Energy Resources of Australia Ltd

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A member of the Rio Tinto Group

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ASX Interim report – 30 June 2020

Lodged with the ASX under Listing Rule 4.2A
This information should be read in conjunction with the 31 December 2019 financial report

Contents

Directors' Report

for the half-year ended 30 June 2020

The Directors of Energy Resources of Australia Ltd (**ERA or the Company**) present their report together with the interim financial report of the Company, for the half-year ended 30 June 2020.

Directors

The Directors of the Company at any time during the half-year or since the end of the financial period were:

Name	***Period of Directorship***
Mr P Mansell (Chairman)	Appointed October 2015
Mr P Arnold	Appointed Chief Executive and Managing Director August 2017
Mr S Charles	Appointed October 2015
Mr J Carey	Appointed August 2019
Mr P Dowd	Appointed October 2015
Ms A Sutton	Appointed October 2018 and resigned May 2020
Mr J van Tonder	Appointed May 2020
Ms M Hanrahan	Appointed May 2020

Results for announcement to the market

A summary of revenues and results for the half-year is set out below:

			June 2020 $000	**June 2019 $000**
Cash flow from operating activities	-29%	to	25,329	35,816
Revenue from sales of uranium oxide	-1%	to	168,161	170,148
Revenue from ordinary activities	-7%	to	176,465	190,477
Profit / (Loss) from ordinary activities before tax attributable to members	-22%	to	38,469	49,270
Profit / (Loss) from ordinary activities after tax attributable to members	-18%	to	40,215	49,270
Net Profit / (Loss) for the period attributable to members	-18%	to	40,215	49,270
Earnings per share (cents)	-83%	to	1.5	8.6

These financial results have been prepared in accordance with Australian Accounting Standards. All dollars in this report are Australian dollars, unless otherwise stated.

Review of operations

ERA generated positive cash flow from operating activities of $25 million for the half-year ended 30 June 2020 compared to $36 million for the same period in 2019. Cash rehabilitation spend for the half-year ended 30 June 2020 was $38 million compared to $48 million for the same period in 2019. This largely offset the compensation payment received in the half-year ended 30 June 2019.

ERA held total cash resources of $783 million at 30 June 2020, comprised of $252 million in cash at bank and $531 million of cash held by the Commonwealth Government under the Ranger Rehabilitation Trust Fund. The Company has no debt.

ERA's net profit after tax for the half-year ended 30 June 2020 was $40 million compared with $49 million for the same period in 2019. The 2020 net profit was supported by lower cash costs resulting from the continued successful execution of the "Safely Transforming ERA Together" program.

In response to the ongoing COVID-19 pandemic, ERA continues to maintain controls and protocols in accordance with the Company's COVID-19 Management Plan to protect our employees and local communities as our first priority and ensure full compliance with Government requirements. On 5 June 2020, the Commonwealth Government lifted the Biosecurity Determination applicable to the West Arnhem region, permitting unrestricted travel between Darwin and Jabiru (and therefore the Ranger mine). ERA has continued to operate throughout this period with minimal impact to production or sales volumes. The extent of the impacts on the rehabilitation project will continue to be evaluated through the second half of 2020.

Uranium oxide production for the half-year ended 30 June 2020 was 798 tonnes, compared to 937 tonnes for the same period in 2019. In accordance with the Company's mine plan, continued uranium production is based on the processing of existing primary ore stockpiles, applying a declining grade strategy. This is forecast to continue until the cessation of processing activities on expiry of the current Ranger Authority, scheduled to occur on 8 January 2021.

Revenues from sales of uranium oxide were $168 million for the half year compared to $170 million for the same period in 2019.

Sales volume for the period was 1,044 tonnes, compared to 1,123 tonnes for the June 2019 half-year. As a result of timings within the contract portfolio, sales volumes in 2020 are weighted towards the first half, with ERA having now substantially fulfilled its contracted sales for the year. The average realised sales price on contracted sales in the June 2020 half-year was US$52.99 per pound compared to US$48.73 per pound in 2018. The average realised price on all sales (including uncontracted material sold into the spot market) in 2020 was US$47.32. The average realised price compares favourably against the average spot price of US$32.95 per pound as at 30 June 2020.

