Results for announcement to the market

Appendix 4E

Energy Resources of Australia Ltd

ABN 71 008 550 865

ASX Preliminary final report – 31 December 2021

Lodged with the ASX under Listing Rule 4.3A

Contents

Results for announcement to the market

	Change		2021 $000	2020 $000
Revenue from sales of uranium	(21%)	To	190,347	242,222
Revenue from continuing operations	(21%)	To	201,007	254,891
Profit/(loss) from continuing operations after tax attributable to members	(5,774%)	To	(650,212)	11,460
Net Cash flow from operating activities	(97%)	To	(37,934)	(19,280)
Earnings before Interest, Tax, Depreciation and Amortisation	(19,115%)	To	(648,967)	3,413
EPS (cents)	(5,774%)	To	(17.6)	0.4

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

Review of operations
Energy Resources of Australia Ltd (**ERA** or the **Company**) incurred negative cash flow from operating activities of $38 million in 2021 compared to negative $19 million in 2020. Cash rehabilitation spend for the year end 31 December 2021 was $153 million compared to $80 million in 2020.

ERA held total cash resources of $699 million at 31 December 2021, comprised of $164 million in cash at bank and $535 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 profit before tax and rehabilitation adjustment of $21 million. The net loss after tax was $650 million for 2021 compared to a net profit after tax of $11 million in 2020. The 2021 net loss was adversely impacted by an increase to the rehabilitation provision. Favourable impacts were seen from significantly lower operating costs as a result of cessation of operations in January 2021 and strong sales revenue, with the completion of all contracted sales and a substantial sell down of remaining uranium inventories. As at 31 December 2021, a revision of the rehabilitation provision cost estimate occurred resulting in an unfavourable adjustment of $668 million. The major reforecast is ongoing, with finalisation expected in 2022.

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. ERA has continued to operate throughout this period with minimal impacts.

Uranium oxide produced for the year ended 31 December 2021 was 34 tonnes. Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activity on the Ranger Project Area after 40 years of operations, during which time more than $540 million of Royalty payments have been made to governments and Indigenous interests.

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Revenue from the sale of uranium oxide was $190 million (2020: $242 million). Revenue was heavily exposed to the spot market, with higher spot prices providing a favourable impact. ERA continues to maximise the value from uranium holdings through opportunistic spot sales.

Sales volume for 2021 was 1,302 tonnes compared with 1,721 tonnes for 2020. In 2021, ERA completed sales of 680 tonnes of uranium oxide into the spot market and completed contract sales of 622 tonnes. The balance of inventories will likely be sold into the spot market in 2022.

The average realised sales price for 2021 was US$47.17 per pound compared to US$42.60 per pound in 2020. The average realised price was favourable impacted by increased sales into a stronger second half spot market.

With uranium oxide sales denominated in US dollars, the strengthening of the Australian dollar had an adverse impact on ERA's financial results. The average exchange rate, inclusive of foreign exchange hedges, was 71 US cents, compared with 67 US cents for 2020.

In 2020, ERA sought to maximise exposure to the favourable movement in the Australian dollar whereby ERA entered into a number of forward foreign exchange contracts for USD denominated sales. These forward exchange contracts completed in early 2021 at an average exchange rate of 65 cents, resulting in a benefit of $9.6 million.

Cash costs for 2021 were substantially lower than the corresponding period in 2020. This was mainly driven by the cessation of processing operations in January 2021 and move to full scale rehabilitation. Operating costs are now purely those of a corporate or sales nature.

Interest income for 2021 was $1.9 million, compared to $5.6 million for 2020. The weighted average interest rate received on term deposit for the period was 0.3 per cent (2020: 0.8%)

Cessation of production on the Ranger Project Area

Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activities on the Ranger Project Area after 40 years of operation, totalling greater than 132,000 tonnes of drummed uranium and during which time more than $540 million of royalty payments have been made to governments and Indigenous interests.

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 following 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 explore other opportunities or retire. The Company has supported the preparation of career plans for approximately 95 per cent of the workforce. Following cessation of production in January 2021, ERA successfully redeployed a number of employees into other Rio Tinto business units with the remainder of employees not required to execute the rehabilitation phase progressing the plans made through the "My Future Plan" program.

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Rehabilitation

At 31 December 2021, the ERA rehabilitation provision is $1,251 million[1].

