. At 31 December 2018 we performed procedures over the assessment of the carrying value, including with respect to whether the development will proceed, updating our understanding of: • Changes in circumstances since the assessment of carrying value at 30 June 2018; • The latest long term uranium oxide price and AUD/USD exchange rate. Having updated our understanding of the above points, we considered whether there had been any changes in these assumptions which would give rise to an impairment indicator.

INDEPENDENT AUDITOR'S REPORT

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 26 to 40 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Energy Resources of Australia Ltd for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
15 February 2019

SHAREHOLDER INFORMATION

Energy Resources of Australia Ltd is a for-profit company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised by Directors on 15 February 2019. The Directors have the power to amend and reissue the financial statements.

The shareholder information set out below was applicable as at 31 January 2019.

Distribution of equity securities

Analysis of numbers of registered equity security holders by size of holding:

	ORDINARY SHARES			
	NUMBER OF SHARE-HOLDERS	% OF SHARE-HOLDERS	NUMBER OF SHARES	% OF ISSUED SHARES
1 – 1,000	6,009	57.18	1,925,665	0.37
1,001 – 5,000	2,633	25.06	6,722,712	1.30
5,001 – 10,000	860	8.18	6,534,087	1.26
10,001 – 100,000	932	8.87	25,720,001	4.97
100,001 and over	75	0.71	476,822,597	92.10
	10,509	100.00	517,725,062	100.00

There were 7,250 holders of less than a marketable parcel of ordinary shares.

Equity security holders

The names of the twenty largest registered holders of quoted equity securities are listed below:

	NUMBER OF SHARES	% OF ISSUED SHARES
Peko Wallsend Ltd	177,535,718	34.29
North Limited	176,543,136	34.10
HSBC Custody Nominees (Australia) Limited	70,434,486	13.60
J P Morgan Nominees Australia Limited	19,562,891	3.78
Citicorp Nominees Pty Limited	12,228,348	2.36
National Nominees Limited	1,077,011	0.21
Miengrove Pty Ltd	1,000,000	0.19
Bainpro Nominees Pty Limited	925,385	0.18
BNP Paribas Noms Pty Ltd	895,515	0.17
Mr Li Wan	773,265	0.15
Ganra Pty Ltd	651,429	0.13
Mr William Ewart Granter	610,000	0.12
Mr Colin Charles Stoner	580,786	0.11
Mrs Qiuyu Ping	566,022	0.11
CS Third Nominees Pty Limited	559,192	0.11
John E Gill Trading Pty Ltd	531,000	0.10
Mr Daniel Gerard Love and Mrs Julie Leanne Love	516,666	0.10
Neweconomy Com Au Nominees Pty Ltd	491,796	0.09
Mrs Tew Hua Cameron	486,000	0.09
HSBC Custody Nominees (Australia) Limited	437,944	0.08

SHAREHOLDER INFORMATION

Entitlements to vote

Subject to any rights or restrictions for the time being attached to any shares on a show of hands, every member present in person or by proxy or by attorney or by representative and entitled to vote at a shareholders' meeting shall have one vote.

On a poll, every member present in person or by proxy or by attorney or by representative shall have one vote for each share held by him/her.

Annual General Meeting

The next Annual General Meeting will be held at 9:30 am on 10 April 2019 in Darwin, Northern Territory, Australia.

Tax file numbers

Tax file numbers or exemption details are recorded from shareholders who wish to provide the information. Dividend advice statements, when issued to shareholders, indicate whether or not a shareholder's tax file number has been recorded. ERA normally pays fully franked dividends. In the event of an unfranked dividend being paid, ERA will be required to deduct tax at the top marginal rate from the dividend paid to shareholders resident in Australia who have not supplied a tax file number or exemption form.

Information on shareholding

Shareholders who require information about their shareholding or dividend payment should contact ERA's principal registry.

Shareholders who have changed their address should advise the change in writing to:

ERA Share Registry

Computershare Investor Services Pty Ltd
Level 1, 200 Mary Street
Brisbane QLD 4000
Telephone: +61 (0) 3 9473 2500
Facsimile: +61 (0) 3 9415 4000

Sponsored shareholders should note, however, that they should contact their sponsored broker to initiate a change of address.

2018 ASX ANNOUNCEMENTS

21 Dec 2018	Change in substantial holding
14 Dec 2018	Response to ASX 3Y Query
06 Dec 2018	Ranger Project Area - closure Feasibility Study update
30 Oct 2018	Resignation and appointment of directors
12 Oct 2018	Change in substantial holding
10 Oct 2018	Quarterly Activities Report
01 Aug 2018	ERA Additional Information for the Financial Community
31 Jul 2018	June 2018 Half Year Results
31 Jul 2018	ASX Interim Report 30 June 2018
11 Jul 2018	June 2018 Quarter Operations Review
20 Jun 2018	Resignation and appointment of directors
24 May 2018	Appointment of Chief Financial Officer
11 Apr 2018	2018 Annual General Meeting - Results of Voting
11 Apr 2018	2018 AGM Chief Executive's Address
11 Apr 2018	2018 AGM Chairman's Address
11 Apr 2018	March 2018 Quarter Operations Review
06 Mar 2018	Annual General Meeting Proxy Form
06 Mar 2018	Notice of Annual General Meeting
12 Feb 2018	2017 Annual Report
12 Feb 2018	Appendix 4G
31 Jan 2018	ERA Financial Community Presentation January 2018
30 Jan 2018	Annual Statement of Reserves and Resources
30 Jan 2018	ERA 2017 Full Year Results
30 Jan 2018	Preliminary Final Report
11 Jan 2018	December 2017 Quarter Operations Review

Details of these announcements are available at www.energyres.com.au.