The average Australian/US dollar exchange rate for the first half of 2020 was US65 cents compared to US71 cents in the first half of 2019. As sales of uranium oxide are denominated in US dollars, this weakening of the Australian dollar has had a favourable impact on revenue when compared to 2019.

In April 2020, ERA entered into a number of forward foreign exchange contracts in order to manage exposure to foreign exchange risks arising from USD denominated sales. Forward contracts were entered in respect of certain contracted sales due for delivery between May 2020 and March 2021. At 30 June 2020, ERA retained $64 million in forward contracts. Forward exchange contracts have been entered into at an average exchange rate of US62 cents for 70 per cent of the contracted US denominated sales proceeds.

Cash costs for the June 2020 half-year were lower than the corresponding period in 2019. This was mainly driven by the successful ongoing delivery of ERA's business transformation program "Safely Transforming ERA Together". During the first half of 2020, ERA launched the next phase of the program, "Transformation 2.0", which will have a greater focus on the rehabilitation project. The program targets idea generation and initiative implementation, with the objectives to deliver cost reductions and avoidance without compromising safety or environmental outcomes.

Following a sharp decline in the crude oil price with a corresponding decrease in gasoil (or diesel), ERA entered into gasoil swap contracts to lock in favourable prices when compared to plan. ERA agreed to purchase forward gasoil swaps at a weighted average price of US$40.30/barrel ex-Singapore. The forward contract covers an 18-month period from 1 June 2020 to 31 December 2021 for a total quantity of 288,575 barrels. At 30 June 2020, ERA retained US$10.9 million in swap contracts. The contracts were entered in US dollars and are settled monthly in arrears.

Interest income for the period was $2.1 million, compared to $3.2 million for the June 2019 half-year. The weighted average interest rate received on term deposits for the period was 1.1 per cent. This compares to 1.5 per cent assumed in the recently completed entitlement offer.

In 2018, the Company initiated the "My Future Plan" employee support program to prepare mining and processing employees for "life after ERA". The program provides participants with opportunities to expand their skills and capabilities as the Company plans for the cessation of production at Ranger. The program also provides support to employees seeking to be redeployed within the broader Rio Tinto group and to those who may wish to start their own business or retire. To date, the Company has supported the preparation of 330 career plans (representing approximately 91 per cent of the workforce).

Rehabilitation

At 30 June 2020, the ERA rehabilitation provision is $744 million.[1] During the first half of 2020, ERA incurred expenditure of $39 million on rehabilitation activities ($38 million in cashflow and $1 million in utilisation of leased assets). This expenditure was primarily associated with dredging to transfer tailings from the Tailings Storage Facility to Pit 3, construction and commissioning of water treatment capacity, the backfill of waste material to Pit 1, successful planting of stage 13 (section of Pit 1) revegetation program and various studies. For further updates regarding the progress of rehabilitation activities and associated risks, refer to note 2 "Critical Accounting Estimates and Judgments".

Funding

On 15 November 2019, the Company announced a pro-rata renounceable entitlement offer of 6.13 new fully paid ERA ordinary shares for each fully paid ordinary share, raising approximately $476 million, to fund its rehabilitation obligations for the Ranger Project Area (**Entitlement Offer**).

New shares under the Entitlement Offer were issued on 25 February 2020. Following the issue of new shares to Rio Tinto under the Entitlement Offer and Underwriting Agreement, Rio Tinto's relevant interests increased from 68.4 per cent to 86.3 per cent.

Following the receipt of the proceeds from the Entitlement Offer, ERA deposited $454 million into the Ranger Rehabilitation Trust Fund held by the Commonwealth Government in order to satisfy its obligations to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). The remaining proceeds from the Entitlement Offer have been invested in short duration term deposits with Australian deposit taking institutions.

Ranger 3 Deeps

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. Furthermore, with the Ranger Authority requiring processing to cease in January 2021 and with decommissioning and rehabilitation of the Ranger Project Area continuing through to January 2026, the prospect of any development is highly remote and continues to decrease with time.

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

Exploration

There was no exploration expenditure for the half-year ended 30 June 2020.