During the second half of 2021 ERA commenced a major reforecast of both cost and schedule in relation to the calculation of the rehabilitation provision and timing for completion for the Ranger Project Area. To assist with that reforecast, Bechtel was engaged to perform an independent review and gap analysis of ERA's forecast cost and schedule data. The preliminary findings by ERA from its reforecast exercise indicates that:

(i) the revised total cost of completing the Ranger Project Area rehabilitation, including incurred spend from 1 January 2019, is forecast to be approximately between $1.6 billion and $2.2 billion. The previously announced closure estimate, which was based on the Ranger Project Area closure Feasibility Study finalised in 2019 ("Feasibility Study"), was $973 million[2]; and
(ii) the revised date for completing the Ranger Project Area rehabilitation is forecast to be between Quarter 4, 2027 and Quarter 4, 2028.

ERA notes that the above revised estimates, as to both cost and schedule, are based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan.

Work has commenced on the assessment of further options for the completion of the rehabilitation project, including a proposed revision to the methodology for capping Pit 3 to more traditional methods that could be subject to lower execution risk than ERA's current approved Mine Closure Plan. Any change to the execution methodology for the rehabilitation project is likely to necessitate further revision to the forecast cost and schedule for completing the project. Based on work performed to date, an increase to the rehabilitation provision of $668 million has been made.

On 15 February 2021 a significant milestone was achieved with the completion of the bulk dredging works at the Tailings Storage Facility (TSF). Following this, progressed floor and wall cleaning activities were subsequently completed in December 2021. This is a significant milestone for the closure project. Final stakeholder notification and approvals to use the TSF as a Water Storage Facility is expected to be completed in early 2022.

In addition, the first phase of revegetation planting at Pit 1 was completed. The final planting for Pit 1 is planned to be completed in early 2022. All seeds have been propagated in the nursery ready for planting.

The Pit 3 early works wicking contract has now been awarded. The wicking and capping of Pit 3 are critical path activities to be completed prior to the commencement of Pit 3 bulk backfill.

Following the successful granting of land and execution of the Section 19A township lease for Jabiru to the Mirarr Traditional Owners in June 2021, ERA's Jabiru housing refurbishment program continues to progress. ERA is progressively working with Jabiru Kabolkmakmen Ltd (JKL) for the transfer of properties to enable tenanting by third parties, the first tranche of which occurred in the December quarter. Rectifications will continue in 2022.

[1] 31 December 2021 provision discounted at 1.5% per cent and presented in real terms ($1,314 million undiscounted in real terms). This equates to an estimated $1379 million in undiscounted nominal terms.
[2] Based on 31 December 2018 rehabilitation provision, ($973 million undiscounted in nominal terms, excluding not yet recognised termination benefits in line with Australian Accounting Standards and including an allowance of $1 million in relation to the estimated cost of Jabiluka Mineral lease rehabilitation expense).

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Other key rehabilitation activities continued including water treatment as well as the completion of the Brine Concentrator upgrade project.

Funding

As a result of the increase in rehabilitation provision, ERA has commenced an assessment of potential 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 reiterated its commitment to ensuring the rehabilitation of the Ranger Project Area is successfully achieved to a standard that will establish an environment similar to the adjacent Kakadu National Park. ERA is commencing discussions with major shareholders about a funding solution.

Ranger 3 Deeps

Given the current Ranger Authority requirement for cessation on processing on 8 January 2021 and the uranium market environment, the Ranger 3 Deeps project faces material barriers to development. Due to ongoing constrained market conditions the project remains uneconomic. Consequently, in August 2021 ERA completed backfill works on the Ranger 3 Deeps decline.

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

Outlook

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

Consequently, ERA's near- term strategic priorities include:

- Secure a suitable funding option to meet future rehabilitation obligations;
- Complete rehabilitation of the Ranger Project Area;
- Maximise the generation of cash flow from the remaining inventories of drummed uranium oxide; and
- Preserve optionality over the company's undeveloped resources.

A key constraint for ERA is the Atomic Energy Act 1953 which currently requires completion of rehabilitation activities by January 2026. ERA has been engaging with Government and key stakeholders to amend the Atomic Energy Act 1953 and extend the expiry date of ERA's tenure on the Ranger Project Area.

Dividends

ERA has decided not to declare a final dividend for the 2021 financial year. No final dividend was paid in respect to the 2020 financial year.

