ERA

ANNUAL REPORT 2010

Heavy Equipment Operator, Lucas Iva
overlooks mining operations at Ranger mine.

COMPANY PROFILE

Energy Resources of Australia Ltd (ERA) is one of the largest uranium producers in the world, delivering on average around 10 per cent of the world's mined uranium production. ERA's Ranger mine is located eight kilometres east of Jabiru and 260 kilometres east of Darwin in Australia's Northern Territory. ERA employs over 500 people. The mine lies within the 79 square kilometre Ranger Project Area and is adjacent to Magela Creek, a tributary of the East Alligator River. Ranger is an open cut mine which commenced commercial production of drummed uranium oxide (U_3O_8) in 1981.

ERA sells its product to power utilities in Asia, Europe and North America under strict international and Australian Government safeguards. The Company aims to maintain long term relationships with customers to meet their energy needs and help reduce their risks through reliable supply of high quality product. ERA also holds title to the Jabiluka deposit, 22 kilometres north of Ranger. This world class deposit is under long term care and maintenance and will not be developed by ERA without the consent of the Mirarr Traditional Owners. The Ranger Project Area and the Jabiluka lease are located on Aboriginal land, and surrounded by, but separate, from the world heritage listed Kakadu National Park. The conditions for operating at Ranger and Jabiluka are set out in agreements entered into by the Northern Land Council on behalf of the Traditional Owners under the Commonwealth *Aboriginal Land Rights (Northern Territory) Act 1976*.

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

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Cover image: Casey McEvoy, Plant Operations Maintenance.

ERA sells its product to power utilities in Asia, Europe and North America under strict international and Australian Government safeguards. Pictured is the Tokyo cityscape at night.

VISION

To be a world class uranium supplier that contributes to environmental sustainability and is trusted by Traditional Owners, the community and our people.

CODE OF BUSINESS CONDUCT

ERA strives to uphold the guiding principles set out in our Code of Business Conduct, namely:

- The paramount importance of the safety and wellbeing of our employees, contractors and the community;
- Creation of value for our shareholders;
- Building partnerships with our customers and aiming to exceed their expectations;
- Caring for our surrounding environment through exemplary management systems and commitment to the principles of sustainable development;
- Respecting the culture and aspirations of Indigenous people in our community, particularly the Mirarr Traditional Owners of the land on which ERA operates;
- Strengthening the culture of compliance within the regulatory framework in which we operate.

ERA acknowledges the Mirarr people, Traditional Owners of the land on which ERA's operations are located.

2010 IN REVIEW

SAFETY RECORD

278 consecutive days worked

at ERA without a lost time injury in 2010, equalling an existing record for ERA.

PRODUCTION

3,793

tonnes of uranium.

WORLD CLASS SAFETY

1,320,583 hours

without a lost time injury.

INDIGENOUS EMPLOYEES

81

fulltime equivalent employees.

EMPLOYEES

523

fulltime equivalent employees.

ORE TREATMENT RECORD

2,400,000

tonnes of ore treated by ERA **– a new all time record.**

ENVIRONMENT PROTECTION

Surrounding environment remains protected.

WATER TREATMENT

94,800,000 litres

of process water treated by the process water treatment plant.

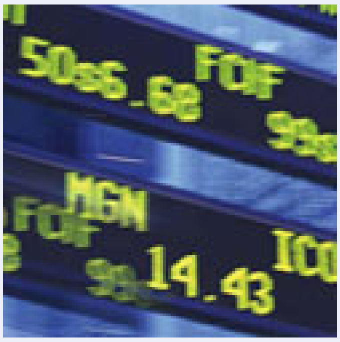
SOLD

5,026

tonnes of uranium.

For 2010, we set specific objectives in the following areas:

FINANCIAL



We said we would maintain a strong balance sheet to underpin future development and value for shareholders.

HIGHLIGHTS:

- An internal cost savings programme continued in 2010 and delivered savings of more than $20 million.

CHALLENGES:

- Production shortfalls due to lower ore grades, remediation of geotechnical issues in Pit 3 associated with an area of instability on the south wall, and record rainfall in April and October 2010 (see page 8).
- Continued weakening of the US dollar affected revenue (see page 8).

OPERATIONS

We said we would improve production performance through mine planning and processing plant stability.

HIGHLIGHTS:

- ERA set new records for ore treated, plant utilisation and extraction (see page 10).
- The calciner replacement project was completed in August on budget and ahead of time, without injury. Originally scheduled as a 21 day shutdown, the calciner was replaced in 14 days with production interruption of only eight days (see case study page 11).

CHALLENGES:

- Unseasonable late rains in April 2010 restricted access to the pit, which affected mine sequencing and combined with lower than expected ore grade within the pit resulted in reduced ore mined (see page 10).
- An early start to the 2010/2011 wet season caused additional adverse impacts on mine sequencing.
- Remediation of geotechnical issues in Pit 3 associated with an area of instability on the south wall.
- Difficulty in maintaining grade due to remaining ore in Pit 3 being located within increasingly narrow, geologically complex zones (see page 10).

NEW PROJECTS

We said we would seek government approval and achieve community and stakeholder support for major projects.

HIGHLIGHTS:

- Flexible approach to Environmental Impact Statement timelines to allow continued community and stakeholder consultation on the proposed heap leach project and early incorporation of changes to community and stakeholder concerns based on input from community and stakeholders.
- Continued working with the Minesite Technical Committee on detailed planning for exploration decline (see page 14).
- Providing community and stakeholder updates on ERA operations and key strategy initiatives such as the life of mine process water management strategy.

CHALLENGES:

- Addressing stakeholder concerns regarding life of mine process water management, including integration of the proposed heap leach facility into the current Ranger water management strategy.

ERA sells to power utilities in Asia, Europe and North America, pictured is Los Angeles, USA.

2010 IN REVIEW CONTINUED

HEALTH AND SAFETY

We said we would continue to work towards the goal of zero injuries through safety leadership.

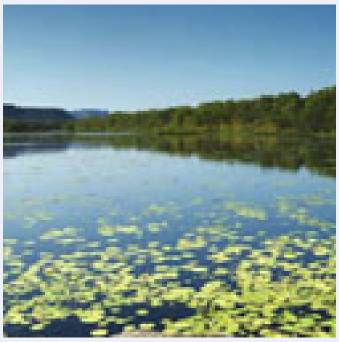
HIGHLIGHTS:

- During 2010 ERA maintained the very good safety performance demonstrated in 2009 (see page 16). The 2010 All Injury Frequency Rate (AIFR) per 200,000 hours was 0.71, compared with 0.68 in 2009.
- ERA's Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours was 0.20, compared with 0.34 in 2009.
- ERA achieved 1,320,583 hours without a lost time injury.
- During 2010 ERA achieved 278 consecutive days worked without a lost time injury – equalling an existing company record.
- ERA was one of the first Rio Tinto business units to undertake an innovative sleep management study in 2010 which addressed shift worker fatigue using analysis of biometric data collected via wrist bands (see page 16).

CHALLENGES:

- Ensuring all new employees and contractors have timely access to support, information and training to contribute effectively to ERA's goal of zero injuries.
- Increased staff turnover due to a more active mining market.

ENVIRONMENT



We said we would maintain protection of the surrounding environment and improve greenhouse gas emissions performance.

HIGHLIGHTS:

- ERA maintained its 30 year history of protection of the surrounding environment during 2010. The Australian Government's Supervising Scientist Division stated in its 2009/2010 Annual Report that extensive monitoring and research programmes "confirm that the environment has remained protected" (see page 19).
- Significant improvements in water management, including process water treatment plant throughput and completion of $9.4 million project to divert stockpile surface runoff and seepage water flows (see page 19).
- Improved energy efficiency and reduced CO_2-equivalent emissions through the rebuild of power station generators (see page 21) and replacement of the calciner (see case study page 11).

CHALLENGES:

- Minimising additions to the process water inventory and increasing process water treatment capability.
- Coping with record rainfall in April and October 2010.

PEOPLE

We said we would improve employee retention and levels of Indigenous employees.

HIGHLIGHTS:

- ERA has expanded the number of Indigenous Support Officers from one to three (see page 22).
- The ERA Indigenous mentoring programme commenced in 2010 and paired new Indigenous employees with experienced employees (see page 22).
- ERA created a local employment register for Indigenous employees.
- Delivery of on-site literacy and numeracy development and training.
- ERA participated in the Minerals Council of Australia (Northern Territory Division) pilot Indigenous pre-employment programme (see page 24).

CHALLENGES:

- Employee turnover was higher than desired with resignations due to other job opportunities or family responsibilities.

COMMUNITIES AND GOVERNMENT

We said we would deliver training and employment opportunities for the communities of Jabiru and Gunbalanya through the education partnership with the Northern Territory Government and West Arnhem College.

HIGHLIGHTS:

- In the first year of the education partnership, the West Arnhem College reported improved attendance rates, better educational outcomes and increased community involvement with school activities (see page 24).
- West Arnhem College and the education partnership was a finalist at the 2010 Smart Schools Awards (see page 24).

CHALLENGES:

- Staff turnover in partner organisations.

2011 OBJECTIVES

SAFETY AND HEALTH

- Continue to work towards the goal of zero injuries through strong safety leadership and employee engagement.

ENVIRONMENT

- Ensure that ERA's operations do not adversely impact on the surrounding environment, including significant progress around process water treatment and progress on rehabilitation plans, including closure of Pit 1.

OPERATIONS

- Achieve operational excellence to deliver optimum production levels. Ensure Pit 3 is completed by 2012.

COMMUNITIES AND GOVERNMENT

- Strengthen community and government engagement and relationships.

PEOPLE

- Strengthen employee engagement through strong, positive leadership, and expand Indigenous employment and training in all areas of the business.

NEW PROJECTS

- Gain approval for the Environmental Impact Statement on the heap leach facility and advance work on the underground exploration decline.

FINANCIAL

- Strive to maintain balance sheet to help underpin future development and value for shareholders.

EXPLORATION

- Continue exploration programme on Ranger lease.

CHAIRMAN'S & CHIEF EXECUTIVE'S REPORT

Dr David Klingner, Chairman

Mr Rob Atkinson, Chief Executive

ERA operates in the Northern Territory's Alligator Rivers Region, a beautiful part of Australia, where an extreme contrast of weather conditions presents unique operational challenges for mining and water management.

2010 was a very challenging year for ERA. The late finish to the 2009/10 wet season and the early onset of the 2010/11 wet season presented particular difficulties for the mining operation. Achievements in safety, environmental protection and plant operational efficiency were maintained in the face of these challenges.

The fact that Ranger Pit 3 is nearing the end of its life contributed to the mining difficulties in three ways:

- The pit is deep and a localised area of instability which developed in the south wall of the pit had to be remedied.
- Access to the very bottom of the pit, where the remaining high grade ore is located, was severely limited by the high level of rainfall.
- ERA is now mining at the extremities of the ore body where the remaining ore is located within increasingly narrow and geologically complex zones, with the consequence that a significant amount of drilling had to be carried out during the year to enhance the resolution of ERA's geological model.

All of these events adversely impacted on the mining schedule for 2010.

In contrast to the mining difficulties, the processing plant operated extremely well and set an annual record of 2.4 million tonnes of ore processed, as well as achieving a record extraction rate of 93 per cent. Unfortunately, this excellent performance could not compensate for the significantly lower head grade of ore presented to the mill. The mill head grade in 2010 was 0.19 per cent compared with 0.26 per cent in 2009, a reduction of 27 per cent.

It was not until the final quarter of the year that access to higher grade ore was re-established. During that quarter, ERA produced 1,165 tonnes of uranium oxide, which was 28 per cent more than the September 2010 quarter and two per cent higher than the December 2009 quarter.

Full year production of uranium oxide was 3,793 tonnes, compared with 5,240 tonnes in 2009.

Communication was maintained with customers about the production shortfall and through inventory management, uranium loans and purchases of material on the spot market, ERA was able to meet all contractual obligations, with total sales for 2010 of 5,026 tonnes.

The adverse performance of the mine and its effect on the financial results was compounded further by the surging Australian dollar, significantly reducing ERA's profit.

Turning to the market, demand for uranium oxide continues to grow, with new reactors being built in Asia and European countries reversing or reconsidering proposals to shut down reactors. ERA has reliably supplied uranium oxide for 30 years, and the Ranger mine is one of only two mines in the world to exceed total production of 100,000 tonnes. The potential of the Ranger Project Area remains extensive and world class. In 2010, work continued on projects to extend production and explore for new mineralised areas adjacent to the existing pit.

Work on a feasibility study and a draft Environmental Impact Statement (EIS) for the proposed heap leach facility is well underway. The draft EIS will be released for public display and comment in the first half of 2011. This facility is designed to process low grade ore and will produce an additional 15,000 to 20,000 tonnes of uranium oxide.

A study has been completed for the development of an exploration decline to conduct close space drilling of the Ranger 3 Deeps resource, estimated to contain 34,000 tonnes of uranium oxide resources.

In terms of environmental performance, ERA maintained its 30 year track record of causing no harm to the environment, with the Commonwealth Government's Supervising Scientist Division confirming that the surrounding environment remained protected.

A key aspect of environmental protection activities includes water management, and ERA recognises the long term and on-going requirement for capital and operational expenditure in this area. This includes the continued assessment, studies and trials of a brine concentrator water treatment system to manage and progressively reduce the process water inventories.

In addition, further real-time water quality monitoring systems and associated infrastructure have been installed in the surrounding waterways, in response to concerns raised by the Mirarr Traditional Owners and other stakeholders following elevated salt levels in Magela Creek in April 2010.

In 2010, ERA maintained its strong safety performance with a continued focus on the goal of zero harm. An All Injury Frequency Rate of 0.71 was achieved and a company record of 278 consecutive days, representing over 1.47 million hours, without a lost time injury was equalled in 2010. The calciner replacement project, a high risk major infrastructure upgrade, was completed without a single injury.

Other improvements to operations, production facilities and maintenance regimes helped ERA set new all-time company plant performance records for ore treated, plant utilisation and extraction.

For the third year in a row, ERA was named the Northern Territory Minerals Exporter of the Year.

ERA continues to be a very significant contributor to the Northern Territory economy and social fabric of the region, providing a total of 523 jobs and 80 permanent contractor positions. This included 81 Indigenous employees and nine Indigenous permanent contractors.

The Company continued to promote and support sporting, cultural and education development opportunities in local communities and across the Territory.

The start of 2011 has again proven to be challenging for ERA. The weather conditions, which have led to devastating floods in much of eastern Australia, have also resulted in significantly higher than average rainfall at Ranger mine since October 2010. Consequently, on 28 January 2011 ERA commenced an orderly suspension of processing plant operations for a period of 12 weeks. This was a precautionary measure to ensure that the level of the Tailings Storage Facility remained below the authorised operating level during the remainder of the wet season. ERA will use this period of time to carry out planned maintenance on the plant to help ensure increased on-going plant availability.

We would like to thank all staff and contractors for their commitment and professionalism, particularly with regard to health, safety and the environment, during a difficult year for ERA.

Dr D Klingner
Chairman

Mr R Atkinson
Chief Executive

FINANCIAL PERFORMANCE

Sales of uranium oxide for the year were 5,026 tonnes.

EARNINGS

ERA's net profit after tax for the year ended 31 December 2010 was $47 million, down from a record of $273 million in 2009. Earnings before interest and tax (EBIT) were $48 million (2009: $375 million).

In 2010, underlying earnings excluded a one-off charge related to the write-off of previously capitalised expenditure for a trial water treatment process project, which was discontinued after the results of the trial did not meet the expected performance. In 2009, underlying earnings were the same as net profit after tax.

REVENUE

Sales of uranium oxide for the year were 5,026 tonnes (2009: 5,497 tonnes). Revenue from the sale of uranium oxide for the year was $572 million; a decrease of $196 million when compared with a record of $768 million in 2009. The decrease in sales revenues from uranium oxide was due to lower sales volumes resulting from reduced production, as well as a lower average realised sales price of uranium oxide and the strengthening of the Australian dollar against the US dollar.

Sales of uranium oxide are denominated in US dollars causing revenue from sales to be exposed to movements in the Australian currency. ERA does not conduct hedging activities to mitigate this impact.

The average realised sale price of uranium oxide was US$48.16 per pound in 2010 (2009: US$50.84 per pound). The lower average realised sales price of uranium oxide for the year was largely due to a decline in the global long term market price indicator relative to 2009. This decline adversely affected ERA's contract price portfolio.

COSTS

Purchased materials and consumables costs rose substantially due to the necessity to purchase uranium oxide to meet sales commitments. In 2010, due to lower than planned production, ERA purchased a total of 925 tonnes of uranium oxide, of which 653 tonnes related to 2010 sales commitments.

Employee and contractor costs increased primarily due to additional expenditure related to projects. This expenditure included further studies on process water treatment options, the Ranger heap leach facility and accommodation facility options.

Royalties costs declined due to reduced sales volume of Ranger production. Royalties on purchased material are not payable by ERA.

Other expenses were adversely impacted by the one-off charge for the write-off of the trial water treatment process project.