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[1] 30 June 2020 provision discounted at 2 per cent and presented in real terms ($785 million undiscounted in real terms). This equates to an estimated $835 million in undiscounted nominal terms.

Directors' Report
for the half-year ended 30 June 2020

Dividends

ERA has decided not to declare an interim dividend in respect of the 2020 half-year. No final dividend was paid in respect to the 2020 financial year.

Outlook

The strategic priority of ERA is the rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment to long-term sustainable operations in the region, create a sustainable, positive legacy and underpin potential future growth opportunities.

The uranium spot price remained volatile in the first half of 2020. Despite a recent uplift in the spot price, it is unclear whether this is sustainable and whether it will continue to rise. At 30 June 2020, the spot price was US$32.95 per pound and the long-term spot price indicator was US$32.00 per pound. The market surplus is continuing to decline, with China-led demand growth supporting a rebalancing of the market over time as China and other Asian countries continue to progress their nuclear power programs in accordance with long-term energy policy objectives.

However, given a considerable market surplus remains, ERA expects that the uranium market will remain challenging in the near term.

ERA continues to expect uranium production for 2020 to be within the range of 1,200 tonnes to 1,600 tonnes. Production will continue to draw from existing stockpiles. As a result, a greater proportion of future production will be exposed to the spot market. This is forecast to result in a reduction in the average realised price received over time.

Rounding of Amounts

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

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 6.

Signed at Perth this 27th day of July 2020 in accordance with a resolution of the Directors.

Mr P Mansell
Chairman

Competent Person

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2019 Annual Statement of Reserves and Resources which was released to the market on 26 February 2020 and is available to view at https://www.asx.com.au/asxpdf/20200226/pdf/44fh75xlybyy2l.pdf. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Energy Resources of Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Energy Resources of Australia Ltd for the half-year period ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Derek Meates
Partner
Perth
27 July 2020

	Notes	Half-year ended 30 June 2020 $'000	30 June 2019 $'000
Revenue from continuing operations	3	176,465	190,477
Changes in inventories		(19,717)	(14,775)
Materials and consumables used		(37,184)	(38,319)
Employee benefits and contractor expense		(50,454)	(53,169)
Government and other royalties		(8,737)	(9,150)
Commission and shipping expenses		(2,548)	(2,679)
Financing costs		(14,208)	(17,339)
Depreciation and amortisation expenses		(176)	-
Statutory and corporate expenses		(4,592)	(4,566)
Other expenses		(380)	(1,210)
Profit/(loss) before income tax		38,469	49,270
Income tax benefit		1,746	-
Profit for the half-year		40,215	49,270
Other comprehensive income for the half-year, net of tax			
Items that will be reclassified subsequently to profit or loss			
Cash flow hedging			
Current year gains	5	5,818	-
Income tax	5	(1,746)	-
		4,072	-
Total comprehensive income for the half-year		44,287	49,270
Profit is attributable to:			
Owners of Energy Resources of Australia Ltd		44,287	49,270
		44,287	49,270
Total comprehensive income for the half-year is attributable to:			
Owners of Energy Resources of Australia Ltd		44,287	49,270
		44,287	49,270
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9	1.5	8.6
Diluted earnings per share	9	1.5	8.6

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

Energy Resources of Australia Ltd
Balance Sheet
For the half-year ended 30 June 2020

	Notes	Half-year ended 30 June 2020 $'000	31 Dec 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		251,747	208,591
Trade and other receivables		17,558	9,400
Inventories	4	114,965	144,281
Financial assets	5	7,255	-
Other		2,925	5,785
Total current assets		394,450	368,057
Non-current assets			
Inventories	4	35,270	28,118
Undeveloped properties	2	89,856	89,856
Property, plant and equipment		2,984	4,213
Government security receivable*	11	531,400	76,333
Financial assets	5	2,139	-
Total non-current assets		661,649	198,520
Total assets		1,056,099	566,577
LIABILITIES			
Current liabilities			
Payables		40,040	41,465
Provisions	6	176,730	137,351
Lease liabilities		2,437	2,408
Total current liabilities		219,207	181,224
Non-current liabilities			
Provisions	6	595,575	658,270
Lease liabilities		546	1,770
Total non-current liabilities		596,121	660,040
Total liabilities		815,328	841,264
Net assets		240,771	(274,687)
EQUITY			
Contributed equity		1,177,656	706,485
Reserves		392,820	388,748
Accumulated Losses		(1,329,705)	(1,369,920)
Total equity		240,771	(274,687)