Exploration

There was no exploration expenditure for the year ended 2021.

Preliminary statement of comprehensive income

	2021 $'000	2020 $'000
Revenue from continuing operations	201,007	254,891
Changes in inventories	(119,673)	(13,988)
Materials and consumables used	(1,618)	(71,818)
Employee benefits and contractor expenses	(21,821)	(101,304)
Government and other royalties	(9,891)	(12,517)
Commission and shipping expenses	(2,585)	(5,069)
Depreciation and amortisation expenses	(354)	(353)
Changes in rehabilitation provision	(668,149)	(6,529)
Financing costs	(19,529)	(24,949)
Statutory and corporate expense	(4,158)	(9,260)
Other expenses	(624)	(461)
Profit/(Loss) before income tax	**(647,395)**	**8,643**
Income tax benefit/(expense)	(2,817)	2,817
Profit/(Loss) for the year	**(650,212)**	**11,460**
Other comprehensive income for the year, net of tax		
Items that will be reclassified subsequently to profit or loss		
Cash flow hedging		
Changes in the fair value of cash flow hedges	(9,391)	9,391
Income tax relating to components of other comprehensive income	2,817	(2,817)
Other comprehensive income for the year, net of tax	**(6,574)**	**6,574**
Total comprehensive income for the year	**(656,786)**	**18,034**
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	**(650,212)**	**11,460**
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	**(656,786)**	**18,034**

Preliminary balance sheet

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	163,872	204,350
Trade and other receivables	33,375	7,788
Inventories	29,613	132,704
Government security receivable	65,400	123,316
Derivative financial instruments	3,451	12,423
Other	829	2,030
Total current assets	296,540	482,611
Non-current assets		
Inventories	-	15,423
Undeveloped properties	89,856	89,856
Property, plant and equipment	92	1,756
Government security receivable	469,442	409,927
Derivative financial instruments	-	580
Total non-current assets	**559,390**	**517,542**
Total assets	**855,930**	**1,000,153**
Current liabilities		
Payables	36,803	39,290
Provisions	232,732	188,399
Lease liabilities	93	1,583
Total current liabilities	**269,628**	**229,272**
Non-current liabilities		
Provisions	1,028,724	556,116
Lease liabilities	-	186
Total non-current liabilities	**1,028,724**	**556,302**
Total liabilities	**1,298,352**	**785,574**
Net assets/(deficit)	**(442,422)**	**214,579**
Equity		
Contributed equity	1,177,656	1,177,656
Reserves	388,594	395,383
Accumulated losses	(2,008,672)	(1,358,460)
Total Equity	**(442,422)**	**214,579**

Preliminary statement of changes in equity

	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 year	-	-	11,460	11,460
Other comprehensive income	-	6,574	-	6,574
Total comprehensive income for the year	**-**	**6,574**	**11,460**	**18,034**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction cost	471,171			471,171
Employee share options - value of employee services	-	61	-	61
	471,171	61	-	471,232
Balance at 31 December 2020	**1,177,656**	**395,383**	**(1,358,460)**	**214,579**
Loss for the year	-	-	(650,212)	(650,212)
Other comprehensive income/(loss)	-	(6,574)	-	(6,574)
Total comprehensive income/(loss) for the year	**-**	**(6,574)**	**(650,212)**	**(656,786)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction cost	**-**	**-**	**-**	**-**
Employee share options - value of employee services	-	(215)	-	(215)
	-	(215)	-	(215)
Balance at 31 December 2021	**1,177,656**	**388,594**	**(2,008,672)**	**(442,422)**

Preliminary statement of cash flows

	2021 $'000 inflows/ (outflows)	2020 $'000 inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	194,155	268,885
Payments to suppliers and employees (inclusive of goods and services tax)	(78,552)	(209,596)
	115,603	**59,289**
Payments for rehabilitation	(153,149)	(80,190)
Interest received	343	2,673
Financing costs paid	(731)	(1,052)
Net cash inflow/(outflow) from operating activities	**(37,934)**	**(19,280)**
Cash flows from investing activities		
Payments for property, plant and equipment	(43)	(193)
Proceeds from sale of property, plant and equipment	-	-
Payments for investments	-	(454,000)
Net cash inflow/(outflow) from investing activities	**(43)**	**(454,193)**
Cash flows from financing activities		
Employee share option payments	(835)	(1,616)
Proceeds from issues of shares	-	476,049
Share issue transaction costs	-	(2,791)
Payment of lease liabilities	(1,677)	(2,408)
Net cash inflow/(outflow) from financing activities	**(2,512)**	**469,234**
Net increase/(decrease) in cash held	(40,489)	(4,239)
Cash at the beginning of the financial year	204,350	208,591
Effects of exchange rate changes on cash	11	(2)
Cash at the end of the financial year	**163,872**	**204,350**