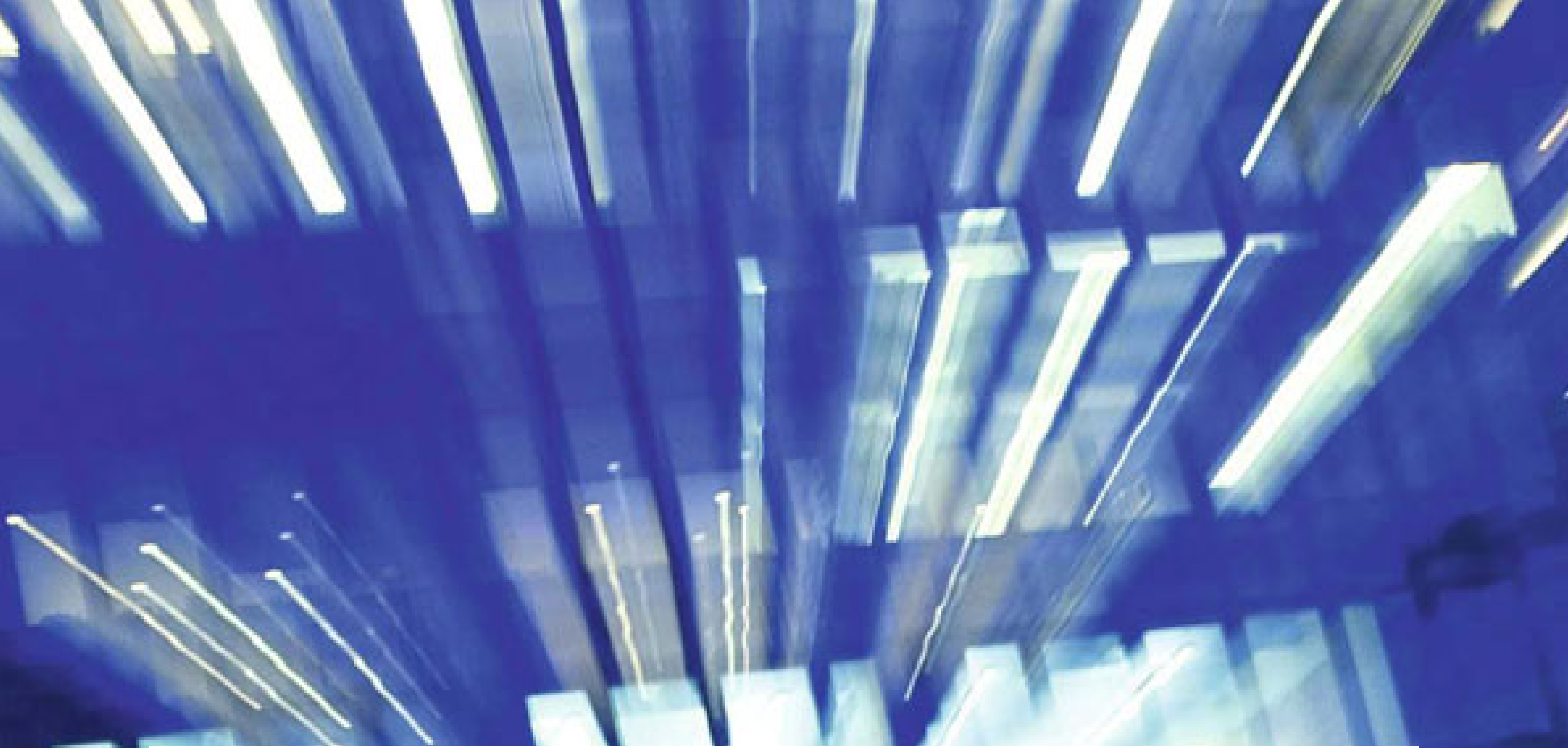
Uranium oxide production in 2010 was 3,793 tonnes (2009: 5,240 tonnes). Mining operations were severely hampered in the course of the year, due to an above average wet season which limited access to higher grade ore and geotechnical problems experienced with the south wall of the pit. Although plant performance was strong in 2010 with a record volume of ore treated, the lower mill head grade due to the abovementioned mining difficulties resulted in lower uranium oxide production.

Capital spending increased in 2010 to $45 million (2009: $37 million), with projects completed including ERA's investment in further water management infrastructure, calciner replacement and deferred stripping related to the south wall of the pit.

DIVIDENDS

In view of the uncertainty surrounding ERA's production in the first half of 2011, ERA Directors have decided that a final dividend for 2010 will not be paid (2009 final: 25 cents per share).

An interim dividend of 8 cents per share (2009: 14 cents) was paid on 27 August 2010 bringing the total dividends payable to shareholders for the 2010 year to 8 cents per share, fully franked (2009: 39 cents per share).



RECONCILIATION OF PROFIT TO UNDERLYING EARNINGS

ALL AFTER TAX FIGURES IN $ MILLION	2010	2009
Profit for the year	47	273
One-off charge for the write-off of trial water treatment process	6	–
Underlying earnings	53	273

FINANCIAL HIGHLIGHTS

YEAR END 31 DECEMBER	2010	2009	CHANGE %
Revenue from continuing operations ($ million)	586.0	780.6	-25%
Earnings before interest and tax ($ million)	47.7	374.8	-87%
Net profit after tax ($ million)	47.0	272.6	-83%
Underlying earnings ($ million)	52.8	272.6	-81%
Total dividends (cents per share)	8.0	39.0	-79%
Uranium oxide production (tonnes drummed)	3,793	5,240	-28%
Uranium oxide production (thousand pounds drummed)	8,362	11,553	-28%
Total tonnes uranium oxide sold	5,026	5,497	-9%
Total pounds uranium oxide sold (thousands)	11,080	12,119	-9%

The financial statements have been prepared under the International Financial Reporting Standards.
All figures are Australian dollars unless otherwise noted.

OPERATIONS

ERA achieved record performance in the processing plant in 2010 with further improvements to utilisation, milling rates and process stability.

PRODUCTION

2010 was a difficult year and despite significant operational improvements and hard work from all staff, production was significantly lower than 2009 levels.

As the end of the life of Pit 3 approaches, the remaining ore is located within increasingly narrow, geologically complex zones in close association with barren rock at the margin of the ore body.

A programme of infill drilling within the pit was conducted in late 2010 to confirm confidence in the resource. Results indicate that these geological conditions will continue to present challenges for maintaining grade until the end of Pit 3's life.

Extended rainfall during 2010, including a record 270 mm in October – eight times the Jabiru monthly average – caused significant disruption to mine sequencing.

In addition, work to manage unstable areas on the south wall of the pit diverted resources, and required a pit re-design which restricted access to some parts of the pit.

Robust plant performance in both utilisation and recovery, combined with better than expected performance from the laterite processing plant, helped to mitigate the impact of the lower head grades of processed ore.

Total production for 2010 was 3,793 tonnes (2009: 5,240 tonnes).

The reduced production result was primarily due to lower than expected ore grade within the pit. Lower average head grades of 0.19 per cent (2009: 0.26) were processed.

Total material mined was 10.6 million tonnes (2009: 19.5 million) with operations affected by work to manage the localised area of instability on the south wall of Pit 3.

RECORD PLANT PERFORMANCE

Difficulties in maintaining grade were partially offset by record performance in the processing plant through the year with further improvements to utilisation, milling rates and process stability.

With the laterite plant exceeding design performance and new 'reliability centred' maintenance strategies delivering record utilisation of 86.9 per cent, mill throughput for the year was a record 2.4 million tonnes (2009: 2.3 million).

Improved understanding of ore characteristics and greater cooperation between mining, processing and technical project teams helped ERA also set new records for extraction rates (93 per cent) and recovery rates (88.7 per cent).

SOUTH WALL STABILISATION

During 2009 and 2010, ERA's mine schedule was modified to stabilise an area on the south wall of the pit. Work to remove waste rock and modify the wall profile was safely and successfully completed in 2010. Heavy rains in October 2010 resulted in additional movement in another area of the south wall which required further stabilisation works. Wall control continues to be of critical importance and remains a key priority for 2011.

OPERATIONAL IMPROVEMENTS

A major $4.9 million project to replace the calciner – an integral component of the ERA processing plant – was completed in August without injury, under budget and ahead of time. Originally scheduled to cause a 21 day shutdown, the calciner was replaced in 14 days, and production was only interrupted for eight days.

The power station generator rebuild programme continued in 2010, with a complete rebuild of generator number five, and work well underway on generator number four. Rebuilt generators deliver improved performance and fuel efficiency.

A new approach to blasting techniques adopted in 2010 has helped to protect the structural integrity of pit walls. The three stage process uses smaller, precision charges to neatly split rock sections away from the pit wall before larger charges blast the separated section into production rubble. This protects the pit wall from fractures by confining blast shock to the separated sections.

Introduction of a new contractor management system called Fieldglass in October has improved the efficiency of ERA's use of contract services, including tracking services provided, invoicing and basic pre-qualification.

The Geomet system trialled in 2009 delivered significant benefits during 2010. Geomet (Geometallurgical Improvement Project) is a joint venture between ERA's Plant Operations Technical team and Rio Tinto's Technology and Innovation group, with support from ERA's Exploration team and Mine Planning.

Geomet improves the stability of processing operations by minimising the variability of the ore that is fed to the plant. This boosts processing efficiency, reduces consumption of reagents and minimises waste.

The calciner replacement project was completed in August on budget and ahead of time, without injury.

Project Manager Ron Sushames and Metallurgist Frank Jia were a part of the calciner replacement project team.

CASE STUDY

CALCINER PROJECT

Careful planning, a strong focus on safety, and great communication between the project team, the production team, radiation management and other parts of ERA helped turn the high risk calciner replacement project into a great success.

The ERA calciner – effectively a nine metre tall oven – provides a controlled high temperature environment to convert ammonium diuranate into uranium oxide.

Project Manager, Ron Sushames said detailed planning for the $4.9 million replacement project began in 2009, originally allowing three weeks to complete the job.

"We were able to cut that down to 14 days, and the production team stockpiled inventory so production was only interrupted for eight days," Ron said. "It was great work from everyone involved."

A 500 tonne hydraulic crane was trucked in from Western Australia on eleven semi trailers, assembled on site and safely installed the new calciner. The old calciner was cleaned and sealed for safe onsite disposal.

FUTURE SUPPLY

ERA's exploration programme in 2010 focused on near mine exploration drilling.

EVALUATION AND EXPLORATION

Work has continued on the feasibility study for the proposed heap leach facility at the Ranger mine. Preparation of ERA's draft Environmental Impact Statement (EIS) for the proposed heap leach facility is continuing. The draft EIS will be submitted for public notification and comment in the first half of 2011.

The study for the development of an exploration decline to conduct close spaced underground exploration drilling of the Ranger 3 Deeps resource has been completed. A proposal to develop the exploration decline is in the final stages of ERA's approval process with a final decision expected in the second quarter of 2011.

Total evaluation expenditure during 2010 was $33 million, compared with $25 million in 2009.

ERA's exploration programme in 2010 focused on near mine exploration drilling, as well as resource drilling to support evaluation studies of the proposed Ranger 3 Deeps exploration decline and heap leach facility (see Major Projects page 14).

Exploration focused on targets within the immediate surrounds of the existing Ranger pit. Investigation of other structures parallel to the Ranger 3 Deeps structures has highlighted mineralisation which will require further drilling.

As a result of lower than anticipated mined ore grades, ERA also conducted an infill drilling programme in the lower benches of the current pit in order to improve confidence in the remaining in situ resource and to improve life of mine and production planning. The infill drilling programme consisted of 42 holes for a total of 4,048m drilled.

Unseasonable high rainfall in April and an early start to the 2010/11 wet season limited the extent of the 2010 drilling programme. A total of 19,996 metres were drilled during the year compared with 28,491 in 2009.

In 2011, ERA's exploration programme will include further exploration drilling of areas adjacent to the Ranger 3 Deeps mineral resource, as well as other exploration targets on the Ranger Project Area.

RANGER RESERVES AND RESOURCES

During 2010, the proved and probable ore reserves for Ranger decreased by 7,545 tonnes of uranium oxide to 29,848 tonnes, as a consequence of depletion by processing (4,459 tonnes) and downward adjustments totalling 3,086t U_3O_8. Production issues and resource model performance contributed to a reduction in forecast remaining reserves and a lower mill feed grade during the year.

For the same period, mineral resources increased by 1,452 tonnes of uranium oxide to 109,604 tonnes. The majority of this increase is due to a greater amount of potential heap leach feed (<0.08% U_3O_8) arising from a pit re-design. The 2010 in-fill drilling programme increased resource confidence, enabling the conversion of a portion of the inferred resource to measured and indicated.

JABILUKA RESERVES AND RESOURCES

The Jabiluka project remains under long term care and maintenance, and development will not proceed without the agreement of the Mirarr Traditional Owners.

The reserves and resources at Jabiluka remained unchanged during the year at 67,700 tonnes and 73,940 tonnes of contained uranium oxide, respectively.

RANGER RESERVES RECONCILIATION

	CONTAINED U_3O_8 (TONNES)
Reserves as at 1 January 2010	**37,393**
Reserves depleted by processing	**(4,459)**
Other adjustments – see explanatory notes	**(3,086)**
Reserves as at 31 December 2010	**29,848**
Explanatory notes	
In-fill drilling programme and pit re-design (as outlined in announcement dated 21 December 2010)	(2,400)
Grade adjustment to '4s' stockpile, a further pit re-design and uncertainty/rounding errors in the reconciliation estimation process	(686)
Net adjustments	(3,086)

ERA ORE RESERVES & MINERAL RESOURCES

	AS AT 31 DECEMBER 2010			AS AT 31 DECEMBER 2009		
	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)
RANGER ORE RESERVES (1)						
Current Stockpiles	**20.26**	**0.10**	**20,557**	21.43	0.10	22,278
Ranger No. 3 Pit						
In situ						
Proved	**3.48**	**0.21**	**7,219**	3.19	0.24	7,709
Probable	**1.12**	**0.19**	**2,072**	3.06	0.24	7,406
Sub-total Proved and Probable Reserves	**4.60**	**0.21**	**9,291**	6.25	0.24	15,115
Total Ranger No. 3 Stockpiles, Proved and Probable Reserves	**24.9**	**0.12**	**29,848**	27.69	0.14	37,393

(1) Cut-off grade in situ ore 0.08% U_3O_8, stockpile ore 0.06% U_3O_8

	ORE (MT) 2010	GRADE (% U_3O_8) 2010	CONTAINED U_3O_8 (TONNES) 2010	ORE (MT) 2009	GRADE (% U_3O_8) 2009	CONTAINED U_3O_8 (TONNES) 2009
RANGER MINERAL RESOURCES (2) IN ADDITION TO THE ABOVE RESERVE						
Current Mineralised Stockpiles						
Measured	**–**	**–**	**–**	44.54	0.04	17,248
Indicated	**38.11**	**0.04**	**15,092**	–	–	–
In situ resource						
Measured	**29.76**	**0.08**	**23,605**	21.46	0.09	19,969
Indicated	**57.45**	**0.11**	**63,818**	53.22	0.11	60,998
Sub-total Measured and Indicated Resources	**125.31**	**0.08**	**102,515**	119.22	0.08	98,215
Inferred Resources	**5.95**	**0.12**	**7,090**	8.10	0.12	9,937
Total Resources	**131.27**	**0.08**	**109,604**	127.23	0.09	108,152

(2) Cut-off grade open pit in situ resource 0.02% U_3O_8, underground in situ resource 0.15% U_3O_8, stockpile ore 0.02% U_3O_8

	ORE (MT) 2010	GRADE (% U_3O_8) 2010	CONTAINED U_3O_8 (TONNES) 2010	ORE (MT) 2009	GRADE (% U_3O_8) 2009	CONTAINED U_3O_8 (TONNES) 2009
JABILUKA ORE RESERVES (3)						
Proved	**–**	**–**	**–**	–	–	–
Probable	**13.80**	**0.49**	**67,700**	13.80	0.49	67,700
Total Proved and Probable Reserves	**13.80**	**0.49**	**67,700**	13.80	0.49	67,700

(3) Cut-off grade – 0.20% U_3O_8

	ORE (MT) 2010	GRADE (% U_3O_8) 2010	CONTAINED U_3O_8 (TONNES) 2010	ORE (MT) 2009	GRADE (% U_3O_8) 2009	CONTAINED U_3O_8 (TONNES) 2009
JABILUKA MINERAL RESOURCES (3) IN ADDITION TO THE ABOVE RESERVE						
Measured	**0.24**	**0.48**	**1,140**	0.24	0.48	1,140
Indicated	**4.30**	**0.36**	**15,330**	4.30	0.36	15,300
Sub-total Measured and Indicated	**4.54**	**0.36**	**16,440**	4.54	0.36	16,440
Inferred Resources	**10.90**	**0.53**	**57,500**	10.90	0.53	57,500
Total Resources	**15.44**	**0.48**	**73,940**	15.44	0.48	73,940

(3) Cut-off grade – 0.20% U_3O_8

Note: Rounding differences may occur

As required by the Australian Securities Exchange, the above tables contain details of other mineralisation that has a reasonable prospect of being economically extracted in the future but which is not yet classified as Proved or Probable Reserves. This material is defined as Mineral Resources under the JORC Code. Estimates of such material are based largely on geological information with only preliminary consideration of mining, economic and other factors. While in the judgment of the Competent Person there are realistic expectations that all or part of the Mineral Resources will eventually become Proved or Probable Reserves, there is no guarantee that this will occur as the result depends on further technical and economic studies and prevailing economic conditions in the future.

The information in this report that relates to Ranger and Jabiluka Mineral Resources or Ore Reserves is based on information compiled by Geologists Greg Rogers (a full time employee of Energy Resources of Australia Ltd) and Arnold van der Heyden (a full time employee of Hellman & Schofield Pty Ltd and consultant to Energy Resources of Australia) and Mining Engineers Reid Miller and John Murphy (full time employees of Energy Resources of Australia Ltd) who are all members of the Australasian Institute of Mining & Metallurgy. Greg Rogers, Arnold van der Heyden, Reid Miller and John Murphy have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg Rogers, Arnold van der Heyden, Reid Miller and John Murphy consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

MAJOR PROJECTS

ERA has a number of major projects underway which will maintain production capability and are vital to the Company's future performance.

ERA has a number of major projects underway which when implemented will extend production capability and confirm the extent and location of the Ranger 3 Deeps resource. These projects are vital to the Company's future performance.

HEAP LEACH FACILITY

During 2010, work continued on the $36 million feasibility study into the proposed heap leach facility at the Ranger mine.