**described* as *Investment in Trust Fund* in the 31 December 2019 financial report.

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

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2020		**706,485**	**388,748**	**(1,369,920)**	**(274,687)**
Profit for the half-year		-	-	40,215	40,215
Other comprehensive income		-	4,072	-	4,072
Total comprehensive income for the half-year		**-**	**4,072**	**40,215**	**44,287**
Transactions with owners in their capacity as owners:					
Contributed equity received net of transaction costs	7	471,171	-	-	471,171
Dividends provided for or paid		-	-	-	-
		-	-	-	-
Balance at 30 June 2020		**1,177,656**	**392,820**	**(1,329,705)**	**240,771**

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2019	**706,485**	**388,897**	**(1,376,172)**	**(280,790)**
Profit for the half-year	-	-	49,270	49,270
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the half-year	**-**	**-**	**49,270**	**49,270**
Transactions with owners in their capacity as owners:				
Employee share options – value of employee services	-	-	-	-
	-	-	-	-
Balance at 30 June 2019	**706,485**	**388,897**	**(1,326,902)**	**(231,520)**

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

	Notes	Half-year ended 30 June 2020 $'000	30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		172,371	188,127
Payments to suppliers and employees (inclusive of goods and services tax)		(109,915)	(107,145)
Payments for rehabilitation		(38,185)	(47,883)
		24,271	33,099
Interest received		2,096	3,754
Financing costs paid		(1,038)	(1,037)
Net cash inflow from operating activities		25,329	35,816
Cash flows from investing activities			
Payments for property, plant and equipment		(233)	(1,118)
Proceeds from sale of property, plant and equipment		-	500
Contributions to Government security receivable		(454,000)	-
Net cash outflow from investing activities		(454,233)	(618)
Cash flows from financing activities			
Proceeds from share issues	7	476,049	-
Share issue transaction costs		(2,791)	-
Payment of lease liabilities		(1,195)	-
Net cash inflow from financing activities		472,063	-
Net increase in cash and cash equivalents		43,159	35,198
Cash and cash equivalents at the beginning of the half-year		208,591	313,736
Effects of exchange rate changes on cash and cash equivalents		(3)	(1)
Cash and cash equivalents at end of the half-year		251,747	348,933

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The interim financial statements have been drawn up on the basis of accounting policies, consistent with those applied in the financial statements for the year ended 31 December 2019, and in the corresponding interim period, except for accounting policies that have been applied to new transactions (Hedging) that are outlined below in Note 5.

The Company has adopted all accounting standards and pronouncements that were mandatory for periods beginning on or after 1 January 2020 in this interim financial report. There was no impact on the measurement or disclosure of any balances or transactions presented.

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

The critical accounting judgements and key sources of estimation uncertainty for the half year are the same as those disclosed in the Company's financial statements for the year ended 31 December 2019, with the addition of fair value estimates of the company's foreign exchange cash flow hedges which are new transactions in the period (see Note 2 and Note 5).

2 Critical accounting estimates and judgments

Estimates and judgments 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.

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 options available to meet ERA's obligations. The provision for rehabilitation represents the net present cost at 30 June 2020 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 the 2019 feasibility study which expanded on the earlier prefeasibility study completed in 2011. Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping, design and backfill, construction and commissioning of the tailings dredging system and construction of water treatment infrastructure including the brine concentrator and brine squeezer. The Feasibility Study has increased the level of certainty regarding forecast rehabilitation expenditure.

Major activities to complete the rehabilitation plan include: material movements, water treatment, tailings transfer, brine injection into Pit 3, demolition and revegetation. Major cost sensitivities include material movements, water treatment and tailings transfer costs.

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 risks on the Ranger rehabilitation provision are detailed below.