Additional information for announcement to the market

Inventories	**2021 $'000**	**2020 $'000**
Inventories - current		
Stores and spares	7,089	5,931
Work in progress at cost	-	776
Finished product U_3O_8 at cost	22,524	125,997
Total current inventory	29,613	132,704
Inventories – non-current		
Finished product U_3O_8 at cost	-	15,423

Inventories are carried at the lower of cost or net realisable value in accordance with AASB 102. When necessary, a net realisable value adjustment is included in 'Changes in inventories' in the statement of comprehensive income.

During 2021 a total net realisable value adjustment of $2.5 million was recorded (Nil: 2020).

Financial instruments	**2021 $'000**	**2020 $'000**
Financial assets – current		
Forward exchange contracts	-	9,391
Gasoil swap contracts	3,451	3,032
Total Current Financial assets	3,451	12,423
Financial assets – non-current		
Gasoil swap contracts	-	580
Total Non-current Financial assets	-	580

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.

ERA has entered 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.

US Dollar forward foreign exchange contracts
ERA designates forward exchange contracts as hedging instruments in the form of cash flow hedges.

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.

Additional information for announcement to the market

Movements in the cash flow hedging reserve is as follows:

	2021 $'000	2020 $'000
Balance 1 January	6,574	-
Unsettled change in fair value (before tax)	(9,391)	9,391
Tax on unsettled change in fair value	2,817	(2,817)
Gain on changes in fair value of settled hedges	9,561	4,707
Gain on changes in fair value reclassified to profit or loss	(9,561)	(4,707)
Hedge Reserve at end of period	-	6,574

No cashflow hedges remain outstanding at 31 December 2021.

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 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 Gasoil swap contracts occurs on a net cash flow basis, based on the spot price at settlement.

Buy Gasoil	**Notional $m**	**$ per barrel**
Less than 1 year (USD)	US$1.9	US$51.75
Less than 1 year (AUD)	A$4.7	A$89.00
Greater than 1 year less than 2 years	-	-

At 31 December 2021, had the Gasoil forward price weakened/strengthened by 10 per cent with all other variables held constant, the change in financial assets would have affected pre-tax profit for the half year by $1.1 million.

Additional information for announcement to the market

Provisions	**2021 $'000**	**2020 $'000**
Provisions - current		
Employee benefits	9,834	25,471
Rehabilitation	222,898	162,928
Total current provisions	232,732	188,399
Movement in current rehabilitation provision		
Carrying value at the start of the year	162,928	123,495
Payments	(153,149)	(80,190)
Right of Use assets depreciation	(1,227)	(2,104)
Transfers from non-current provisions	214,346	121,727
Carrying amount at the end of the year	222,898	162,928
Provisions – non-current		
Employee benefits	753	745
Rehabilitation	1,027,971	555,371
Total non-current provisions	1,028,724	556,116
Movement in non-current rehabilitation provision		
Carrying value at the start of the year	555,371	646,672
Unwind of discount	18,797	23,897
Change in estimate	668,149	(2,572)
Additional provisions recognised	-	9,101
Transfers to current provisions	(214,346)	(121,727)
Carrying amount at the end of the year	1,027,971	555,371

Employee Benefits

Following the cessation of processing on the Ranger Project Area on 8 January 2021 and ERA's transition to closure phase, there has been a significant reduction in the Company workforce, triggering certain Termination Benefits. The total provision recognised in line with Australian Accounting Standards is $0.9 million and is based on updated workforce requirements gathered as part of the major rehabilitation forecast. This is considered a current liability based on the balance expected to be payable within one year.

Potential termination payments beyond 2022 are yet to be recognised due to the level of uncertainty regarding quantum and timing.