The heap leach facility will produce between 15,000 and 20,000 tonnes of uranium from low grade ores contained in Pit 3 and in stockpiles.

Preparation of ERA's draft Environmental Impact Statement (EIS) for the proposed heap leach facility continues with additional consultation presently being undertaken with the community and other stakeholders.

The formal environmental assessment process under the Northern Territory and the Commonwealth regulations is likely to be initiated during the first half of 2011.

EXPLORATION DECLINE

The study for the development of an exploration decline to conduct close spaced underground exploration drilling of the Ranger 3 Deeps resource has been completed.

ERA continues to inform and seek feedback from the Minesite Technical Committee on detailed planning for this project. A proposal to develop the exploration decline is in the final stages of ERA's approval process with a decision expected in the second quarter of 2011.

The Ranger 3 Deeps resource contains an estimated 34,000 tonnes of uranium oxide resources, and the mineralised zone remains open to the south.

The Ranger drill sample yard has been relocated to Jabiru East in preparation for the construction of the decline access portal.

PROCESS WATER MANAGEMENT

ERA's Process Water Management Strategy is critical for maximising production and enabling progress on new projects, as well as allowing the closure of the exhausted Pit 1, which has been used to store tailings and process water.

Process water is water that has come into contact with the uranium extraction process and is of a quality that requires containment with the Tailings Storage Facility and Pit 1. Process water inventories are reduced by evaporation or by treatment through ERA's high density sludge (HDS) process water treatment plant.

The HDS treatment plant was commissioned in 2009 and work carried out in 2010 increased capacity from 1.2 megalitres per day to 1.5 megalitres per day.

In the near term and to protect the environment from high rainfall events, ERA is raising the height of the current Tailings Storage Facility and will seek approval to increase the maximum operating level.

In the medium term, ERA plans to complete necessary studies and install a brine concentrator to treat process water and reduce the current process water inventory over the life of the Ranger mine.

During 2010, ERA completed small scale on-site and large scale off-site pilot trials of the brine concentrator technology, and completed a pre-feasibility study into a plant capable of treating 1,800 megalitres per year.

A feasibility study into the brine concentrator is planned for 2011 and, if approved, construction is scheduled to commence from 2012, with commissioning expected by early 2014.

The brine concentrator uses thermal energy to evaporate water, which is subsequently condensed and discharged as a clean distillate.

This distillate will meet water quality requirements for release into ERA's constructed wetland system. The concentrated brine or salt residue will be permanently stored in Pit 3.

Results of a full scale pilot of covered evaporation channels delivered lower than projected evaporation rates. ERA will continue to assess the performance and potential of the covered evaporation channel pilot project, which uses passive solar energy to evaporate process water.

ACCOMMODATION

ERA is reviewing accommodation options for the hundreds of jobs that will be created for the construction of ERA's proposed heap leach facility, exploration decline and brine concentrator.

Options include a new dedicated accommodation village or extension of existing facilities on the Ranger lease and in the town of Jabiru. At the end of 2010 ERA was consulting with Traditional Owners, local businesses, and government agencies to explore future accommodation opportunities.

MARKETS AND CUSTOMERS

The long term outlook for the industry, and for ERA's product and markets, remains very robust.

ERA has appointed Rio Tinto Uranium to provide sales and marketing services to the Company. Rio Tinto Uranium provides global reach and experience in sales, marketing and customer relations.

ERA sells its product to electric utilities in Asia, Europe and North America under strict international and Australian Government safeguards, and only to countries which have signed the Nuclear Non-Proliferation Treaty.

ERA's excellent established reputation as a leading supplier of uranium oxide for electricity generation is based on the Company's long established production history and its supply relationships with customers across the world.

As a long term supplier to the market, ERA's sales are not overly dependent on the spot price. The majority of 2010 production was delivered into long term contracts.

The bulk of these long term contracts were signed in the recent period of rising prices and as a consequence ERA's average realised price for the year was higher than the average spot price, and among the highest in the industry. All low-priced legacy contracts have been completed.

During 2010, the uranium spot price oscillated within the US$40 to $45 range in the first half of the year before increased demand, particularly from other producers and speculators pushed the spot price into the low US$50s.

As new long term demand emerged in the second half of the year, market sentiment became more bullish and a number of utilities began to assess options for buying for the 2014-2020 period.

This increased level of interest and purchases from utilities during the second half of the year had the effect of firming the long term price, which moved from $US60 per pound to US$66 per pound by year's end. ERA seeks to achieve prices closer to the long term indicators given its historical premium to spot prices.

In terms of supply and demand, the combination of China's rapidly growing appetite for uranium and the continued production increases in Kazakhstan have so far had a balancing effect on the global market.

China, which has purchased over 20,000 tonnes over the last five years, is stockpiling nuclear fuel to ensure security of supply for its planned expansion to 75 – 85 gigawatts of generation capacity by 2020 – a figure which may ultimately be revised higher.

So far, this aggressive increase in demand has been matched by the significant increases in production from Kazakhstan, which in 2009 became the world's largest producing country.

The weakening US dollar is another area of cost pressure on all non-US producers, and one which eventually is likely to flow through to market prices.

The impact of the global recession and the increasing availability of lower cost natural gas supplies in the US have temporarily slowed growth in new nuclear plants in the US. With new build in Europe currently limited to Finland and France, Asia has emerged as the rapid growth engine for the global nuclear power industry.

China leads the world with more than 27 units under construction and a further 50 in the planning stage. China's nuclear industry has the fastest growth rate and at this rate will overtake the United States as the world's largest civilian nuclear energy producer well before 2030.

South Korea has also committed to strong development of nuclear power, with six nuclear power stations under construction to augment the 20 currently in operation. South Korea has entered the reactor-supply market, and will be constructing four new units in the United Arab Emirates later in the decade.

In light of this activity, demand for nuclear fuel is expected to increase significantly over the decade, as concerns about climate change and energy security encourage further development of nuclear power.

Nuclear energy, a competitive energy source with low overall greenhouse gas emissions, is now seen in most parts of the world as a key component of the long term energy solution particularly in a carbon-constrained world.

Germany, which has long had plans to shut down its nuclear reactors, this year passed legislation to extend the operating life of its reactors by an average of 12 years.

By 2030, according to the World Nuclear Association, the number of operating nuclear reactors worldwide will have risen from 441 to more than 600.

The long term outlook for the industry, and for ERA's product and markets, remains very robust.

HEALTH AND SAFETY

ERA achieved 1,320,583 hours without a Lost Time Injury during 2010.

SAFETY PERFORMANCE

Safety is the first priority and a principal focus of workplace culture at ERA, and supports the Company's strategic vision to be a world-class supplier within the uranium industry.

ERA clearly states its aim for zero injuries, and constantly engages with managers, employees and contractors on safety issues, awareness and training.

ERA measures safety by the All Injury Frequency Rate (AIFR). This is a measure of all reportable injuries – lost time injuries, restricted work injuries and medical treatment cases – per 200,000 hours worked.

During 2010 ERA maintained the strong safety performance of 2009, with an AIFR of 0.71 (2009: 0.68). ERA's Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours for 2010 was 0.20, compared with 0.34 in 2009.

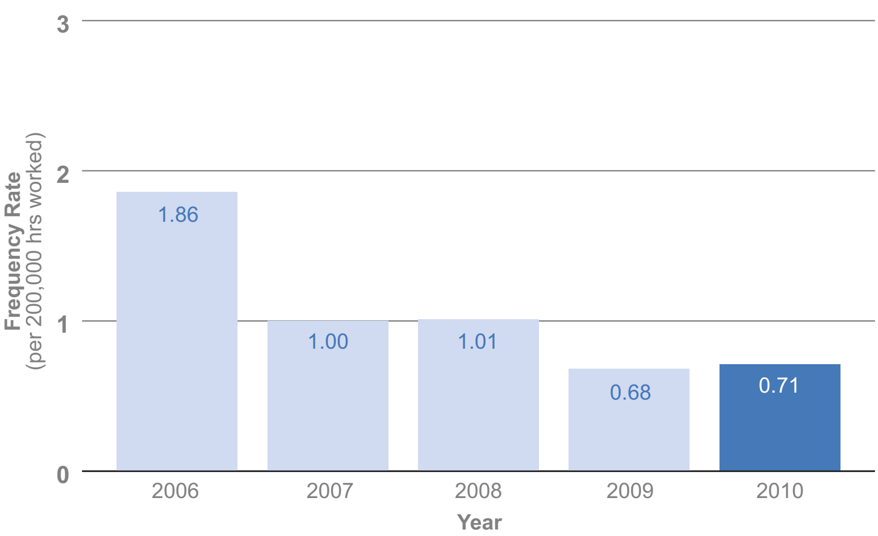
ERA achieved 1,320,583 hours without a lost time injury during 2010, including complex operational projects such as the calciner replacement project (see page 11).

There were two lost time injuries and five medical treatment injuries during 2010. The lost time injuries involved a cut hand in the heavy equipment workshop, and a fractured ankle after falling when walking over uneven ground. Both personnel made a complete recovery.

The five medical treatment injuries involved a pinched finger, a chipped tooth, a dislocated shoulder resulting from a trip while walking, a cut hand requiring stitches, and a cut chin requiring stitches.

In order to improve ERA's ability to identify and manage emerging risks before incidents occur, the Company's Significant Potential Incident reporting criteria were expanded to include environmental and health issues and incidents.

All injury frequency rates



SAFETY INITIATIVES

A site-wide internal Process Safety Audit completed in 2010 identified opportunities to improve ammonia safety. Completion of a Health, Safety, Environment and Quality Audit in March played a valuable role in identifying areas for improvement necessary for ERA to maintain certification to ISO 14001 and AS 4801 in 2011.

The Rio Tinto based Safety Leadership Development programme provided support for 80 ERA managers, supervisors and team leaders to further understand and consolidate safety responsibilities and access health and safety support systems.

The Safety Milestones programme raised company and community awareness of workplace safety goals by donating funds or equipment to the local community projects when specific targets for days without injury were met during 2010. To mark 92 days without a recordable injury ERA provided funds for two emergency bush fire sirens for the township of Jabiru.

During 2010, ERA achieved a total of 278 consecutive days worked without a lost time injury. This equalled an existing record for the Company.

ERA continued its recognition and reward for employee-generated health and safety solutions through the Environment Safety and Health awards, an employee awards night recognising safety achievements.

ERA was one of the first Rio Tinto business units to undertake an innovative sleep management study in 2010 which involved analysis of biometric data collected via wrist bands. Designed to reduce workplace fatigue for shift workers, participants from mining operations, processing and plant operations reported improved sleep patterns.

Project Engineers Tom Gooding and Lyndon Prentice conduct a safety interaction on site.

CASE STUDY

SAFER TRAVEL BETWEEN DARWIN AND JABIRU

Light vehicle travel between Darwin and the Ranger mine at Jabiru is safer due to driver safety improvements implemented by ERA during 2010.

A Semi-Quantitative Risk Assessment carried out by ERA in 2009 identified the 260 kilometre drive between Darwin and the Ranger mine as the biggest single risk of injury to employees and contractors.

To manage this risk, ERA's Safety Standards Committee, which focuses on road travel between Darwin and Ranger, implemented a series of changes and improvements during 2010, including:

- Purchase of new, safer fleet vehicles
- Strengthening ERA's Light Vehicle Policy
- Staff briefings featuring Police and other road safety experts
- Road safety kits, including a reflective vest and roadside markers, rolled out.

These changes support existing controls and safety measures for ERA related travel, including a 110 kph speed limit (below the signed limit of 130 km), all travel to be completed during daylight hours, rest breaks every two hours and signing a drivers' register at the half-way point at the Bark Hut rest stop.

An external audit of ERA's light vehicle safety controls, carried out in December 2010, found that the improvements to staff awareness, vehicle safety and policy procedures introduced in 2010 had reduced the risk rating from 'critical' to 'high'.

Safety standards committee member and ERA Superintendent Health and Safety Anna Snodgrass said extreme weather, wildlife, high levels of tourist traffic and other issues made the drive between the Ranger mine and Darwin the highest risk of injury to ERA personnel.

"This drive has ever changing road conditions and substantial hazards, and in order to protect our people and other road users, ERA enforces strict rules around driving on company business," Anna said.

Communications and Partnerships Advisor, Larissa von Gerhardt conducts a pre-vehicle inspection before travelling to Ranger mine.

With light vehicle travel, particularly between the Ranger mine and Darwin, identified as a significant safety risk, the ERA Chief Executive chairs an ERA Safety Standards Group set up to improve business practices and procedures for light vehicle travel.

All ERA vehicles will be fitted with car roadside safety kits, which include high visibility reflective warning markers. Installation of these safety kits began in 2010 and will be completed in 2011.

During the year each ERA department developed a tailored plan detailing priorities and actions for achieving ERA's zero harm goals. The plans are reviewed quarterly and monitored by the Health Safety and Environment team.

RADIATION MONITORING

ERA's safety and health management systems are certified to AS 4801 and include a comprehensive radiation management system.

The aim of ERA Ranger mine's radiation monitoring programme is to ensure that its work force, members of the public and the environment are not exposed to unacceptable levels of ionising radiation.

Radiation levels are monitored using a variety of fixed location and mobile personal systems.

Monitoring results are compared to limits recommended by the International Commission on Radiological Protection (ICRP) for uranium industry workers.

The ICRP sets two levels of radiation exposure, other than from natural sources, to distinguish between two types of people: members of the public and radiation workers.

- Members of the public: 1 millisievert (mSv) per year
- Radiation workers: 20mSv per year over five years with a maximum of 50 mSv in any one year.

ERA employees and contractors whose occupational exposure to radiation may exceed 5 mSv per year are declared 'designated' workers and their exposure is closely monitored.

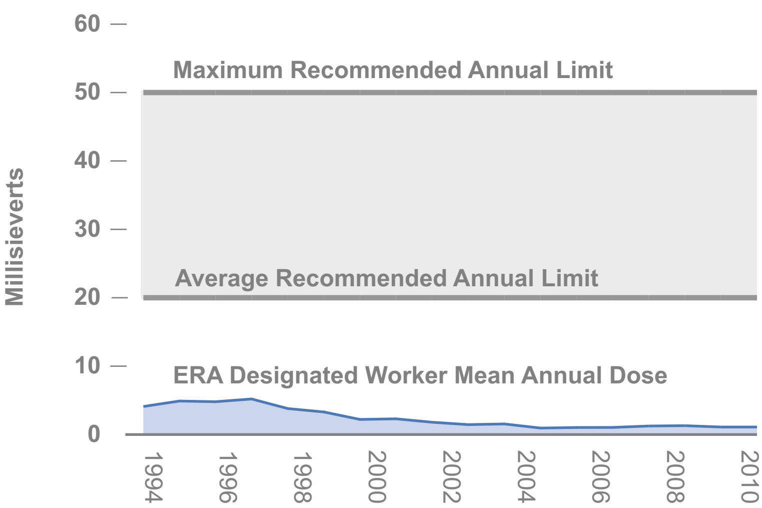
As part of ERA practice to have effective and appropriate communication with key stakeholders, including the regulatory authorities, radiation results are subject to review prior to being finalised. Preliminary analysis of the doses has been performed and confirm that all occupational and public radiation doses remain well below the national and international dose limits.

Average doses are in line with those measured in previous years and the maximum individual dose remains around a quarter of the annual dose limit. Average doses are well below this maximum value and are similar in magnitude to the natural variation in background radiation experienced worldwide. The doses are in line with the ICRP principles of Justification, Optimisation and Limitation. The doses to workers remain at the lower end of the spectrum for uranium workers.

The potential exposures of Jabiru residents and surrounding communities are also monitored, and the contribution from the Ranger mine remains very low in comparison with both the public dose limit and the natural background radiation. The natural background in the area is 2-3 mSv but varies according to location and other factors such as dwellings and lifestyle.

In anticipation of ERA's proposed development plans, ERA continues to increase radiation management capabilities with additional staff and the appointment of a Chief Advisor Radiation Governance and Product Stewardship to assist with strategic analysis of broader radiation issues.

Designated worker mean annual radiation dose



Project Metallurgist, Russell Pennifold demonstrates the correct usage of personal protective equipment.

ENVIRONMENT

Protection of the environment is a fundamental principle of ERA's culture and central to the Company's continued operations.

ERA's vision is to be a world class uranium supplier that contributes to environmental sustainability. Protection of the environment is a fundamental principle of ERA's culture and central to the Company's continued operations.

During 2010, ERA maintained its 30 year history of protection of the surrounding environment based on its statutory monitoring programmes and maintained international certification (ISO14001) of its environmental management system.

The Australian Government's Supervising Scientist Division (SSD), which monitors the impact of uranium mining on the environment and people in the Alligator Rivers region, stated in its 2009/2010 Annual Report that its extensive monitoring and research programmes "confirm that the environment has remained protected".*

In addition to the monitoring, supervision and research conducted by the SSD, the Company's team of experienced scientists, technicians and operators provides research and operational capability to enhance environmental protection and support operational and rehabilitation activities.

Key aspects of ERA's environmental responsibilities include support for the development of the Environmental Impact Statement for the proposed heap leach facility, as well as research and operational activities associated with water management, monitoring and rehabilitation.

WATER MANAGEMENT

Significant improvements in water management were achieved in 2010.

A $9.4 million stockpile seepage project to divert stockpile surface runoff and seepage water flows was completed. This project has improved water quality in retention pond one (RP1).

Salt levels measured as electrical conductivity (EC) in RP1 reduced significantly in the 12 months to December 2010.

This improvement is due in part to the stockpile seepage project, improved water management practices and increased dilution of water in RP1.

The stockpile seepage project involved excavation of an interception trench down to the weathered rock zone followed by backfill of the trench with layers of compacted clay to provide an impenetrable clay core. This intercepts surface run-off and seepage flows originating from the surrounding stockpiles and diverts these flows away from RP1.