Tailings transfer
Tailings transferred from the Tailings Storage Facility to Pit 3 are sensitive to the characteristics of the tailings being moved and dredge productivity rates. During the first half of 2020, the productivity of the Company's

dredging operations was constrained due to ongoing interstate travel restrictions in place as a result of the COVID-19 pandemic and lower free process water volumes. ERA has now implemented a revised dredge plan which reduces the potential impacts of lower free process water volumes through the remainder of the year. While interstate travel restrictions are expected to ease during the second half of 2020, ERA continues to monitor all COVID-19 developments. Given the rehabilitation program has an interdependent schedule, any delay in the completion of tailings transfer is likely to have follow-on impacts to the timing of other rehabilitation activities. The impact to the Ranger rehabilitation program, if any, will be further evaluated during the second half of 2020. Should this materialise, this work would come at an additional cost of which has not been allowed for in the estimate.

Tailings consolidation
Following the completion of transfer of tailings to Pit 3 the final capping of Pit 3 will commence. During the capping process the tailings in Pit 3 will consolidate and express process water that will need to be collected and treated. The consolidation process will be aided by installing vertical wicks and the knowledge of the consolidation timeframes is backed up by a detailed model based on in situ testing of site tailings. The consolidation model accuracy and predictions of rates of process water expression is impacted by many factors including; tailings density and other characteristics, deposition method and free process water volume in the pit during deposition.

ERA continues to monitor the rate of tailings consolidation in Pit 3 compared to the consolidation model assumed for the purposes of the rehabilitation feasibility study. It is becoming apparent that a greater proportion of process water is being retained within the tailings than planned. The impact to the Ranger rehabilitation program, if any, will be further evaluated during the second half of 2020 (including to what extent there is adequate contingency in the estimate to support any potential overrun). Should mitigating actions be required, these could include implementing a higher density wicking program to support process water expression and / or use of process water treatment capacity for longer than previously planned, both of which have not been allowed for directly in either the schedule or cost estimate.

Process water
In order to increase process water treatment capacity, ERA has progressed the re-commissioning activity of the high density sludge (HDS) plant, the commissioning of the brine squeezer (including preparing for process water treatment trials) and the brine concentrator expansion project. The recommissioning of the HDS plant has been impacted by both the timing of external consents and a number of technical commissioning issues. Subject to future process water inventory volumes, this may necessitate the HDS operating for longer than previously planned. The brine squeezer commissioning has progressed, albeit with production limited due to low pond water volumes at present. Trials to evaluate the potential for the brine squeezer to treat process water are planned for half 2, 2020. The brine concentrator expansion project is progressing with commissioning expected in quarter 1, 2021.

Overall, process water volumes are sensitive to many factors. 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 fully commissioned;
- the timing of closure of which water catchments occurs; and
- the volume and timing 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.

Process Water salt disposal
As a result of treating process water, a waste stream of contaminated salt is generated. This is ultimately to be stored below tailings in Pit 3 via injecting the brine through bore holes. This technology has previously been commissioned but the long-term performance is yet to be fully confirmed. Recommissioning activities are due to commence in half 2, 2020. Should the disposal of salt in this manner not prove viable, an alternate method of salt disposal would be required. This could require significant additional capital expenditure which has not been allowed for in either the schedule or cost estimate and may not be available to ERA.

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

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, tailings storage facility conditions, engineering studies, plant mortality and project support costs.

In estimating the rehabilitation provision a risk-free discount rate is applied to the underlying cash flows. At 30 June 2020, the real discount rate was 2.00 per cent.

Asset carrying values

ERA has two cash generating units (**CGUs**), the Ranger Project Area and the Jabiluka Mineral Lease. The Ranger CGU includes all assets and liabilities related to activities on the Ranger Project Area, including the rehabilitation provision. The Undeveloped Property relates to the Jabiluka Mineral Lease which is currently under a Long Term Care and Maintenance Agreement with Traditional Owners.

At 30 June 2020, 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 half-year ended 30 June 2020, $0.2 million in capital expenditure was expensed.

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

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

Undeveloped Properties

Undeveloped properties are considered 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 judgment. 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 previously been reviewed by an external valuation expert.