Rehabilitation Provision

The calculation of the rehabilitation provision relies on estimates of costs and their timing to rehabilitate and restore disturbed land to establish an environment similar to the adjacent Kakadu National Park in line with the Company's obligations.

The costs are estimated on the basis of a closure plan, 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 31 December 2021 of the preferred plan and represents managements best estimate of cost.

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In July 2021, ERA commenced a major reforecast of cost and schedule. This followed on from the 2019 Feasibility Study which expanded on the earlier prefeasibility study completed in 2011. The reforecast has continued into early 2022, including an external evaluation of the preliminary findings. The preliminary findings by ERA from its reforecast exercise based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan indicates that:

(i) the revised total cost of completing the Ranger Project Area rehabilitation, including incurred spend from 1 January 2019, is forecast to be approximately between $1.6 billion and $2.2 billion (undiscounted nominal terms). The previously announced closure estimate, which was based on the Ranger Project Area closure Feasibility Study finalised in 2019 ("Feasibility Study"), was $973 million (undiscounted nominal terms); and

(ii) the revised date for completing the Ranger Project Area rehabilitation is forecast to be between Quarter 4, 2027 and Quarter 4, 2028.

ERA notes that the above revised estimates, as to both cost and schedule, are based on the Ranger rehabilitation project being completed in accordance with the methodology set out in the current Mine Closure Plan.

In determining the provision, ERA has considered the preliminary findings from the reforecast as well as potential optimisation of the Pit 3 capping strategy. Further work on the reforecast and alterations to the Pit 3 capping strategy are ongoing. The reforecast estimate is prepared in nominal terms, it has then been adjusted to real terms by removing the impacts of inflation. This has then been discounted at 1.5% to give a closure provision. The estimated closure provision at 31 December 2021, excluding unrecognised employee termination benefits and an allowance of $1 million for Jabiluka rehabilitation is $1,250 million. This has resulted in an increase to the provision of $668 million that has been recorded in the Statement of Comprehensive Income.

Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping including design and backfill, completion of bulk dredging works at the Tailings Storage Facility (TSF) and construction of water treatment infrastructure including the brine concentrator, high density sludge (HDS) plant and brine squeezer.

Major activities to complete the rehabilitation plan include bulk material movements, water treatment, demolition and revegetation. Major cost sensitivities include Pit 3 capping, material movements and water treatment.

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 for the Ranger rehabilitation provision are detailed below.

Tailings consolidation
Bulk dredging works at the Tailings Storage Facility (TSF) were completed in February 2021, with works then shifting to progressing floor and wall cleaning activities which were subsequently completed in late 2021. This process has been more complex and time consuming than planned resulting in adverse impacts to cost and schedule of Pit 3 capping.

During the final capping process, the tailings in Pit 3 will consolidate and express process water which 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 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.

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These impacts have been considered in the reforecast but to the extent tailings consolidation and process water expression extend further could have additional adverse impacts on cost and schedule of completing rehabilitation.

Process water
Projects continue to progress in order to increase process water treatment capacity, including the completion of the brine concentrator expansion project.

Treatment of process water is critical to completing rehabilitation. As previously noted, the Feasibility Study and reforecast assumed a long-term average annual rainfall for the region in forecasting future water treatment requirements. Annual rainfall can vary from year to year. Historically, the region has seen higher than average rainfall in periods of 'La Nina' and this continued in 2020/21 with higher than average rainfall recorded.

Overall, process water volumes are sensitive to many factors. Any additional water would require treating through ERA's process water treatment infrastructure, in large part 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 have recently come online;
- the timing of closure of which water catchments occurs; and
- the volume and timing of water expressed from tailings.

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. Recommissioning activities for this infrastructure have successfully occurred although the long term performance is yet to be fully confirmed. 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 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 could be impacted by, including: evaporation rates, stakeholder requirements, higher costs of refurbishing Jabiru township housing, engineering studies, other site contaminants, plant mortality and project support costs.

In estimating the rehabilitation provision, ERA has prepared its best estimate of costs and schedule, taking into consideration the risk factors identified above.

Cash flow timing
The company estimates the presentation of its rehabilitation provision between current and non-current liabilities, based on anticipated timing of expenditure from updated cash flow forecasts.