Optimisation of the upgraded process water treatment plant has resulted in throughput rates of up to 1.5 megalitres per day, a 26 per cent increase over the plant's planned performance. A total of 98.4 megalitres of process water was treated in 2010.

Other water management activities include improved site catchment management to direct rainfall run-off away from disturbed areas of the mine site, improved segregation of pond and process water streams and additional sumps and holding ponds to ensure protection of the surrounding environment.

Over 258 megalitres of rainfall run-off and seepage was directed away from Pit 1 during the 2009/2010 wet season. This exceeded the target of 150 megalitres.

An additional 275 megalitres of pond water was diverted away from the process water inventory through improved water management practices and segregation of water classes. Over a full year, this initiative is expected to divert more than 500 megalitres away from the process water circuit.

SALINITY SPIKES

Routine environmental monitoring of water bodies in and around the Ranger mine recorded an increase in the amount of salts, measured as electric conductivity (EC), in water in Magela Creek on two occasions in April.

The Supervising Scientist Division (SSD) reported in its Annual Report 2009/2010 that results of ecotoxicological research conducted by the division suggest that "no detrimental environmental impacts would have resulted from these short-lived EC events".

Subsequent analysis of the samples by SSD confirmed that the cause was elevated levels of magnesium sulphate in the water and that these events did not contain significantly elevated levels of uranium or radium.

* *For further information on the Australian Government's Supervising Scientist Division visit www.environment.gov.au/ssd/*

CASE STUDY

NEW WATER MONITORING EQUIPMENT

Installation of additional real-time continuous water quality monitoring stations within local waterways has improved ERA's understanding of creek flow conditions.

Seven new pontoon-based stations were installed within Magela Creek with a further three new real-time continuous monitoring devices installed in Gulungul Creek and other areas across the site.

The pontoons provide a stable platform for the monitoring stations and allow safe access for maintenance and calibration.

The water quality monitoring devices (called sondes) measure pH, conductivity, turbidity and flow. A new repeater station located at the Jabiru Airport and an upgraded server improves reliability of data transmission.

One of several new pontoon-based stations helping to improve ERA's understanding of creek flow conditions.

REHABILITATION

ERA's mine closure model documents the strategies and actions needed to close and rehabilitate the Ranger Project Area when ERA's mining and processing operations come to an end.

The closure model is based on current scientific and operational knowledge regarding rehabilitation techniques and ERA's current plans for future operations.

ERA closure plans were audited by Rio Tinto during 2010. These plans take into account ERA's legal obligations as well as the expectations of Traditional Owners, regulators, the broader community and other stakeholders.

A number of projects underway in 2010 extended ERA's knowledge and capabilities of rehabilitation techniques and processes. These projects include the trial landform project, rehabilitation of land application areas and preparations for closure of Pit 1.

TRIAL LANDFORM

Throughout 2009 and 2010, ERA has monitored the progress of rehabilitation strategies on the eight hectare trial landform, which provides a large scale opportunity to assess the performance of revegetation strategies, erosion characteristics and rainfall runoff patterns.

Results from trial landform studies will assist in longer term modelling of the performance of the ultimate landform created during rehabilitation of the entire mine site.

Results to date show tubestock planting in compacted rocky areas with little or no soil perform best in terms of successful growth rates and minimising erosion and runoff. Additional tubestock seedlings of native trees, groundcover and other plants have been ordered from local nurseries to replant the less successful direct seeded areas.

The success of the revegetation strategies is seen in locally sourced native seedlings reaching three metres, and the colonisation of the area by native animals including the common rock-rat and lizards, insects such as grasshoppers and ants, and native birds.

LAND APPLICATION AREAS

Spray irrigation on designated land application areas under controlled conditions is one of the techniques ERA has historically used to dispose of treated pond water, which is approved with strict regulatory requirements and environmental controls.

Pond water is water that has come into contact with disturbed areas on the mine site, such as stockpiles and the mining pit.

In 2010, ERA and Environmental Research Institute of Supervising Scientist (ERISS) completed a comprehensive two-year study into the radiological, heavy metals and vegetation conditions of all the land application areas.

Based on this study, remediation options have been developed for the rehabilitation of land application areas. A field trial of remediation options is currently being planned for ERA's oldest and now disused land application area, the 55 hectare Magela Land Application Area.

PIT 1 CLOSURE

The Ranger mine's first operational Pit 1 was exhausted in 1994 and is currently used for storage of tailings and process water.

Preparations for early closure of Pit 1 (by the end of 2013) are underway, with the completion of engineered backfill studies, consolidation modelling, in-pit investigations of tailings geochemistry, pit wall geological characterisation and development of a regional groundwater flow model.

In 2011, long 'wick' drains made of geotextile fabric up to 40 metres in length will be installed vertically within the tailings mass in Pit 1.

The drains will promote settlement of the tailings mass and improve the overall stability of the tailings surface. Preliminary work to prepare for the wick drain installation began in 2010 and the work to install the wicks is scheduled to start in 2011.

Learnings from ERA's trial landform will assist with the design, development, revegetation and monitoring of the final Pit 1 landform, designed to mimic natural landscape.

An estimated 50,000 tubestock seedlings will be sourced from local businesses for revegetation works.

ENERGY USE

ERA uses energy for mining, milling ore, processing operations, water management, lighting, heating, cooling and electricity generation. ERA's power generator also provides electricity for the town of Jabiru and Parks Australia's headquarters. The principal source of energy for ERA is diesel fuel.

The measured total energy consumption for the Ranger operation in 2010 was 1,406,544 GJ (gigajoules). This compares with 1,505,883 GJ in 2009.

The combined greenhouse gas emissions for 2010 from all diesel, LPG and petrol use, calculated as CO2 equivalent (CO2-e), was 109,513 tonnes (2009: 120,811 tonnes).

The calciner replacement project, and rebuild projects for mine haul truck and all power station generators have assisted ERA to improve energy efficiency.

Other initiatives include energy efficiency reviews of Jabiru houses, filtering systems for re-use and recycling waste oil, review of scaling in pipes, installation of new site building air conditioning units at Ranger and a review of energy efficient vehicle purchasing options.

Superintendent Water Management, Chris Tan working on water management improvement projects.

EMPLOYEES

ERA directly employed 81 Indigenous employees and a further nine Indigenous permanent contractors in 2010.

At the end of 2010, ERA's workforce comprised a total of 523 jobs (2009: 521) and 80 permanent contractor positions.

ERA directly employed 81 Indigenous workers and a further nine Indigenous workers were employed by ERA contractors.

Taking job-sharing, part–time arrangements and permanent contractors into account, ERA's total workforce was 617.

The Company faced significantly increased competition for skilled and experienced employees, particularly mine haul truck operators, due to expanded mining activity in other states. ERA hired a state-of-the art mine haul truck simulator for use during the 2010/2011 wet season to help recruit and train new mine haul truck operators from existing operational staff.

ERA employees took part in Rio Tinto's second global Staff Engagement Survey in June, following up results and outcomes from changes made since the first survey in 2008. ERA had one of the best response rates to the survey in the Rio Tinto Group. Overall levels of engagement were similar to 2008 with strong results around safety. Key areas of focus for 2011 for ERA are rewards and benefits, personal and professional development and face to face communications.

During the year, 119 new ERA employees and contractors completed Cultural Awareness Programme courses as part of induction programmes to understand the cultural, environmental and historical values of the Kakadu region and the Mirarr Traditional Owners.

The programme is the result of a partnership between ERA, the Gundjeihmi Aboriginal Corporation representing the Mirarr Traditional Owners, and Jajirdi Consultants.

ERA's supervisors and managers were supported through the Leadership Development Programme, while the Company induction programme for new employees, contractors and visitors was revised and made available as an online programme which can be completed prior to arrival on site.

INDIGENOUS EMPLOYMENT

ERA continuously seeks to find ways to increase Indigenous employment. This is an important way that ERA contributes to local and regional communities and is also a key opportunity to develop a skilled, locally-based workforce.

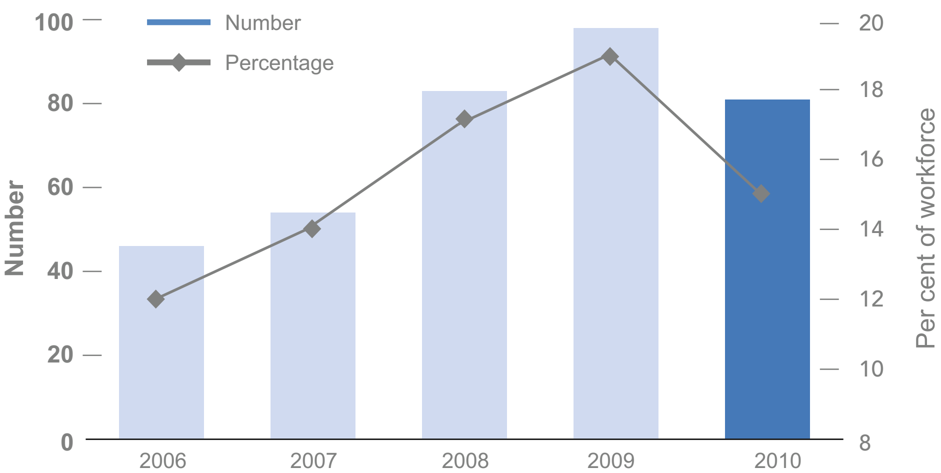
At 31 December 2010, ERA had 81 Indigenous employees (2009: 91) and nine Indigenous permanent contractors.

Indigenous employees represent 15.5 per cent of ERA's direct workforce.

In 2010, ERA expanded its Indigenous Liaison Team to three people, comprising a Superintendent and two Support Officers.

The team has introduced a new mentoring system which pairs new Indigenous employees with employees who offer experience and guidance to succeed. All leaders have an expectation that they will contribute strongly to increasing Indigenous employment.

Indigenous employees



1 Steven Nabulwad, Light Vehicle Trainee.
2 Karen Goodger, Metallurgical Technician.
3 Tyson Toner, Maintenance Technician.
4 Krishna Panyam, Defect Elimination Engineer.
5 Veronica Clifton, Heavy Equipment Operator.
6 Louise Frick, Senior Water Strategy Advisor.
7 Kaye Whiting, Mickitja Onus and Matthew Large, ERA's Indigenous Liaison team.
8 Harry Hazelbane, Heavy Equipment Operator.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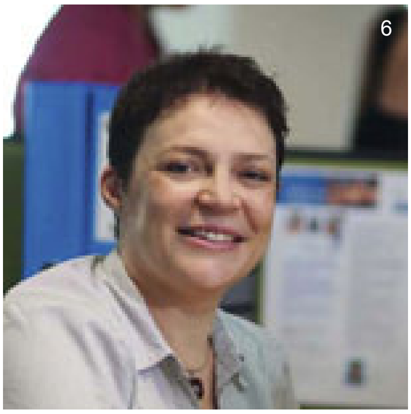
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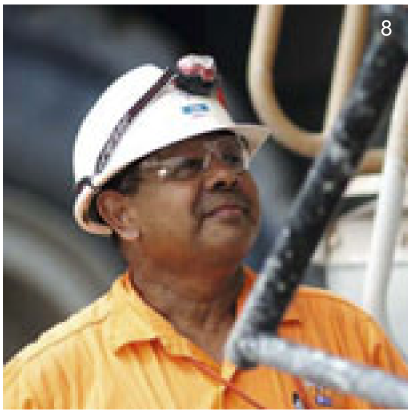
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During 2010, ERA worked with the Minerals Council of Australia (Northern Territory Division) and the Northern Territory Government to support the new pilot pre-employment programme for Indigenous employees in the mining industry, with four programme participants working at ERA.

INDIGENOUS TRAINING

Three Indigenous employees completed the nationally accredited Certificate IV in “Training and Assessment”. This was part of the Commonwealth Government’s Community Base Indigenous Training Programme.

Eighteen Indigenous employees enrolled for further learning as part of the Commonwealth Government’s Workplace English Language and Literacy Programme. This programme helps employees meet their current and future employment and training needs, and is being delivered by Charles Darwin University through a combination of work-based learning and classes at the university’s Jabiru campus.

SUCCESS IN CERTIFICATE III

During 2010, ERA supported 96 employees to enrol in further education and training.

In the processing plant 44 employees enrolled in the Certificate III Metalliferous Mining Operations – Processing, with 22 employees successfully completing the nationally recognised accreditation in 2010 and the remainder to finish in 2011.

A further 52 employees enrolled in Certificate III Surface Extractive Operations with the majority of these employees due to complete certification in 2011.

The training was delivered in partnership with the registered training organisation Careers Australia Institute of Training and Australian Apprentices Northern Territory. In 2010, ERA received Commonwealth Government training rebates of $114,000, with further rebates expected as employees complete their training.

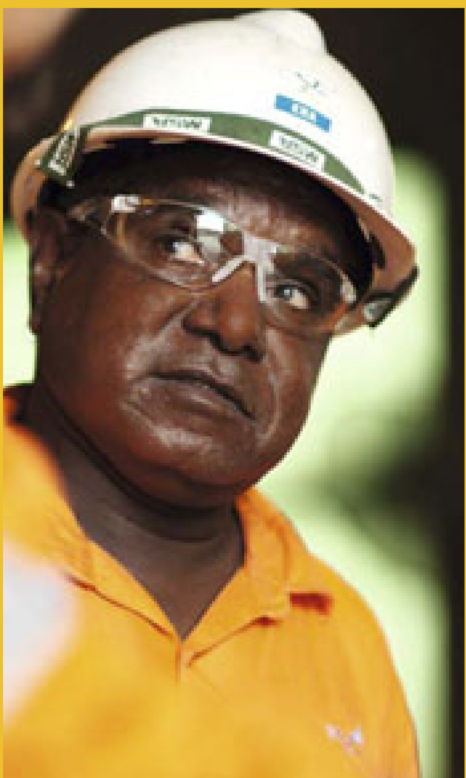
EDUCATION PARTNERSHIP

ERA’s education partnership with the Northern Territory Department of Education and Training offers all students in Jabiru, Gunbalanya and the surrounding region greater education opportunities and access to pathways for future career options and training.

During 2010, ERA had 16 full-time apprentices and four school-based apprentices. By year’s end, four apprentices completed their training and transferred to a full-time job with ERA. In 2011, ERA expected to increase this to 22 full time apprentices and eight school-based apprentices.

West Arnhem College, which has campuses at Jabiru and Gunbalanya, reported increased attendance, education outcomes and community involvement after the education partnership’s first year of operation. The college was a finalist in the 2010 Northern Territory Smart Schools Award for its partnership with ERA.

ERA apprentices and brothers Evan and Derek Eivers were recognised for excellent work in 2010; Derek was named ERA Apprentice of the Year while Evan was awarded for high academic standards at Charles Darwin University’s trade school.



CASE STUDY

INDIGENOUS PRE-EMPLOYMENT PROGRAMME

A new pre-employment programme for Indigenous employees in the mining industry is helping people from local communities prepare for work at ERA and other Territory mining operations.

The programme is run by the Minerals Council of Australia (Northern Territory Division) with support from the Northern Territory Government, ERA and other mining companies. The training is held at the Batchelor Institute of Indigenous Tertiary Education.

The 2010 programme participants came from Indigenous communities in Jabiru, Gunbalanya, Groote Eylandt, Batchelor, Katherine and Darwin

Participants alternate one week studying at the Batchelor campus with one week at a mining operation near their community and then one week off.

The study/work cycle is based on 12 hour shifts starting at 5am, similar to the type of rosters used in 24 hour mining operations, and prepares potential Indigenous employees for the rigours of working in the mining industry.

ERA Superintendent Indigenous Employment, Matthew Large said the pilot programme had helped potential recruits develop skills and experience to enable them to perform entry level mining jobs.

Four participants from Jabiru and Gunbalanya were supported by ERA and completed their work-based component at the Ranger mine.

Since completing the 2010 programme, three participants have joined ERA as trainees in the light vehicle workshop, heavy vehicle workshop and exploration.

Indigenous employee Colin Naborlhborlh, was one of four participants from ERA who completed the pre-employment programme.

COMMUNITY

ERA makes a significant contribution to local communities.

ERA makes a significant contribution to local communities and the wider Territory and national economies, including $860,000 in partnerships and sponsorships.

In particular, ERA makes a major contribution to the town of Jabiru, which is one of the largest regional centres within the Northern Territory, and is both a mining town and the gateway to the Kakadu National Park.

The majority of Jabiru residents either work directly for ERA, or indirectly in service and support activities made possible by the mine's continued operation.

ERA's community relations programme includes support for local schools and students, sport, the arts, regional festivals, business and cultural heritage, and community health and child care, including a contribution to Kakadu Health Services to assist with the employment of a community doctor.

ERA, together with Rio Tinto, is a Principal Partner for the Territory Teams programme. The Territory Thunder team made the Queensland AFL finals series in only its second year of competition, while the Territory Storm netball team also performed well. Thunder players travelled to Jabiru and Gunbalanya to hold football clinics for students.

In December 2010, Rio Tinto and ERA were proud to be the major sponsors of an exhibition of one of the Northern Territory's most distinguished and respected Aboriginal leaders, and one of Australia's most significant artists, Bardayal 'Lofty' Nadjamerrek at the Sydney Museum of Contemporary Art (MCA).

ERA's support assisted members of the Injalak Arts and Crafts Association in Gunbalanya to travel to the exhibition and to participate in professional development workshops at the MCA. In 2011, ERA's support will enable the MCA to hold community events and professional development workshops for local artists in the Alligator Rivers Region of West Arnhem Land.

ERA extended its sponsorship of the George Chaloupka Fellowship research programme into Indigenous rock art in West Arnhem Land, announcing a further $75,000 over a further three years to 2014, and supported the Mahbilil Festival in Jabiru and the Northern Territory Indigenous Music Awards in Darwin.

During September, representatives of the Gondwana National Indigenous Children's Choir, including Artistic Director and founder Lyn Williams, held musical workshops and auditions at schools in Jabiru and Gunbalanya.