ERA regularly reviews and updates these assumptions and assesses potential impairment indicators and impairment reversal indicators. In the June 2020 half-year, the review did not identify any indicators that the carrying amount of the Jabiluka Undeveloped Property may not be recovered in full from successful development or sale. While some improvement in macro-economic factors has been identified, it was determined it was too early to conclude whether these would be sustained. As such, no indicators were identified that the previously recorded impairment should be reversed. This review primarily considered the following key factors:

- uranium consensus price changes based on a set of brokers that provide a view on the long term uranium oxide price and the ongoing presence of a contract price premium;
- long term consensus forecast Australian/US dollar exchange rates;
- probability and timing of development and ongoing stakeholder relations; and
- applicable discount rate.

The review of these factors did not identify any material changes that would warrant a full impairment or impairment reversal review to be conducted. As a result the carrying value of the Jabiluka Undeveloped Property remains at $90 million.

Key assumptions to which the Jabiluka model is sensitive include: the probability of future development (which includes an assessment of obtaining any required approval and/or support of various stakeholders, including the Traditional Owners, regulatory bodies and shareholders), 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 or impairment reversal.

ERA's view remains that Jabiluka is a large, high quality uranium ore body of global significance.

Taxation

ERA has approximately $177 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 at each reporting date. 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.

Fair value of financial instruments (hedging)

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

In the case of the cash flow hedges, fair value has been estimated as described in Note 5.

3 Segment information

Description of Segment

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 operating and reportable segment in the half-year ended 30 June 2020, being the mining, processing and selling of uranium oxide. There are no other unallocated operations.

Segment Revenue

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

Revenues from customers are derived from the sale of uranium oxide. Segment revenue reconciles to total revenue from continuing operations with the addition of other income, which includes interest revenue and rent received.

ERA is domiciled in Australia. The profile of its revenue from external customers is outlined in the table below:

	Half-year ended	
	30 June 2020 $'000	30 June 2019 $'000
Sales to customers		
Asia	168,161	170,148
Total Sale of Goods	168,161	170,148
Compensation	-	14,071
Other revenue	8,304	6,258
Total Other Revenue	8,304	20,329
Total revenue from continuing operations	176,465	190,477

Segment revenues are allocated based on the country in which the customer is based. ERA places all sales through a marketing agreement with Rio Tinto Uranium based in Asia.

	30 June 2020 $'000	31 Dec 2019 $'000

4 Inventories

(a) Inventories – current

Stores & spares	13,767	16,214
Work in progress at cost	3,038	3,808
Finished product U_3O_8 at cost	98,160	124,259
Total current Inventory	114,965	144,281

(b) Inventories – non-current

Finished product U_3O_8 at cost	35,270	28,118

5 Financial assets

(a) Financial assets – current

Forward exchange contracts	5,818	-
Gasoil swap contracts	1,437	-
Total Current Financial assets	7,255	-

(b) Financial assets – non-current

Gasoil swap contracts	2,139	-
Total Non-current Financial assets	2,139	-

Financial instruments

Financial assets and financial liabilities are recognised in ERA's Balance Sheet when ERA becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments

ERA enters into both forward foreign exchange contracts and gasoil swap contracts. These contracts are used to manage ERA's exposure to US dollar sales and the price of diesel used to run major mine infrastructure.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless ERA has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

ERA designates forward exchange contracts as hedging instruments in the form of cash flow hedges. At the inception of the hedge relationship, ERA documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, ERA documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that ERA actually hedges and the quantity of the hedging instrument that ERA actually uses to hedge that quantity of hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the ‘other gains and losses’ line item. Sources of ineffectiveness include the effect of credit risk on the hedging instrument and the mismatch of the timing of settlements between the hedged item and the hedging instrument.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

ERA discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. If the forecast transactions are no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve in equity is reclassified to profit or loss immediately.

Unrecognised gains and losses recorded in the hedge reserve will give rise to a deferred tax asset or liability. This is recorded in the cash flow hedge reserve. ERA then considers if this is recoverable in the event it is a deferred tax asset. In the event if is a deferred tax liability, ERA considers weather unrecognised deferred tax assets should be recognised to offset the liability. Where this occurs the recognition of the deferred tax asset is recorded through income tax benefit in the profit and loss statement.