Additional information for announcement to the market

Share capital	**2021 ’000**	**2020 ’000**
A Class shares fully paid		
Share capital at the start of the year	3,691,383	517,725
Shares issued during the year (at $0.15 per share)	-	3,173,658
Share capital at the end of the financial year	3,691,383	3,691,383
Total contributed equity		
Contributed equity at the start of the year	1,177,656	706,485
Additional contribution 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 year	1,177,656	1,177,656

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 as part of the government security receivable.

Accumulated losses	**2021 $’000**	**2020 $’000**
Accumulated losses at the beginning of the financial year	(1,358,460)	(1,369,920)
Net profit/(loss) attributable to members of Energy Resources of Australia	(650,212)	11,460
Accumulated losses at the end of the financial year	(2,008,672)	(1,358,460)

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 Jabiluka Undeveloped Property relates to the Jabiluka Mineral Lease which is currently under a Long Term Care and Maintenance Agreement with Traditional Owners.

At 31 December 2021, 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. For the year ended 31 December 2021, $0.04 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 judgement in analysing possible impacts caused by factors such as the price of uranium oxide, foreign exchange movements, operating and capital estimates, discount rate, 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.

Additional information for announcement to the market

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 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 December 2021, 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 since the prior impairment, it was determined that significant volatility remains and that it was too early to conclude whether these improvements would be sustained. As such, no indicators were identified that previously recorded impairment should be reversed. This review primarily considered the following key factors:

- uranium price changes based on the average of two reputable market analysis firms 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 (January 2024) and development delays. A change in these assumptions may result in further impairment.

Additional information for announcement to the market

Selected downside sensitivities to the fair value of the Jabiluka CGU at 31 December 2021 are summarised below. Based on current assumptions, no single change in the below sensitivities would result in further impairment, however should all occur full impairment would result.

Sensitivity	Impact on value $million
-5 per cent change in forecast uranium oxide price	(75)
+20 per cent change in development capital	(133)
+5 per cent change in forecast Australian/US dollar exchange rates	(69)
+1 per cent change in discount rate	(75)

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

Taxation

ERA has approximately $225 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.

Liquidity

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 rehabilitation provision increase, ERA has insufficient funds to fully fund rehabilitation. 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 reiterated its commitment to ensuring the rehabilitation of the Ranger Project Area is successfully achieved to a standard that will establish an environment similar to the adjacent Kakadu National Park. ERA is commencing discussions with major shareholders about a funding solution.

In April 2016, ERA entered into a $100 million credit facility agreement with Rio Tinto. ERA notes that due to the overrun of cost that a "Review Event" may or may have already occur under the current terms of the facility and therefore Rio Tinto may not be obliged to advance loans.

ERA currently has no debt and $699 million in total cash resources (comprising $164 million of cash on hand or at call and $535 million invested as part of the government security receivable).

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.

Additional information for announcement to the market

The Commonwealth Government finalised its review in February 2020, the relevant Commonwealth Government 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, with 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.

ERA's ability to continue to access bank guarantees can be influenced by many factors including future cash balance, cash flows and shareholder support. Issuers of the bank guarantees have certain pay and walk rights and the guarantees are subject to periodic reviews. Should the banks execute their pay and walk rights or ERA is unable to access bank guarantees, substantial additional cash would be required to indemnify the banks or be deposited into the trust fund.

The 45th Annual Plan of Rehabilitation is currently being undertaken to align with the conclusion of processing on 8 January 2021 and consider impacts identified through the rehabilitation reforecast process. This review may revise the determined security position.

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, consequently, there remains a risk to the Company's liquidity and financial position should the Trust Fund security value not reduce broadly in line with the Company's forecast rehabilitation spend.

It is expected that a portion of the government security receivable will be returned to the Company within the next 12 months. In determining the resulting portion that is held as a current asset, the company has determined it appropriate to consider that completed packages of work will be refunded to the company to the extent they were allowed for in the APR. This portion has been recorded as a current asset.

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

The applicable weighted average interest rate for the year ended 31 December 2021 was 0.30 percent (31 December 2020: 0.85 per cent).

Net Tangible Asset Backing	**2021 $**	**2020 $**
Net tangible asset backing per ordinary share	(0.12)	0.06

Audit
This report is based on accounts which are in the process of being audited. As noted in the liquidity section of the announcement there is disclosure of a material impact on the assessment of going concern. Accordingly, it is likely the 31 December 2021 financial report, when audited, will contain an independent auditor's report which includes a material uncertainty related to going concern paragraph.