ERA engages with the Mirarr Traditional Owners through the Gundjeihmi Aboriginal Corporation (GAC) on a range of issues of mutual interest including environmental management, cultural heritage and social and economic development.

COMMUNITY RELATIONS REVIEW

ERA's community relations functions and performance were reviewed by Rio Tinto during 2010, identifying opportunities to improve the Company's activities in this area.

The review found ERA's Community Relations function was broadly aligned with the intent of the Rio Tinto Communities standard.

ERA appointed a new Community Relations Manager to provide clear direction and communication of ERA's community relations goals and engagement activities. Development of a new Community Relations Strategy, defining goals, roles and work plans began in late 2010.

ERA also appointed a new Infrastructure Manager who is responsible for reviewing and managing community infrastructure, with a focus on the airport, contractor camp and Jabiru town facilities.

ROYALTY PAYMENTS

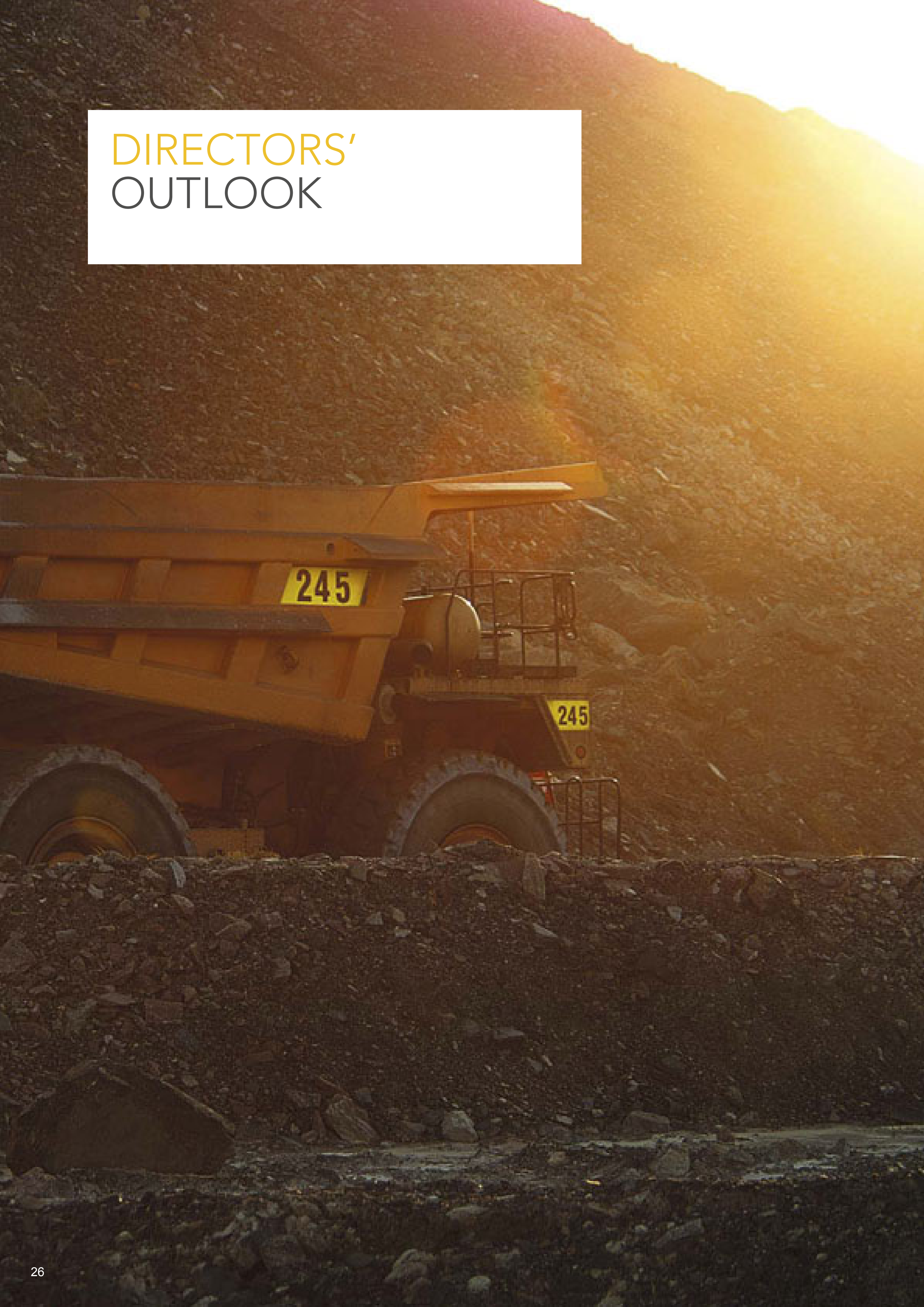
ERA makes royalty payments to the Commonwealth Government of 4.25 per cent of net sales revenue. The Commonwealth Government distributes this money to Northern Territory based Aboriginal organisations, including the Gundjeihmi Aboriginal Corporation.

A further 1.25 per cent of net sales revenue is paid to the Commonwealth and distributed to the Northern Territory Government.

In 2010, ERA's royalties expenses totalled $26 million (2009: $42 million). Royalties expenses declined due to reduced sales volume of Ranger production. Royalties on purchased material are not payable by ERA.

The decrease in royalty payments reflects reduced revenues associated with uranium oxide production due to lower than expected average ore grade (see Operations page 10).

DIRECTORS' OUTLOOK



ERA takes seriously its responsibilities to protect the environment, and respect the culture of the Mirarr Traditional Owners.

Projected increases in demand for electricity, particularly from developing countries, and concern about the impact of global warming are the catalysts for a fundamental shift in the way governments and communities view the role and benefits of nuclear power.

The key role of nuclear power as an integral part of the global clean energy mix, and its ability to deliver secure base load electricity supply, is driving significant demand growth in China, South Korea and the United States. Germany has just legislated to extend the life of its nuclear reactors by an average of 12 years, while the United Kingdom assesses its options for new nuclear plants.

According to the World Nuclear Association, there are currently 442 reactors in operation with 63 under construction and a further 156 reactors planned to be in operation by 2030.

The Megatons to MegaWatts Program in which highly enriched uranium from dismantled Russian nuclear warheads is recycled into low enriched uranium used to produce fuel for American nuclear power plants, is scheduled for completion in 2013. This will further increase the demand for primary mined uranium.

It is clear demand for nuclear energy can only increase leading to the strengthening of prices. This will provide impetus for finding and developing new sources of uranium fuel in locations which offer customers geographical and political diversity of supply.

The combination of increasing demand and potential tightening of supply, places experienced operators like ERA at a great advantage.

Over the past 30 years, the Ranger mine has proved to be one of the world's largest and most reliable uranium mines. It is one of only two mines in the world to achieve total production in excess of 100,000 tonnes of uranium oxide.

However, it is clear that ERA stands at a critical juncture with the current pit approaching the end of its projected life.

There still remain very good opportunities for ERA with new production capacity plans close to fruition and exploration opportunities for world class resources within the Ranger Project Area.

The proposed heap leach facility is designed to process low grade ore from the existing stockpiles with estimated production of 15,000 to 20,000 tonnes of uranium oxide. However, ERA will only proceed with the project if all environmental requirements can be met.

The proposed exploration decline will allow underground closed space drilling of the Ranger 3 Deeps mineralisation zone, which is estimated to contain 34,000 tonnes of uranium oxide. This represents another potentially value creating development opportunity.

The nearby Jabiluka deposit remains a valuable asset to the Company, and will only be developed with the consent of the Mirarr Traditional Owners.

The recently announced planned suspension of plant processing operations highlights the importance of ERA's commitment to the safe, long term management of process water inventory. Substantial capital and operating expenditure over the coming years will be required to meet ERA's ongoing commitment to reduce process water inventory and to continue to protect the environment.

ERA is aware that its licence to operate depends substantially on its ability to protect the environment and to share the benefits of mining by helping to build strong, sustainable and healthy local communities, in which community members have choices, education and opportunity.

ERA's partnerships with landowners, stakeholders and the broader community must deliver positive outcomes in order for ERA's operations in the region to be sustainable.

ERA takes seriously its responsibilities to protect the environment, and respect the culture of the Mirarr Traditional Owners.

The proper management of safety, environmental and social risks goes to the heart of ERA's ability to create long term value and deliver sustainable resource development for the benefit of shareholders and stakeholders.

GOVERNANCE

Due to Ranger's location in a culturally and environmentally significant region, the Ranger mine is one of the most scrutinised mines in the world. We believe this is appropriate.

ERA's environmental protection measures, health and safety systems, radiation detection procedures and production activities are monitored, audited and reviewed on a regular basis. ERA strives for best practice in all these areas.

The Company's Code of Business Conduct defines expected behaviours for Company decisions and actions.

www.energyres.com.au

ERA's environment policy recognises that exemplary environmental management is crucial to long term success, requires compliance with all applicable legislation and other commitments, and aims to continuously improve environmental management performance.

www.energyres.com.au

The Company maintains international certification (ISO 14001) of its environmental management system, which includes ERA's water management system.

ERA also maintains Australian certification (AS4801) of its safety and health management system, including the radiation management system.

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

- The Northern Territory Department of Resources, the Commonwealth Supervising Scientist Division, and the Northern Land Council, all of which are represented, together with ERA, on the Ranger and Jabiluka Minesite Technical Committees
- The Commonwealth Department of Resources, Energy and Tourism
- The Alligator Rivers Region Advisory Committee (including non-government organisation representatives)
- The Alligator Rivers Region Technical Committee (including non-government organisation representatives).

The Ranger and Jabiluka Minesite Technical Committees (MTCs) are the key forums for approvals on environmental matters relating to Ranger and Jabiluka. The MTCs were established under a set of working arrangements agreed between the Commonwealth and Northern Territory governments.

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

http://www.environment.gov.au/ssd/communication/committees/arrac/index.html

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

http://www.environment.gov.au/ssd/communication/committees/arrtc/index.html

1 David Wheeler, Light Vehicle Technician.
2 Daniel McLellan, Boilermaker.
3 Solvent extraction building, located beside the calciner.
4 An evening shot of the processing plant conveyor belt.
5 An excavator loads ore on to a haul truck.
6 Warren Jakel, Metallurgical Technician.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DIRECTORS' REPORT

The Directors of Energy Resources of Australia Ltd present their report together with the financial report of the Company and the consolidated financial report of the consolidated entity, being the Company and its controlled entity, for the year ended 31 December 2010.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial period are:

DR DAVID KLINGNER

BSc(Hons), PhD, FAusIMM
CHAIRMAN

Appointed as a Director in July 2004 and as Chairman in January 2005.

Member of the Audit Committee.

Dr Klingner retired from Rio Tinto in 2004 after 38 years of service. During his time with Rio Tinto he worked in roles involving exploration, project development and production including a period as Group Executive in charge of coal and gold. He was head of exploration when he retired and a member of Rio Tinto's Executive Committee. Dr Klingner is also a Director and the Chairman of Codan Limited.

PROF HELEN GARNETT

BSc(Hons), PhD, PSM, FTSE, FAICD
DIRECTOR

Appointed as a Director in January 2005.

Chair of the Audit Committee.

From October 2003 to 31 December 2008, Professor Garnett was Vice Chancellor of Charles Darwin University in the Northern Territory. Between 1994 and 2003, Professor Garnett served as the Executive Director of the Australian Nuclear Science & Technology Organisation (ANSTO) and as an Australian representative to the United Nations International Atomic Energy Agency. Professor Garnett is an Emeritus Professor of the University of Wollongong and of Charles Darwin University, a Fellow of the Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors. Professor Garnett is currently a non-executive Director of Carbon Energy Limited, Director of the Australian Centre for Plan Functional Genomics, Director of the Grape and Wine Research and Development Corporation and Director of the Museum and Art Gallery, NT Foundation. She chairs the Australian Biosecurity Intelligence Network.

MR PETER TAYLOR

BA, BSc, LLB, LLM
DIRECTOR

Appointed as a Director in February 2007.

A lawyer in private practice before joining Rio Tinto, Mr Taylor has held a number of executive and management positions in the exploration, project development, commercial and legal operations of the Rio Tinto Group. Mr Taylor has served as Managing Director and Chairman of Bougainville Copper Limited since 21 October 2003, having been a Director since April 1997. Mr Taylor is also a director of a number of unlisted Rio Tinto Group companies.

MR JOHN PEGLER

B.Eng Mining
DIRECTOR

Appointed as a Director in July 2009.

Member of the Audit Committee.

Mr Pegler is presently Chairman and a Director of the Australian Coal Association Ltd, and also a Director of ACALET Ltd and Tarong Energy Corporation. He is Past President and a Life Member of the Queensland Resources Council. Mr Pegler was most recently Chief Executive Officer of Ensham Resources Pty Limited and has previously held operational roles within BP Australia Limited and the Rio Tinto Group including President Director of PT Kelian Equatorial Mining and Managing Director Group Procurement Eastern Hemisphere.

MR MATTHEW COULTER

B.Eng (Chemical), MBA
DIRECTOR

Appointed as a Director in June 2010.

Mr Coulter is presently Chief Development Officer - Coal, at Rio Tinto Energy and is accountable for mergers, acquisitions and divestments in the global coal sector. Mr Coulter joined Rio Tinto in 1994, and has held roles in business evaluation, business development, operational improvement and external relations. He was Chairman of Dalrymple Bay Coal Terminal Pty Ltd and Half Tide Marine Pty Ltd, and a director of Port Waratah Coal Services Ltd, Hunter Valley Coal Chain Co-Ordinator Limited, and a number of unlisted Rio Tinto Group companies.

MR ROB ATKINSON

B.Eng (Hons) Mining & Petroleum Engineering
CHIEF EXECUTIVE

Appointed as a Director in September 2008 and Chief Executive in September 2008.

Mr Atkinson has served with the Rio Tinto Group since 1993, holding management, operational and corporate roles in Australia, the US and the UK, in the Energy, Iron Ore and Aluminium Product Groups.

Before joining ERA, Mr Atkinson was General Manager Operations Weipa, Rio Tinto Alcan, responsible for managing all aspects of mining and processing operations.
Mr Atkinson is Chairman of the Australian Uranium Association.

PREVIOUS DIRECTORS

MR RICHARD CARTER

CitWA, BCom, FTSE, FAusIMM, FAIM, FAICD
DIRECTOR

Appointed as a Director in November 1999 and resigned in April 2010.

Mr Carter served 37 years with the BHP Group, including as BHP Minerals Executive General Manager and Chief Executive Officer, and is a past President of the Australasian Institute of Mining and Metallurgy. Mr Carter was appointed a Director of Marion Energy Limited in March 2008, served as a Director and Chairman of Consolidated Minerals Limited until January 2008 and as a Director and Chairman of Macmahon Holdings Limited until November 2009. Mr Carter is Chairman of Zeal Consulting, an occupational health & safety business improvement consultancy, Prahran Mission – UnitingCare, and the UCA Funds Management Group. Mr Carter resigned as a Director on 21 April 2010.

MR CHRIS SALISBURY

B.Eng (with Distinction), Met Eng
DIRECTOR

Appointed as a Director in February 2007 and resigned in June 2010.

Mr Salisbury has served over 20 years with the Rio Tinto Group, in a variety of operating and management roles with the Aluminium and Energy Product Groups, and is a past president of the Northern Territory Resources Council and past Chairman of the Australian Uranium Association.

Mr Salisbury joined ERA as General Manager Operations in December 2004 and served as Chief Executive from 1 February 2007 until 31 July 2008. Mr Salisbury is currently Chief Operating Officer Pacific with the Bauxite & Alumina division of Rio Tinto Alcan and a director of a number of unlisted Rio Tinto companies. Mr Salisbury resigned as a Director on 15 June 2010.

COMPANY SECRETARIES

MR STEEVE THIBEAULT

BA (Acc), CMA

Appointed as a Company Secretary in September 2009.

Mr Thibeault commenced as the Company's Chief Financial Officer in July 2009, having previously served in diverse finance roles with Rio Tinto Alcan and Alcan Aluminium Limited. Mr Thibeault joined ERA from the role of General Manager Controller Bauxite and Alumina, Rio Tinto Alcan, where from 2008 he was responsible for managing all aspects of finance operations.

MR ROBERT O'TOOLE

LLB, BSc

Appointed as a Company Secretary in July 2010.

Mr O'Toole was appointed a Company Secretary and Legal Counsel in July 2010. Mr O'Toole joined Rio Tinto in 2005 and previously served as company secretary and legal counsel at Coal & Allied Industries Limited. Prior to joining the Rio Tinto Group, Mr O'Toole was employed in private legal practice since 2000.

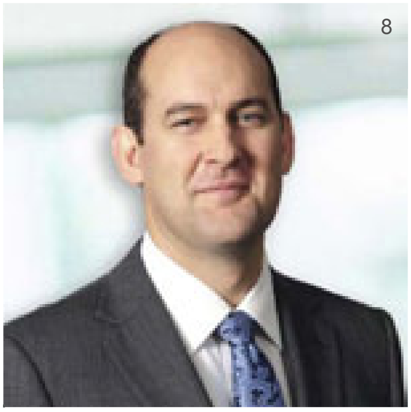
PREVIOUS COMPANY SECRETARY

MR CHARLIE RITCHIE

LLB (Hons), BA

Appointed as a Company Secretary in November 2007 and resigned as a Company Secretary in July 2010. Mr Ritchie served as the Company's Legal Counsel and a Company Secretary from November 2007 until his resignation. Prior to this time, Mr Ritchie was employed as a lawyer by Rio Tinto Limited since March 2004.