Movements in the cash flow hedging reserve is as follows:

	30 June 2020 $’000	31 Dec 2019 $’000
Balance 1 January	-	-
Unsettled change in fair value (before tax)	5,818	
Tax on unsettled change in fair value	(1,746)	
Gain on changes in fair value of settled hedges	1,444	
Gain on changes in fair value reclassified to profit or loss	(1,444)	-
Hedge Reserve at end of period	4,072	-

Forward foreign exchange contracts
The forward exchange contracts have been designated and are effective as a hedging instrument.

The forward exchange contracts are measured at fair value on a recurring basis using a Discounted Cash Flows methodology. The contracts are valued, using market quoted forward exchange rates as inputs and when material discounted based on applicable yield curves derived from market quoted interest rates.

All forward foreign exchange contracts will mature in less than 12 months and so are recorded as a current asset. The following table details the ERA's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted cash flows. Settlement of the forward foreign exchange contract occurs on a gross cash flow basis.

Sell USD/Buy AUD	AUD Notional (A$ million)	Average Exchange rate
Less than 1 year	64.4	0.62

At 30 June 2020, had the Australian Dollar weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in financial assets would affected pre-tax other comprehensive income for the half year by $6.5 million.

Gasoil swap contracts
The Gasoil swaps have been measured at fair value, with the resulting gains recorded in the profit and loss.

The Gasoil swap contracts are measured at fair value on a recurring basis using a Discounted Cash Flows methodology. The contracts are valued, using market quoted forward exchange rates as inputs and when material discounted based on applicable yield curves derived from market quoted interest rates.

Gasoil swap contracts will mature as follows and are recorded as a non-current asset when maturity is greater than 1 year. The following table details the ERA's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted cash flows. Settlement of the Gas Oil swap contracts occurs on a net cash flow basis, based on the spot price at settlement.

Buy Gasoil	Notional US$ million	US$ per barrel
Less than 1 year	7.3	40.30
Greater than 1 year less than 2 years	3.6	40.30

At 30 June 2020, had the Gasoil forward price weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in financial assets would have affected pre-tax profit for the half year by $1.3 million.

6 Provisions

	30 June 2020 $'000	31 Dec 2019 $'000
(a) Provisions – current		
Employee benefits	14,266	10,716
Employee termination benefits	10,527	3,140
Rehabilitation	151,937	123,495
Total current provisions	176,730	137,351
Movement in current rehabilitation provisions		
Carrying value at the start of the year	123,495	91,876
Payments	(38,185)	(91,965)
Utilisation of leased assets	(1,052)	(877)
Transfers from non-current provision	67,679	124,461
Carrying amount at the end of the period	151,937	123,495
(b) Provisions – non-current		
Employee benefits	3,415	4,642
Employee termination benefits	-	6,956
Rehabilitation	592,160	646,672
Total non-current provisions	595,575	658,270

	30 June 2020 $'000	31 Dec 2019 $'000
Movement in non-current rehabilitation provisions		
Carrying value at the start of the year	646,672	738,535
Unwind of discount	13,167	32,598
Transfers to current provision	(67,679)	(124,461)
Carrying amount at the end of the period	592,160	646,672

7. Share capital

A Class shares fully paid

Share on issue at the start of the year	517,725	517,725
Shares issued during the year (at $0.15 per share)	3,173,658	-
Total shares on issue at the end of the half-year	3,691,383	517,725

Total contributed equity

Contributed equity at the start of the year	706,485	706,485
Additional contributions of equity ($0.15 per share for 3,173,658 shares)	476,049	-
Share issuance costs	(4,878)	-
Contributed equity at the end of the half-year	1,177,656	706,485

As announced on 20 February 2020, ERA's fully underwritten 6.13 for 1 pro rata renounceable entitlement offer of new fully paid shares to raise approximately $476 million closed successfully on 18 February 2020. The proceeds, to be used primarily to fund ERA's statutory rehabilitation obligations for the Ranger Project Area, have been invested in short duration term deposits across a variety of Australian deposit taking institutions.