TEN YEAR PERFORMANCE

YEAR ENDED 31 DECEMBER	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sales Revenue ($000)	201,273	211,181	267,765	332,777	379,166	356,139	396,629	651,381	572,283	768,297
Earnings Before Interest and Tax ($000)	(466,616)	(52,925)	(279,781)	(88,292)	(284,274)	(199,431)	(278,266)	(220,633)	47,726	374,737
Profit/(Loss) Before Tax ($000)	(456,323)	(43,532)	(271,077)	(79,798)	(273,602)	(186,541)	(254,785)	(206,340)	59,427	382,053
Income Tax Expense/ (Benefit) ($000)	(21,049)	-	-	195,695	(85,802)	(50,712)	(36,026)	(52,741)	12,423	109,479
Profit/(Loss) After Tax ($000)	(435,274)	(43,532)	(271,077)	(275,493)	(187,800)	(135,829)	(218,759)	(153,599)	47,004	272,574
Total Assets ($000)	635,766	797,312	819,432	1,100,815	1,341,724	1,627,561	1,826,275	1,948,972	1,423,396	1,359,131
Shareholders' Equity ($000)	(280,790)	154,887	198,559	469,947	745,607	934,022	1,069,619	1,288,536	951,076	966,574
Long Term Debt ($000)	-	-	-	-	-	-	-	-	-	-
Current Ratio	2.5	3.2	4.0	4.0	4.1	3.8	4.0	7.1	3.4	3.1
Liquid Ratio	1.9	2.5	3.1	3.0	2.7	2.3	2.9	6.0	2.1	2.2
Gearing Ratio (%)	-	-	-	-	-	-	-	-	-	-
Interest Cover (times)	-	-	-	-	-	-	(156.7)	(177.9)	47.8	33.5
Return on Shareholders' Equity (%)	155.0	(28.1)	(136.5)	(58.6)	(25.2)	(14.5)	(20.5)	(11.9)	4.9	31.6
Earnings Per Share (cents)	(84.1)	(8.4)	(52.4)	(53.2)	(36.3)	(26.2)	(42.3)	(29.7)[1]	24.6	142.9
Dividends Per Share (cents)	-	-	-	-	-	-	-	-	8.0	39.0
Payout Ratio (%)	-	-	-	-	-	-	-	-	32	27
Share Price ($) closing	0.25	0.91	0.44	0.36	1.30	1.26	1.27	1.23	11.13	23.89
Price-Earning Ratio	(0.29)	(10.83)	(0.83)	(0.68)	(3.58)	(4.81)	(3.00)	(2.54)	45.24	16.72
Dividend Yield (%)	-	-	-	-	-	-	-	-	2.96	1.42
Net Tangible Assets per Share ($)	(0.54)	0.30	0.38	0.91	1.44	1.80	2.07	2.49	4.99	5.07
No. of Employees	355	358	356	374	389	519	594	567	523	521
Profit After Tax per Employee ($000)	(1,226.1)	(121.6)	(761.5)	(736.6)	(482.8)	(264.8)	(374.5)	(270.9)	89.87	523.17
Ore Mined (million tonnes)	-	-	-	-	-	-	3.8	1.2	1.4	2.2
Ore Milled (million tonnes)	2.5	2.6	2.7	2.5	1.3	2.3	2.6	1.6	2.4	2.3
Mill Head Grade (% U_3O_8)	0.9	0.10	0.10	0.10	0.11	0.15	0.17	0.18	0.19	0.26
Mill Recovery (%)	86.6	84.7	84.9	82.0	81.5	84.8	86.2	87.9	87.2	88.3
Production (tonnes U_3O_8) – Drummed	1,999	2,294	2,351	2,005	1,165	2,960	3,710	2,641	3,793	5,240
Sales – Ranger Concentrates (tonnes U_3O_8)	1,467	2,089	2,130	2,183	2,164	2,767	2,665	3,258	4,373	5,497
Sales – Other Concentrates (tonnes U_3O_8)	-	-	9	-	984	48	558	1,908	653	–
Sales – Total (tonnes U_3O_8)	1,467	2,089	2,139	2,183	3,148	2,815	3,223	5,167	5,026	5,497

Note 1 Post rights issue

Definition of statistical ratios

Current Ratio	=	current assets/current liabilities
Liquid Ratio foreign exchange	=	(current assets-inventory-prepayments-foreign exchange hedge asset on borrowings)/(current liabilities-bank overdraft – hedge liability)
Gearing Ratio	=	(long term debt + term creditors)/(shareholders' equity + long term debt + term creditors)
Interest Cover	=	earnings before interest and tax/interest expense
Return on Shareholders' Equity	=	profit after tax/average shareholders' equity
Earnings per Share	=	profit after tax/weighted average number of shares issued

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HEAD OFFICE

Level 3, Energy House
18-20 Cavenagh Street

GPO Box 2394
Darwin NT 0801

Tel: +61 (0) 8 8924 3500
Fax: +61 (0) 8 8924 3555

www.energyres.com.au

RANGER MINE

Locked Bag 1
Jabiru NT 0886

REGISTERED OFFICE

Energy Resources of Australia Ltd
c/ Mallesons Stephen Jacques
Level 5, NICTA Building B
7 London Circuit
Canberra City ACT 2601

energyres.com.au