EXECUTIVE COMMITTEE



1 Rob Atkinson, Chief Executive
2 Steeve Thibeault, Chief Financial Officer
3 Dan Janney, General Manager Operations
4 Greg Sinclair, General Manager Technical Projects
5 Peter Eaglen, General Manager Environmental Strategy
6 Alan Tietzel, General Manager External Relations
7 Chris Tziolis, Chief Development Officer
8 Chris Aitchison, General Manager Major Projects
9 Robert O'Toole, Company Secretary and Legal Counsel
10 Kim Hodge, Manager Human Resources and Training

Meetings of Directors

The number of Directors' and Audit Committee meetings held and the number of meetings attended by each of the Directors of the Company during the financial year is shown below:

	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS		OTHER COMMITTEE MEETINGS	
DIRECTOR	HELD*	ATTENDED	HELD*	ATTENDED	HELD*	ATTENDED
D Klingner	6	6	3	2	–	–
R Carter	2	2	1	1	–	–
H Garnett	6	6	3	3	–	–
P Taylor	6	6	–	–	–	–
C Salisbury	3	3	–	–	–	–
J Pegler	6	6	3	3	–	–
M Coulter	3	3	–	–	–	–
R Atkinson	6	6	–	–	–	–

*Reflects the number of meetings held during the time the Director held of fice in the 2010 year.

Mr Atkinson was invited to Audit Committee meetings and attended all such meetings held during the year .

Interests of Directors

The interests of each Director in the share capital of the Company , other companies within the consolidated entity or in a rela ted body corporate as at 31 January 2011 are shown below:

DIRECTOR	ENERGY RESOURCES OF AUSTRALIA LTD, ORDINARY SHARES	RIO TINTO LIMITED, ORDINARY SHARES	RIO TINTO LIMITED, OPTIONS IN ORDINARY SHARES	RIO TINTO LIMITED, CONDITIONAL INTERESTS IN ORDINARY SHARES
D Klingner	–	36,787	–	–
H Garnett	–	–	–	–
P Taylor	–	15,300	15,407	11,020
J Pegler	–	6,331	–	–
M Coulter	–	908	13,792	8,557
R Atkinson	–	888	4,369	11,373

Remuneration report

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

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

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

A Principles used to determine non-executive Directors' remuneration

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the non-executive Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. These fees are comprised of a base fee and any fees payable to non-executive Directors for their membership on established committees of the Board. In addition, from time to time, the Board may approve that non-executive Directors receive additional fees for services provided outside the established committee processes.

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

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

At the 2008 Annual General Meeting, shareholders resolved to amend the Constitution of the Company to provide that the aggregate remuneration for non-executive Directors of ERA would be not more than $800,000 per annum. At the 2010 Annual General Meeting, shareholders approved the 2009 Remuneration Report. The aggregate amount of non-executive Directors' remuneration paid in 2010 was $588,868 inclusive of statutory superannuation.

The non-executive Directors' fees were reviewed by the Board in November 2010. The annual fees for non-executive Directors for 2011 are as follows:

	2011	2010
Chairman	$162,000	$148,500
Non-executive Director	$90,000	$82,500
Audit Committee Chairman*	$20,000	$20,000
Audit Committee Member*	$13,000	$13,000

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

Retirement allowances for non-executive Directors

The entering into of contracts with non-executive Directors for the provision of a retirement allowance was approved by shareholders on 18 October 1990. A retirement allowance provides benefits to certain non-executive Directors who have served for three years or less, an amount equal to the fees; or longer than three years, an amount equal to the statutory three years emoluments plus, for each year or part of a year of service exceeding three years, an additional amount equal to five per cent of the statutory three years emoluments.

In April 2004, the Board resolved to remove this retirement allowance for non-executive Directors appointed after this date, and for existing non-executive Directors with accrued entitlements to freeze those entitlements until that Director retires, when it will be paid out. Non-executive Directors appointed after this date are only entitled to statutory superannuation contributions.

The Company's liability for non-executive Directors' retirement benefits, which is based on the number of years service provided at the balance date, has been included in employee entitlements.

B Principles used to determine executive remuneration

The Company's Remuneration Policy can be found at the Corporate Governance section of the Company's website at www.energyres.com.au.

To determine the remuneration of the Chief Executive and other key management personnel of the Company and the consolidated entity (together, "senior executives"), the Company generally implements the remuneration policies and procedures determined by the Rio Tinto Remuneration Committee and applied to senior management personnel across the wider Rio Tinto Group.

The related costs of these programmes are recognised in the Company's financial statements. For the purpose of disclosure under the *Corporations Act 2001* and relevant Accounting Standards, the "key management personnel" of the Company and the consolidated entity, apart from the Chief Executive and the non-executive Directors, have been determined to be the General Managers of the Company reporting directly to the Chief Executive. The same group includes the "five highest paid executives" below Board level.

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

The annual performance evaluation and management process includes formal consultation between the Board and the Chief Executive of the Rio Tinto Energy Product Group regarding the Chief Executive of the Company, and between the Board and the Chief Executive of the Company regarding the other senior executives.

The executive pay and reward framework is designed to provide a total remuneration package which is competitive in the market; aligns total remuneration with delivered personal and short and long term business performance including long term shareholder value creation and performance relating to environment, safety and health; strikes an appropriate balance between fixed and variable components; links variable components to the achievement of challenging individual and business performance targets, and ensures the attraction and retention of key staff.

The Company Secretaries of the Company are subject to the same executive remuneration pay and reward framework.

The executive pay and reward framework has four components:

- Base salary and benefits;
- Short term incentives;
- Long term incentives through participation in the Rio Tinto Share Option Plan (SOP), Rio Tinto Mining Companies Comparative Plan (MCCP) and Rio Tinto Management Share Plan (MSP); and
- Other remuneration such as superannuation.

Performance and non-performance related remuneration

Total remuneration is a combination of the fixed, performance and service related elements described in this report. The short and long term incentives (other than the Rio Tinto Management Share Plan) are the variable components of the total remuneration package and are therefore "at risk". They are tied to achievement of specific business measures, personal performance and service. The other components are referred to as "fixed" as they are not at risk.

The long term incentive programme is designed to provide a target expected value of between 22.5 and 45 per cent of base salary for the senior executives and the Chief Executive, delivered in any one year through a blend of SOP, MCCP and MSP awards. In 2010, awards were made under the MCCP and the MSP. No awards were made under the SOP.

Excluding post employment and non-monetary benefits, the proportion of total direct remuneration provided by way of variable at risk components, assuming maximum levels of performance, as at 31 December 2010 for the Chief Executive and other senior executives was between 45 and 65 per cent. The actual proportion of total direct remuneration provided by way of variable performance related components (including proportion of options) will differ from these percentages depending on measured Company and personal performance for 2011 and the current blend of share plans.

Base salary

Base salary is set at a level consistent with market expectations within the wider Rio Tinto remuneration framework and may be delivered as a mix of cash and prescribed non-financial benefits. It is targeted broadly at the median of international companies of similar size, global reach and complexity, including other large natural resource companies. Base salary is reviewed annually and adjusted taking into account the nature of the role, external market trends and personal performance.

Short term incentive programme

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

Short term incentive performance conditions

Individual performance is reviewed against relevant targets and objectives annually. All senior executives of the Company have between 40 and 60 per cent of their performance based bonus based on business measures (earnings, cash flow and safety) with the remainder based on individual measures.

Bonus Deferral Plan

In 2009, the Chief Executive's short term incentive bonus for 2008 service to the Company was satisfied partly in cash (50 per cent) and partly through the deferred award of shares of Rio Tinto Limited (50 per cent), under the terms of the Rio Tinto Bonus Deferral Plan (BDP). At the same time, Rio Tinto made an additional "Company Contributed Award" of deferred shares, equal to 25 per cent of base salary. Half of these deferred share awards vested on 6 December 2010 and the remaining half will vest at the end of 2011, subject to continued service with the Rio Tinto Group. A deferral of the Chief Executive's short term incentive bonus did not apply for the bonus paid in 2010 for 2009 service to the Company. In addition, 10 per cent of the bonus paid in 2011 for 2010 service to the Company will be satisfied through the deferred award of shares in Rio Tinto Limited.

Retention bonus

In December 2007, Rio Tinto introduced a non-recurring retention bonus programme, which provided for a cash bonus opportunity upon fulfilment of time based vesting conditions for senior Rio Tinto employees (50 per cent vesting after 12 months; 50 per cent vesting after a further six months). This was designed to further support the Rio Tinto Group's ability to retain key staff in a competitive labour market and to mitigate the risk of losing key senior employees with direct impacts on business performance.

Long term incentive programme

Share based remuneration dependent on performance

Rio Tinto Share Option Plan (SOP)

An annual grant of options to purchase shares (in Rio Tinto Limited or Rio Tinto plc, determined by the employee's contractual employing entity) in the future at current market prices may be made by Rio Tinto to eligible senior management personnel.

Each year, the Rio Tinto Remuneration Committee considers whether a grant of options should be made under the SOP and, if so, at what level. In arriving at a decision, the Rio Tinto Remuneration Committee takes into consideration Group remuneration approaches, personal performance as well as local remuneration practice.

Under the SOP, options are granted to purchase shares at an exercise price based on the share price at time of grant. No options are granted at a discount and no amount is paid or payable by the recipient upon grant of the options.

No options under the SOP become exercisable unless Rio Tinto has met stretching performance conditions. In addition, before approving any vesting and regardless of performance against the respective performance conditions, the Rio Tinto Remuneration Committee retains discretion to satisfy itself that Rio Tinto's Total Shareholder Return (TSR) performance is a genuine reflection of value available to shareholders. Under the SOP, vesting is subject to Rio Tinto's TSR equalling or outperforming the HSBC Global Mining Index over a three year performance period.

The HSBC Global Mining Index covers the mining industry globally. If TSR performance equals the index (threshold performance) then awards of up to 20,000 or one-third of the award (whichever is greater) will vest. The full grant may vest if the TSR performance is equal to or greater than the HSBC Global Mining Index plus five per cent per annum. Between these points, options may vest on a sliding scale, with no options becoming exercisable for a three year TSR performance below the index.

Options will lapse if they do not vest at the conclusion of the three year performance period. Prior to any options vesting, the Rio Tinto Group's performance against the criteria relevant to the SOP is calculated independently by Towers Watson, global financial services provider. If Rio Tinto was subject to a change of control or a company restructuring, options would vest subject to the satisfaction of the performance condition measured at the time of the takeover or restructuring.

Depending on the circumstances, the Rio Tinto Remuneration Committee has the discretion to adjust the performance condition to ensure a fair measure of performance.

In the case of an acquirer, the Rio Tinto Remuneration Committee may at its discretion and with the agreement of participants determine that options will be replaced by equivalent new options over shares in the acquiring company.

If a performance period is deemed to end during the first 12 months after the options were granted, the grant will be reduced to pro rata.

Where an option holder dies in service, subsisting option grants vest immediately, regardless of whether the performance conditions have been satisfied.

The estate will have 12 months in which to exercise the options.

SOP options may be exercised within ten years of initial grant, and upon exercise may be satisfied by Rio Tinto through the transfer of treasury shares, the issue of new shares or the purchase of shares in the market.

Rio Tinto Mining Companies Comparative Plan (MCCP)

Rio Tinto's performance share plan, the MCCP, provides a conditional right to Rio Tinto shares to eligible senior management personnel within the Rio Tinto Group, including the senior executives of the Company. No awards were made to senior executives of the Company in 2009 under the MCCP as remuneration. Instead, awards were made under the Rio Tinto MSP.

The conditional awards only vest if the performance condition set by the Rio Tinto Remuneration Committee is satisfied by Rio Tinto, although the Rio Tinto Remuneration Committee retains discretion to satisfy itself that satisfaction of the performance condition is a genuine reflection of value available to shareholders. Prior to the vesting of conditional awards, Rio Tinto's TSR performance against the performance condition is calculated independently by Towers Watson.

Up to and including 2009, subject to Rio Tinto Remuneration Committee approval, awards vested based on the Rio Tinto Group's TSR ranking against a comparator group of other mining companies, reviewed as at 31 December of the fourth year of the grant. The level of vesting depends on performance against the comparator group. The 2007 award was tested against the performance condition at the end of the performance period, which was 31 December 2010, and will vest to 55.6 per cent in March 2011.

From 2010, Rio Tinto has moved away from the small comparator group of eight companies used in 2009 with awards granted from 2010 onwards vesting subject to Rio Tinto's TSR performance against two well recognised market indices: the Morgan Stanley Capital Index (50 per cent) and the HSBC Global Mining Index (50 per cent).

If Rio Tinto was subject to a change of control or a company restructuring, the conditional awards would only vest subject to the satisfaction of the performance condition measured at the time of the change of control or restructuring. The Rio Tinto Remuneration Committee has discretion to adjust the performance condition to ensure a fair measure of performance. Additionally, if a performance period is deemed to end during the first 12 months after the conditional award is made, that award will be reduced pro-rata.

Rio Tinto releases awards to participants as either Rio Tinto plc or Rio Tinto Limited shares or as an equivalent amount in cash. Awards may, upon vesting, be satisfied by Rio Tinto through the transfer of treasury shares, the issue of new shares or the purchase of shares in the market.

On 7 February 2011, Rio Tinto changed the name of its performance share plan from the Mining Companies Comparative Plan to the Performance Share Plan.

Share based remuneration not dependent on performance

Rio Tinto Management Share Plan (MSP)

Under the Management Share Plan, conditional grants of Rio Tinto shares may be awarded to eligible senior executives of the Company which will vest, wholly or partly, upon expiry of a three year vesting period. Rio Tinto shares to satisfy the vesting are purchased by Rio Tinto in the market. Award levels under the MSP are at the discretion of Rio Tinto.

In the case of a change of control, awards vest on the date of the change of control, but the award may be reduced pro rata to reflect the acceleration of vesting. Prior to the change of control, and with the consent of the acquiring company, the shares can be converted to shares in the acquirer. After a change of control, this can only be achieved with the consent of the employee.

Other Share Plans

The senior executives of the Company, together with all employees of the Company, may participate in Rio Tinto share savings and share option plans applicable at particular locations. These include the Rio Tinto Limited share savings plan for senior executives employed from the Rio Tinto Limited group of companies and the Rio Tinto plc share savings plan for senior executives employed from the Rio Tinto plc group. Further details are at Note 32 to the Financial Statements.

Rio Tinto Rights Issue

On 5 June 2009 the Rio Tinto Group announced a fully underwritten rights issue consisting of a 21 for 40 rights issue of 524,460,478 new Rio Tinto plc shares at 1,400 pence per share and a 21 for 40 rights issue of 150,015,297 new Rio Tinto Limited shares at $28.29 per share. Rio Tinto plc received valid acceptances in respect of 508,577,688 shares representing 96.97 per cent of the total number of new shares and Rio Tinto Limited received valid acceptances in respect of 142,149,887 shares representing 94.76 per cent of the total number of new shares. The remaining shares over which valid acceptances were not received were placed in the market by the underwriters.

As permitted under the rules of the Rio Tinto share option and share award plans, adjustments were made to existing balances of participants to ensure that the value of options and awards held was not significantly impacted by the rights issue. The adjustments reflected the terms of the plans and governing laws and included the award of additional conditional shares and the award of additional options and/or adjustment of the exercise price of outstanding options. The adjustments relevant to the senior executives of the Company are reflected in the Tables included in Section E below.

Share dealing policy

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

C Details of remuneration

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

Non-executive directors of Energy Resources of Australia Ltd

		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	
		DIRECTORS FEES ($000)	CASH BONUS ($000)	NON- CASH BENEFITS ($000)	SUPER-ANNUATION ($000)	TOTAL ($000)
D Klingner	**2010**	**162**	**–**	**–**	**14**	**176**
	2009	146	–	–	13	159
R Carter[2]	**2010**	**30**	**–**	**–**	**3**	**33**
	2009	92	–	–	8	100
H Garnett	**2010**	**102**	**–**	**–**	**9**	**111**
	2009	86	–	–	8	94
P Taylor	**2010**	**82**	**–**	**–**	**–**	**82[1]**
	2009	75	–	–	–	75[1]
C Salisbury[3]	**2010**	**41**	**–**	**–**	**–**	**41[1]**
	2009	75	–	–	–	75[1]
J Pegler	**2010**	**96**	**–**	**–**	**8**	**104**
	2009	40	–	–	4	44
M Coulter[4]	**2010**	**41**	**–**	**–**	**–**	**41[1]**
Total 2010		**554**			**34**	**588**
Total 2009		514	–	–	33	547

Note 1 Amounts paid directly to Rio Tinto Limited.
Note 2 Resigned as a Director on 21 April 2010.
Note 3 Resigned as a Director on 15 June 2010.
Note 4 Appointed as a Director on 15 June 2010.

Executive directors & other key management personnel of the consolidated entity

		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
		CASH SALARY ($000)	CASH BONUS ($000)	NON-CASH[13] ($000)	SUPER-ANNUATION PENSION ($000)	CASH & EQUITY SETTLED ($000)	TOTAL ($000)
Executive directors							
R Atkinson[1]	**2010**	**360**	**153**	**80**	**86**	**188**	**867**
	2009	354	55	80	85	269	843
C Salisbury[2]	2009	–	37	–	–	–	37
Other senior executives							
A Milnes[3]	**2010**	**287**	**74**	**30**	**50**	**73**	**514**
	2009	271	68	29	63	158	589
D Paterson[4]	**2010**	**157**	**65**	**50**	**39**	**38**	**349**
	2009	231	56	66	55	140	548
C Bateman[5]	2009	139	158	172	–	44	513
S Rajapakse[6]	2009	137	63	27	18	40	285
G Sinclair[7]	**2010**	**253**	**77**	**75**	**45**	**62**	**512**
	2009	248	39	71	49	144	551
D Janney[8]	**2010**	**265**	**107**	**72**	**55**	**87**	**586**
	2009	184	11	121	17	–	333
S Thibeault[9]	**2010**	**220**	**77**	**116**	**40**	**62**	**515**
	2009	94	78	106	–	–	278
P Eaglen[10]	**2010**	**134**	**–**	**84**	**13**	**6**	**237**
C Tziolis[11]	**2010**	**58**	**–**	**51**	**6**	**6**	**121**
A Tietzel[12]	**2010**	**77**	**–**	**21**	**13**	**25**	**136**
Total 2010		**1,811**	**553**	**579**	**347**	**547**	**3,837**
Total 2009		1,658	565	672	287	795	3,977

Note 1 Performance related cash bonus: 62% awarded in 2010, 38% forfeited. 56% awarded in 2009, 44% forfeited on achievement o f 2008 performance criteria for ERA (50% of the bonus was deferred into shares under the Bonus Deferral Plan, with an additional 25% of annual salary under the Company Con tribution Award).