8. Contingencies

Legal actions against ERA

Unresolved legal action commenced (in 1999) by the Mirarr Traditional Owners in the Federal Court against the former Federal Minister for Resources and ERA, claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative, is dormant. Should ERA 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 this legal dispute.

9. Earnings per share

	Half-year ended	
	30 June 2020 Cents	30 June 2019 Cents
Basic earnings per share	1.5	8.6
Diluted earnings per share	1.5	8.6

Weighted average number of ordinary shares on issue used in the calculation basic earnings per share 2020: 2,704,598,144 (2019: 517,725,062).

10. Liquidity and capital risk

The Company's objectives when managing capital are to safeguard the Company'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.

The future liquidity and capital requirements of ERA will depend on many factors. As a result of the increase to the rehabilitation provision in 2018, ERA successfully completed an Entitlement Offer on 19 February 2020 and raised $476 million (before transaction costs). Following the finalisation of the Entitlement Offer ERA considers that it has adequate cash available to rehabilitate the Ranger Project Area. ERA's funding of rehabilitation is sensitive to multiple factors including operating cashflows, technological developments, economic factors including interest rates, weather and environmental factors. See Note 11 below for further commentary around reimbursements from the Commonwealth Government.

In April 2016, ERA entered into a $100 million credit facility agreement with Rio Tinto. This agreement remains in place. No amount of the facility is in use at balance date (31 December 2019 - $nil).

11. Government security receivable

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.

The Commonwealth Government finalised its review in February 2020, the relevant Commonwealth Government Minister confirmed a revised security amount of $655 million. In order to meet its statutory obligation, ERA contributed $454 million from the Entitlement Offer proceeds during the period, adding to balances held in the prior period of $77 million, a total of $531 million as cash on deposit with the Department of Industry, Science, Energy and Resources (DISER) and $125 million in bank guarantees. The cash held as security is invested in term deposits to optimise returns whilst still providing appropriate security. This is disclosed as a Government Security Receivable in the Balance Sheet and was previously entitled Investment in Trust Fund in the company's financial reports. The final Annual Plan of Rehabilitation will be undertaken in late 2020 to align with the conclusion of processing come 8 January 2021. This review will revise the determined security position. Despite this presenting as the final Annual Plan of Rehabilitation, ERA and/or the Commonwealth Government retain the right to seek review of the security position in the future should a material change in the cost estimate take place. As rehabilitation progresses, the security requirement is expected to decrease largely in line with the annual rehabilitation spend and cash and/or bank guarantees will be withdrawn from the Trust Fund. Drawdown is subject to approval by the Commonwealth Government.

The Company has recorded this reimbursable amount under the guidance of AASB Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. Under Interpretation 5, the Company accounts for the amounts as a non-financial asset, or reimbursement, under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Measurement of the reimbursement is at the company's share of the fair value of the net assets of the fund, which is 100 per cent of the cash deposits held in the fund plus accrued interest. The fund carries no other balances but short-term deposits. This amount was previously disclosed as a financial asset measured at fair value through profit and loss. Other than the renaming of the balance, there is no impact on the reported asset balance, profit or loss or cash flows for the prior period comparative.

In this interim financial report, the balance is presented as non-current as the company does not anticipated being reimbursed any amounts until at least 12-months from balance date.

Cash flows to/from the fund are considered to be advances to/from a third party and therefore disclosed under Investing Activities.

12. Events occurring after the reporting period

No events or circumstances have arisen since the end of the half-year that have significantly affected, or may significantly affect, the operations or state of affairs of the Company in subsequent financial years.

In the Directors' opinion:

(a) The interim financial statements and notes set out on pages 7 to 19 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 including Australian Accounting Standard AASB 134 Interim Financial Reporting; and
   (ii) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the half-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.

This declaration is made in accordance with a resolution of the Directors.

Mr P Mansell
Chairman
Perth
27 July 2020

KPMG

Independent Auditor's Review Report

To the shareholders of Energy Resources of Australia Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Energy Resources of Australia Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Energy Resources of Australia Ltd is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

The ***Interim Financial Report*** comprises:

- Balance sheet as at 30 June 2020.
- Statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date.
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001.*
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Energy Resources of Australia Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Derek Meates

Partner

Perth

27 July 2020