Note 2 Resigned as Chief Executive on 31 July 2008, thereafter continued services as a non-executive Director . Performance related cash bonus: 49% awarded in 2009, 51% forfeited on achievement of 2008 performance criteria for ERA (50% of the bonus was deferred into shares under the Bonus Defer ral Plan, with an additional 25% of annual salary under the Company Contribution Award).

Note 3 Resigned as General Manager Environmental Strategy on 31 December 2010. Performance related cash bonus: 55% awarded in 2 010, 45% forfeited; 51% awarded in 2009, 49% forfeited.

Note 4 Resigned as General Manager External Relations on 31 August 2010. Performance related cash bonus: 56% awarded in 2010, 4 4% forfeited; 49% awarded in 2009, 51% forfeited.

Note 5 Resigned as Chief Financial Officer on 25 June 2009. Performance related cash bonus: 64% awarded in 2009, 36% forfeited. Cash bonus includes accrued value of Rio Tinto Retention Bonus. Tax equalisation costs incurred, but not disclosed as remuneration.

Note 6 Resigned as General Manager Operations on 31 March 2009. Performance related cash bonus: 31% awarded in 2009, 69% forfei ted. Cash bonus includes accrued value of Rio Tinto Retention Bonus. Tax equalisation costs incurred, but not disclosed as remuneration.

Note 7 Performance related cash bonus: 62% awarded in 2010, 38% forfeited; 32% awarded in 2009, 68% forfeited.

Note 8 Appointed as General Manager Operations on 1 April 2009. Performance related cash bonus: 56% awarded in 2010, 44% forfei ted. No performance related cash bonus paid in 2009 for service to ERA. Tax equalisation costs incured, but not disclosed as renumeration.

Note 9 Appointed as Chief Financial Officer on 27 July 2009. Performance related cash bonus: 53% awarded in 2010, 47% forfeited . No performance related cash bonus paid in 2009 for service to ERA. Tax equalisation costs incured, but not disclosed as renumeration.

Note 10 Appointed as General Manager Environmental Strategy on 1 June 2010. No cash bonus is disclosed as payments made were in respect of services rendered in 2009 to another Rio Tinto entity.

Note 11 Appointed as Chief Development Officer on 1 October 2010. No cash bonus is disclosed as payments made were in respect o f services rendered in 2009 to another Rio Tinto entity.

Note 12 Appointed as General Manager External Relations on 1 October 2010. No cash bonus is disclosed as payments made were in respect of services rendered in 2009 to another Rio Tinto entity.

Note 13 Non-cash benefits includes relocation, accommodation and other allowances and other employment related benefits.

The value of share based payments has been determined in accordance with the recognition and measurement requirements of IFRS2 "Share-based Payment". The fair value of awards granted under the SOP, MSP and the BDP have been calculated at their dates of grant using an independent lattice-based option valuation model provided by external consultants, Lane Clark & Peacock LLP . Some of these awards will be settled in cash, rather than the transfer of shares, and so the fair value of these cash settled awards has been calculated based on Rio Tinto's share price at 31 December 2010. The fair value of awards granted under the MCCP has been calculated using a Monte Carlo valuation model based on the market price of shares and their relative TSR performance at 31 December 2010.

D Executive service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. These agreements provide for participation in the Rio Tinto short and long term incentive programmes including bonus opportunities upon achieving performance and service goals and performance related share plans. The agreements may also provide for other benefits, including: medical insurance; vehicle and accommodation allowances; relocation allowances and expenses and travel allowances for expatriates.

Key management personnel will also be entitled to a range of pre-existing redundancy entitlements, depending on the business and region from where they were originally employed within the Rio Tinto Group:

- Notice may be worked or fully or partly paid in lieu, at Company discretion.
- Additional capped service related payments may apply.
- Pro rata short term incentive programme payments may be paid based on the proportion of the performance period worked.
- Long term incentive programme benefits may be paid or vest to the extent provided by the relevant programme.
- Share options or conditional share awards held for less than 12 months at date of termination may be reduced pro-rata.

There is no contractual entitlement to payments in the event of a change of control.

Other major provisions of the agreements relating to remuneration are set out below.

R Atkinson – Chief Executive

Term of agreement – Open, commenced 8 September 2008

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of $358,903 per annum. Maximum short term incentive bonus upon meeting performance criteria is 100 per cent of base salary. Base salary and short term incentive targets are to be reviewed annually. Termination by the employee is two months notice in writing or by the employer giving six months notice or equivalent payment in lieu of notice.

G Sinclair – General Manager Technical Projects

Term of agreement – Open, commenced 1 May 2007.

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of $254,108 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one months notice in writing or by the employer giving three months notice or equivalent payment in lieu of notice.

D Janney – General Manager Operations

Term of agreement – 3 years, commenced 1 April 2009

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of USD193,800 per annum. Maximum short term incentive bonus upon meeting performance criteria is 80 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one months notice in writing or by the employer giving three months notice or equivalent payment in lieu of notice.

S Thibeault – Chief Financial Officer

Term of agreement – 3 years, commenced 27 July 2009

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of CAD230,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is four weeks notice in writing or by the employer giving eight weeks notice or equivalent payment in lieu of notice.

P Eaglen – General Manager Environmental Strategy

Term of agreement – Open, commenced 1 June 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of $230,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months notice in writing or by the employer giving six months notice or equivalent payment in lieu of notice.

C Tziolis – Chief Development Officer

Term of agreement – Open, commenced 1 October 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of $230,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months notice in writing or by the employer giving six months notice or equivalent payment in lieu of notice.

A Tietzel – General Manager External Relations

Term of agreement – Open, commenced 1 October 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of $306,000 per annum. Maximum short term incentive bonus upon meeting performance criteria is 60 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months notice in writing or by the employer giving six months notice or equivalent payment in lieu of notice.

A Milnes – General Manager Environmental Strategy

Resigned – 31 December 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2010 of $276,155 per annum. Maximum short term incentive bonus upon meeting performance criteria is 60 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one months notice in writing or by the employer giving three months notice or equivalent payment in lieu of notice.

D Paterson – General Manager External Relations

Resigned – 31 August 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 August 2010 of $237,432 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually.

E Share based compensation

Rio Tinto Share Option Plan

Details of the costs of the share based payment plans applied by the Company are provided at Note 32 of the Financial Statements.

Options under the SOP are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE (PRE RIGHTS ISSUE)	EXERCISE PRICE (POST RIGHTS ISSUE)	VALUE PER OPTION AT GRANT DATE	VALUE PER OPTION POST RIGHTS ISSUE	EARLIEST EXERCISE DATE
RIO TINTO LIMITED		$	$	$	$	
13/03/2002	13/03/2012	39.87	23.76	13.71	13.71	13/03/2005
7/03/2003	7/03/2013	33.33	17.23	6.68	6.68	7/03/2006
22/04/2004	22/04/2014	34.41	18.30	6.17	6.18	22/04/2007
9/03/2005	9/03/2015	47.04	30.93	8.93	8.93	9/03/2008
7/03/2006	7/03/2016	71.06	54.95	17.09	17.09	7/03/2009
13/03/2007	13/03/2017	74.59	58.48	14.23	14.23	13/03/2010
10/03/2008	10/03/2018	134.18	118.07	44.04	44.04	10/03/2011
17/03/2009	17/03/2019	49.56	33.45	13.36	13.36	17/03/2012
RIO TINTO PLC		£	£	£	£	
13/03/2002	13/03/2012	14.59	12.05	4.99	4.12	13/03/2005
7/03/2003	7/03/2013	12.63	10.43	2.97	2.46	7/03/2006
22/04/2004	22/04/2014	13.29	10.98	2.81	2.33	22/04/2007
9/03/2005	9/03/2015	18.26	15.09	4.09	3.38	9/03/2008
7/03/2006	7/03/2016	27.11	22.40	7.40	6.11	7/03/2009
13/03/2007	13/03/2017	27.01	22.32	6.17	5.10	13/03/2010
10/03/2008	10/03/2018	57.23	47.28	20.63	17.04	10/03/2011
17/03/2009	17/03/2019	20.01	16.53	6.62	5.47	17/03/2012

Rio Tinto Mining Companies Comparative Plan

Share awards under the MCCP are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. The terms and conditions of each right to Rio Tinto Limited or Rio Tinto plc shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	AWARD PRICE	VESTING DATE*	PRICE AT 31 DECEMBER 2010
RIO TINTO LIMITED			
1 January 2005	$39.12	1 January 2009	$85.47
1 January 2006	$69.00	1 January 2010	$85.47
1 January 2007	$74.79	1 January 2011	$85.47
22 March 2010	$58.23	17 February 2014	$85.47
RIO TINTO PLC			
1 January 2005	£15.40	1 January 2009	£44.87
1 January 2006	£26.55	1 January 2010	£44.87
1 January 2007	£27.55	1 January 2011	£44.87
22 March 2010	£25.45	17 February 2014	£44.87

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

No conditional awards of either Rio Tinto plc or Rio Tinto Limited shares were made as remuneration for key management personnel of the consolidated entity under the MCCP in 2009, although adjustments were made to MCCP balances following the Rio Tinto rights issue. The Rio Tinto Remuneration Committee reviewed the performance condition applicable to the conditional award and confirmed that vesting will be dependent on Rio Tinto's TSR relative to the designated comparator mining companies.

Rio Tinto Management Share Plan

Share awards under the Management Share Plan are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. The terms and conditions of each right to Rio Tinto Limited or Rio Tinto plc shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	AWARD PRICE	VESTING DATE*	PRICE AT 31 DECEMBER 2010
RIO TINTO LIMITED			
13 March 2007	$74.50	1 January 2010	$85.47
10 March 2008	$126.48	1 January 2011	$85.47
17 March 2009	$41.77	1 January 2012	$85.47
22 March 2010	$76.02	1 January 2013	$85.47
RIO TINTO PLC			
13 March 2007	£26.81	1 January 2010	£44.87
10 March 2008	£52.58	1 January 2011	£44.87
17 March 2009	£17.32	1 January 2012	£44.87
22 March 2010	£36.66	1 January 2013	£44.87

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

Rio Tinto Bonus Deferral Plan and Company Contributed Award

Share awards under the Rio Tinto Bonus Deferral Plan and Rio Tinto Company Contributed Award are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. The terms and conditions of each right to Rio Tinto Limited shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	AWARD PRICE	VESTING DATE*	PRICE AT 31 DECEMBER 2010
RIO TINTO LIMITED BONUS DEFERRAL PLAN			
17 March 2009	$41.77	50% 31 December 2010 50% 31 December 2011	$85.47
RIO TINTO LIMITED COMPANY CONTRIBUTED AWARD			
17 March 2009	$41.77	50% 31 December 2010 50% 31 December 2011	$85.47

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

Share based compensation – Rio Tinto employee share schemes

The Directors of the Company and key management personnel of the consolidated entity who elected to participate in the Rio Tinto employee share schemes as at 31 December 2010 are set out below:

R Atkinson	2005 Rio Tinto Limited scheme commencing 1 January 2006
A Milnes	2006 Rio Tinto Limited scheme commencing 1 January 2007
	2007 Rio Tinto Limited scheme commencing 1 January 2008
G Sinclair	2007 Rio Tinto Limited scheme commencing 1 January 2008
P Taylor	2009 Rio Tinto Limited scheme commencing 1 January 2010
D Janney	2007 Rio Tinto plc scheme commencing 5 October 2007
	2008 Rio Tinto plc scheme commencing 1 December 2008
	2009 Rio Tinto plc scheme commencing 15 December 2009
	2010 Rio Tinto plc scheme commencing 1 January 2011
C Tziolis	2008 Rio Tinto Limited scheme commencing 1 January 2009
A Tietzel	2008 Rio Tinto Limited scheme commencing 1 January 2009

Equity instrument disclosures relating to Directors and key management personnel

Options provided as remuneration (SOP)

Details of options over ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneratio n to the key management personnel of the consolidated entity in respect of their service to the Company are set out below . When exercisable, each option is convertible into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

		BALANCE AT START OF THE YEAR OR ON JOINING[12]	GRANTED AS REMUNERATION	EXERCISED DURING THE YEAR	OTHER CHANGES[11]	BALANCE AT END OF THE YEAR[11] VESTED & EXERCISABLE	BALANCE AT END OF THE YEAR[11] UN–VESTED
RIO TINTO PLC							
Other senior executives							
C Bateman[1]	2009	1,416	1,068	–	522	–	3,006
S Rajapakse[2]	2009	3,229	1,125	–	914	2,130	3,138
D Janney[3]	**2010**	**3,540**	**–**	**–**	**(1,507)**	**–**	**2,033**
	2009	2,925	–	–	615	–	3,540
S Thibeault[4]	**2010**	**1,186**	**–**	**–**	**–**	**–**	**1,186**
	2009	980	–	–	206	–	1,186
RIO TINTO LIMITED							
Executive directors							
R Atkinson	**2010**	**5,278**	**–**	**–**	**(1,328)**	**1,782**	**2,168**
	2009	3,110	2,168	–	–	1,782	3,496
Other senior executives							
A Milnes[5]	**2010**	**10,575**	**–**	**–**	**(992)**	**8,757**	**826**
	2009	9,749	826	–	–	8,757	1,818
D Paterson[6]	**2010**	**10,033**	**–**	**–**	**(866)**	**8,460**	**707**
	2009	9,326	707	–	–	8,460	1,573
G Sinclair	**2010**	**3,874**	**–**	**(1,511)**	**(365)**	**1,238**	**760**
	2009	4,173	760	(529)	(530)	2,219	1,655
P Eaglen[7]	**2010**	**–**	**–**	**–**	**–**	**–**	**–**
C Tziolis[8]	**2010**	**396**	**–**	**–**	**–**	**–**	**396**
A Tietzel[9]	**2010**	**4,495**	**–**	**–**	**–**	**3,275**	**1,220**
Non-executive Directors[10]							
D Klingner	**2010**	**4,117**	**–**	**(4,117)**	**–**	**–**	**–**
	2009	4,117	–	–	–	4,117	–
P Taylor	**2010**	**20,169**	**–**	**–**	**(1,960)**	**15,780**	**2,429**
	2009	18,162	–	–	2,007	13,755	6,414
C Salisbury	**2010**	**9,416**	**–**	**–**	**(2,749)**	**3,332**	**3,335**
	2009	7,416	–	(1,335)	3,335	3,332	6,084
M Coulter	**2010**	**13,792**	**–**	**–**	**–**	**11,997**	**1,795**

Note 1 Upon resignation as Chief Financial Officer on 25 June 2009, balance of 2,484.

Note 2 Upon resignation as General Manager Operations on 31 March 2009, balance of 4,354.

Note 3 Upon appointment as General Manager Operations on 1 April 2009, balance of 2,925.

Note 4 Upon appointment as Chief Financial Officer on 27 July 2009, balance of 980.

Note 5 Upon resignation as General Manager Environmental Strategy on 31 December 2010, balance at 9,583.

Note 6 Upon resignation as General Manager External Relations on 31 August 2010, balance of 9,167.

Note 7 Upon appointment as General Manager Environmental Strategy on 1 June 2010, no balance was held.

Note 8 Upon appointment as Chief Development Officer on 1 October 2010, balance at 396.

Note 9 Upon appointment as General Manager External Relations on 1 October 2010, balance at 4,495.

Note 10 Changes to balances for non-executive Directors do not relate to remuneration for services provided to the Company .

Note 11 Other changes and end of year balance include changes made in relation to awards for service within the wider Rio Tinto Group, including before joining or after ceasing with the Company, Rio Tinto Rights Issue adjustments to accrued balances of Rio Tinto plc share options and forfeited options where conditions were not met.

Note 12 Where a KMP joined during the year, balance at start of the year reflects holdings at time of commencement with the Company.

Details of remuneration: Share options

For each grant of options included in the table on page 45, the percentage of the available grant that was paid, or that vested , in 2010, and the percentage that was forfeited because the service and performance criteria were not met, is set out below . The options vest after three years, provided the vesting conditions are met (see page 36). No options will vest if the conditions are not satisfied hence th e minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	OPTIONS					
	AWARD DATE	VESTED %	FORFEITED %	FUTURE VESTING TITLE	MINIMUM TOTAL VALUE OF UNVESTED GRANT $	MAXIMUM TOTAL VALUE OF UNVESTED GRANT $
RIO TINTO PLC						
D Janney	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	19,981
S Thibeault	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	11,656
RIO TINTO LIMITED						
R Atkinson	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	28,964
A Milnes	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	11,035
D Paterson	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	9,445
G Sinclair	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	10,154
P Eaglen	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
C Tziolis	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	5,291
A Tietzel	**2010**	**–**	**–**	**22/03/2013**	**–**	**–**
	2009	–	–	17/03/2012	nil	16,299

Conditional awards provided as remuneration

Mining Companies Comparative Plan; Management Share Plan; Bonus Deferral Plan; Companies Contributed Award

No conditional awards of ordinary shares of either the parent entity or of Rio Tinto Limited or Rio Tinto plc were provided during the year as remuneration to any of the non-executive Directors of the parent entity. No conditional awards were made under the MCCP as remuneration to any of the other key management personnel of the consolidated entity in 2009, although adjustments were made to MCCP balances following the Rio Tinto rights issue.

Details of conditional awards of ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to each of the key management personnel of the consolidated and parent entity in respect of their duties as officers of the consolidated and parent entity are set out below. When exercisable, each award converts into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

		BALANCE AT START OF THE YEAR OR ON JOINING[11]	GRANTED AS REMUNERATION	CRYSTALLISATION OF PRIOR AWARD VESTED	CRYSTALLISATION OF PRIOR AWARD LAPSED	AWARDS CANCELLED	OTHER CHANGES[12]	BALANCE AT END OF THE YEAR[12]
RIO TINTO PLC								
Other key management personnel								
C Bateman[1]	2009	2,683	1,505	–	–	–	880	5,068
S Rajapakse[2]	2009	4,704	1,200	(817)	(164)	–	1,034	5,957
D Janney[3]	**2010**	**5,837**	**3,035**	**–**	**(1,043)**	**–**	**–**	**7,829**
	2009	4,823	–	–	–	–	1,014	5,837
S Thibeault[4]	**2010**	**2,682**	**2,058**	**–**	**–**	**–**	**–**	**4,740**
	2009	2,216	–	–	–	–	466	2,682
RIO TINTO LIMITED								
Executive directors								
R Atkinson	**2010**	**11,196**	**5,615**	**(3,869)**	**(926)**	**–**	**–**	**12,016**
	2009	5,603	4,710	(883)	(178)	–	1,944	11,196
Other key management personnel								
A Milnes[5]	**2010**	**5,174**	**1,958**	**(1,780)**	**(722)**	**–**	**–**	**4,630**
	2009	4,578	860	(967)	(195)	–	898	5,174
D Paterson[6]	**2010**	**4,578**	**1,275**	**(1,650)**	**(625)**	**–**	**–**	**3,578**
	2009	4,066	736	(847)	(170)	–	793	4,578
G Sinclair	**2010**	**4,616**	**1,362**	**(1,540)**	**(644)**	**–**	**–**	**3,794**
	2009	4,118	791	(817)	(164)	–	688	4,616
P Eaglen[7]	**2010**	**638**	**–**	**–**	**–**	**–**	**348**	**986**
C Tziolis[8]	**2010**	**1,587**	**–**	**–**	**–**	**–**	**–**	**1,587**
A Tietzel[9]	**2010**	**6,115**	**–**	**–**	**–**	**–**	**–**	**6,115**
Non-executive Directors[10]								
P Taylor	**2010**	**15,248**	**–**	**(5,420)**	**(1,717)**	**–**	**4,157**	**12,268**
	2009	9,999	–	(1,691)	(340)	–	7,280	15,248
C Salisbury	**2010**	**16,939**	**–**	**(3,088)**	**(1,132)**	**–**	**6,831**	**19,550**
	2009	8,597	–	(1,112)	(223)	–	9,677	16,939
M Coulter	**2010**	**9,250**	**–**	**–**	**–**	**–**	**–**	**9,250**

Note 1 Upon resignation as Chief Financial Officer on 25 June 2009, balance of 4,188.

Note 2 Upon resignation as General Manager Operations on 31 March 2009, balance of 4,923.

Note 3 Upon appointment as General Manager Operations on 1 April 2009, balance of 4,823.

Note 4 Upon appointment as Chief Financial Officer on 27 July 2009, balance of 2,216.

Note 5 Upon resignation as General Manager Environmental Strategy on 31 December 2010, balance was 4,630.

Note 6 Upon resignation as General Manager External Relations on 31 August 2010, balance was 3,578.

Note 7 Upon appointment as General Manager Environmental Strategy on 1 June 2010, balance at 638.

Note 8 Upon appointment as Chief Development Officer on 1 October 2010, balance at 1,587.

Note 9 Upon appointment as General Manager External Relations on 1 October 2010, balance at 6,115.

Note 10 Changes to balances for non-executive Directors do not relate to remuneration for services provided to the Company.

Note 11 Where a KMP joined during the year, balance at start of the year reflects holdings at time of commencement with the Company.

Note 12 Other changes and end of year balance include changes made in relation to awards for service within the wider Rio Tinto Group, including before joining or after ceasing with the Company, and Rio Tinto Rights Issue adjustments to accrued balances.

Share holdings

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

		BALANCE AT END OF THE YEAR[1]	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF THE YEAR[2]
ENERGY RESOURCES OF AUSTRALIA LTD					
R Carter	**2010**	**25,000**	**–**	**–**	**25,000**
	2009	25,000	–	–	25,000
RIO TINTO LIMITED					
R Carter	**2010**	**4,613**	**–**	**–**	**4,613**
	2009	3,025	–	1,588	4,613
D Klingner	**2010**	**51,787**	**4,117**	**(19,117)**	**36,787**
	2009	39,959	–	11,828	51,787
C Salisbury	**2010**	**7,571**	**–**	**–**	**7,571**
	2009	5,658	1,335	578	7,571
P Taylor	**2010**	**6,353**	**–**	**5,420**	**11,773**
	2009	2,475	–	3,878	6,353
R Atkinson	**2010**	**2,041**	**888**	**(2,041)**	**888**
	2009	2,041	–	–	2,041
J Pegler	**2010**	**6,331**	**–**	**–**	**6,331**
	2009	6,331	–	–	6,331
M Coulter	**2010**	**908**	**–**	**–**	**908**

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

F Additional information

Loans and other transactions with Directors and other key management personnel

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

Principal activities

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

Dividends

Details of the dividends paid by ERA to members in respect of the 2010 financial year are included in the "Financial performance" on page 8.
As disclosed in the 2009 Annual Report, a final ordinary dividend was declared in respect of the 2009 financial year of 25.0 cents per share, fully franked based on tax paid at 30 per cent, totalling $47,684,483.50 paid on 5 March 2010 with a record date of 19 February 2010.

Review and results of operations

Details of ERA's review and results of operations are included in the "Chairman's and Chief Executive's Report" on page 6 and the "Financial performance" and "Production" sections at pages 8 and 10, respectively.

Significant changes to the state of affairs

In the opinion of the Directors, other than matters reported in the Directors' Report, and in the Chairman's and Chief Executive's Report, there were no significant changes in the state of affairs of the consolidated entity during the year ended 31 December 2010.

Matters subsequent to the end of the financial year

On 28 January 2011, ERA commenced an orderly suspension of plant processing operations as a precautionary measure to help ensure that levels in the Tailings Storage Facility remain below the authorised operating limit throughout the remainder of the wet season. The suspension is intended to be for a period of 12 weeks.

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

(i) the operations of the consolidated entity;
(ii) the results of those operations; or
(iii) the state of affairs of the consolidated entity subsequent to the financial year ended 31 December 2010.

Likely developments

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

A general review of developments for ERA is presented in the "Chairman's and Chief Executive's Report", "Major projects" and "Directors' outlook" sections.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

Annual General Meeting

The 2011 Annual General Meeting will be held on 13 April 2011 in Darwin, in the Northern Territory of Australia. Notices of the 2011 Annual General Meeting are set out in separate letters to the shareholders of the Company.

Indemnification and insurance

Indemnification

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

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

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

The indemnity also applies to executive officers of the Company (being the Chief Financial Officer and General Managers and other key management personnel and managers who are concerned with, or take part in the management of the Company) as well as other employees.

Insurance

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

The policy indemnifies all Directors and officers of ERA and its controlled entities (including the Directors, secretaries, and executive officers referred to above) against certain liabilities.

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

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and officers' liability insurance as such disclosure is prohibited under the terms of the contract.

Environmental regulation and policy

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

ERA is required to report any incident that is a divergence from strict compliance with statutory requirements, even if the incident has no detrimental environmental impact, and reports are made to the Minister for Resources (Northern Territory), the Supervising Scientist Division of the Commonwealth Department of Sustainability, Environment, Water, Population and Communities, the Northern Land Council, the Commonwealth Department of Resources, Energy & Tourism and the Gundjeihmi Aboriginal Corporation (representatives of the Mirarr Traditional Owners).

The Supervising Scientist confirmed in his most recent report, relating to the operating year to 30 June 2010, that there were no reported incidents that resulted in any environmental impact off the immediate mine site, and that the environment remained protected through the period.

There were no prosecutions commenced or fines incurred in respect of ERA’s environmental performance during 2010.

Further details of ERA’s environmental performance are included in the “Environment” section of the Annual Report on page 19.

Corporate governance

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

Areas where the corporate governance practices of ERA do not follow the Council’s recommendations arise due to Rio Tinto’s 68.4 per cent ownership of the Company and the management direction, services and support this provides. The extent to which the Company does not comply is detailed in the Corporate Governance Statement at page 52.

Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order amounts in the financial statements and Directors’ Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

Auditors

PricewaterhouseCoopers are the auditors of the consolidated entity.

No person who was an officer of the consolidated entity during the year was a former partner or director of the auditors. Each of the Directors at the time this report was approved has confirmed that:

- so far as he or she is aware, there is no relevant audit information (ie information needed by the auditors in connection with preparing their report) of which the auditors are unaware; and
- he or she has taken all steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Non Audit services

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

Details of the amount paid or payable to the auditors for audit services are set out below. No amounts were paid to the auditors for non-audit services in 2010.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. All non-audit services are reviewed by the Audit Committee to ensure they do not impact on the impartiality and objectivity of the auditors and do not undermine the general principles relating to auditors’ independence as set out in Professional Statement F1, including reviewing or auditing the auditors’ own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards. Accordingly, the Directors satisfy themselves that the provision of non-audit services by the auditors does not compromise the auditor independence requirements of the *Corporations Act 2001*.

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

	2010 $000	**2009 $000**
AUDIT SERVICES		
PricewaterhouseCoopers		
Audit and review of financial reports	**250**	260
Total Remuneration for audit services	**250**	260
Taxation services	**–**	–
Non-audit services	**–**	–
Total Remuneration	**250**	260

Information on Auditor

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

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 51.

Signed at Melbourne this 11 February 2011 in accordance with a resolution of the Directors.

Dr D Klingner

Director

Melbourne

11 February 2011

Auditors Independence Declaration

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
Website:www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Energy Resources of Australia Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Energy Resources of Australia Limited and the entities it controlled during the period.

Debbie Smith
Partner
PricewaterhouseCoopers

Melbourne
11 February 2011

Liability limited by a scheme approved under Professional Standards Legislation

Corporate governance

Corporate governance statement for the year ended 31 December 2010

Corporate governance statement

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

The corporate governance structures and practices in place at ERA are substantially in compliance with the 2nd Edition of the Corporate Governance Principles and Recommendations ("Principles") developed by the Australian Securities Exchange ("ASX") Corporate Governance Council ("Council").

The Board has considered the Council's Principles, and ERA does not comply with the following recommendations:

- Recommendations 2.1 and 2.2 – There is not a majority of independent Directors nor an independent Chairman;
- Recommendation 2.4 – There is no established nominations committee; and
- Recommendation 8.1 – There is no remuneration committee.

Areas where the corporate governance practices in place at ERA do not follow the recommendations set out in the Council's Principles arise due to Rio Tinto's ownership of 68.4 per cent of the shares of the Company and the management direction, services and support provided by Rio Tinto. As explained further below, the Board considers that in each case this is appropriate.

ERA acknowledges the amendments to the Council's Principles released on 30 June 2010. ERA will report against the new recommendations in respect of the year ending 31 December 2011.

The Corporate Governance section of the Company's website sets out the further information required by the Council's Principles at www.energyres.com.au.

The Board

Responsibilities and charter

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

The Board Charter underpins the strategic guidance and effective management oversight provided by the Board, and defines the division of responsibility between Board and management by formal delegation and a system of Board reserve powers. The Board reviews the Board Charter every two years or more frequently as required, and a copy is available on the Company's website at www.energyres.com.au.

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

Composition

The Board of ERA currently consists of six Directors, five of whom are non-executive. The Chairman is Dr D Klingner who is a non-executive Director and a former executive of Rio Tinto. Two additional non-executive Directors, Mr P Taylor and Mr M Coulter, are current executives of Rio Tinto. Prof H Garnett and Mr J Pegler are independent non-executive Directors. Mr R Atkinson is an executive Director and holds the position of Chief Executive.

Details of the Directors, their experience, qualifications and other appointments are set out on page 41.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of ERA and all of its shareholders. Decisions relating to appointment of Directors are made by the full Board. Directors appointed by the Board are required by ERA's constitution to submit themselves for election by shareholders at the Annual General Meeting following their appointment. There is no share ownership qualification for appointment as a Director.

The Board has not established a nominations committee. The Board recognises that this does not follow Recommendation 2.4 of the Council's Principles. The Board considers that its existing practices in reviewing director competencies, Board succession planning, Board performance evaluation and director selection and nomination, carried out in accordance with the Board Charter, are satisfactory and are appropriate given the size of the Board and the Company's current ownership structure.

Non-executive Directors are required to retire at least every three years in accordance with ERA's constitution, but may offer themselves for re-election.

Independence

Prof H Garnett and Mr J Pegler are independent non-executive Directors. In addition Mr R Carter was an independent non-executive Director until his resignation as a Director on 21 April 2010. For the purposes of determining Director independence, the Board considers any material business relationship which could interfere, or be perceived to interfere, with the Director's independence of judgement, ability to provide a strong, valuable contribution to the Board's deliberations and the Director's ability to act in the best interest of the Company and all shareholders. Where contracts in the ordinary course of business exist between the Company and a company in which a Director has declared an interest, these are reviewed for materiality to both ERA and the other party to the contract.

The following may be taken into account in considering such material business relationships:

- whether within the last three years the Director or a close family member has been a member of executive management of the Company, employed in a senior position with a member of the Rio Tinto Group or has received additional remuneration from the Company or a member of the Rio Tinto Group;
- whether the Director or a close family member is, or is associated with, a substantial shareholder (more than 5 per cent of the voting shares) in the Company or in a member of the Rio Tinto Group;
- the Director's cross directorships of or significant links with or involvement in other companies;
- the Director's length of service on the Board; and
- whether within the last three years the Director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material business relationship with the Company or with a member of the Rio Tinto Group, whether as an auditor, professional adviser, supplier, or customer ("material" being more than five per cent of the Company's or the counterparty's consolidated gross revenue per annum).

The Board of Directors does not consist of a majority of independent Directors. This does not follow Recommendation 2.1 of the Council's Principles. The Board considers it appropriate that the composition of the Board recognises Rio Tinto's 68.4 per cent shareholding.

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

All related party transactions, including those with Rio Tinto, have been determined by the independent Directors to be in the interests of ERA.

Chairman and Chief Executive

The Chairman, Dr D Klingner, was until 2004 a Rio Tinto executive and subsequently has undertaken some limited consulting work for Rio Tinto. To the extent that Dr Klingner may not be an independent Director and that therefore the Company may not follow Recommendation 2.2 of the Council's Principles, the Board considers that Dr Klingner's appointment is appropriate.

The Chief Executive is Mr R Atkinson, who is also a Director. This is consistent with Recommendation 2.3 of the Council's Principles that the Chief Executive and Chairman be different people.

Board meetings

The Board held six scheduled meetings during 2010, and did not meet for any unscheduled meetings to deal with urgent issues. The Board meeting attendance details for Directors in 2010 are set out on page 34.

Performance self assessment

In 2010 the Board performed an annual evaluation of itself that:

(a) Considered the performance of the Directors and the Board and the adequacy of the Board's structures and processes, including the Board Charter;

(b) Set out goals and objectives of the Board for the upcoming year; and

(c) Considered whether any improvements or changes to the Board structures and processes, including the Board Charter and Audit Committee Charter, were necessary or desirable.

The process of evaluation and self assessment took the form of a questionnaire completed by each of the Directors. Following collation, the results and the adequacy and appropriateness of the self assessment process were considered and discussed by the Directors at the next Board meeting, and actions arising were agreed.

Independent professional advice

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

Remuneration

The Company's Constitution provides that the aggregate remuneration paid to non-executive Directors of ERA in any one year will not exceed $800,000 or such other amount as may be approved by shareholders from time to time. At the 2010 Annual General Meeting, shareholders approved the 2009 Remuneration Report.

The Board has not established a remuneration committee. The Board recognises that this does not follow Recommendation 8.1 of the Council's Principles. The Board considers that its existing practices in reviewing and approving remuneration arrangements, carried out in accordance with the Board Charter, are satisfactory and are appropriate given the size of the Board, the ownership by the Rio Tinto Group of 68.4 per cent of the shares of the Company and the support provided by Rio Tinto with respect to executive remuneration policies and procedures.

The policies and procedures applied by the Company in setting non-executive director and executive remuneration, and reviewing and evaluating executive performance, are set out in the Remuneration Policy at www.energyres.com.au and at pages 35 to 38 of the Remuneration Report. Executive performance was reviewed in accordance with these policies and procedures.

Audit committee

The Audit Committee is appointed by the Board and currently comprises three non-executive Directors, two of whom are independent including the Chairperson. Two Directors constitute a quorum. The present members of the Audit Committee are Prof H Garnett (Chair), Dr D Klingner and Mr J Pegler. In addition, Mr R Carter was a member of the Audit Committee until his resignation as a Director on 21 April 2010. The Company's Chief Financial Officer, Chief Executive, other senior financial management, the external auditor and the internal auditors may be invited to attend all meetings.

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

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

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

The Audit Committee held three scheduled meetings during 2010. Attendance details of the 2010 meetings of the Audit Committee, and the qualifications and senior executive experience of the members, are set out in the Directors' Report on pages 34 and 41 respectively.

Any work to be conducted by the external auditor other than the audit is approved by the Audit Committee.

Code of business conduct

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

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

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

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

Purchase and sale of Company securities

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

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

Under the ERA Share Trading Policy:

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

Risk identification and management

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

The management of risk is an integral part of the responsibility of both the Board and management and is carried out through an integrated risk management assurance process including an internal audit programme delivered by the Company's internal auditors Ernst & Young and a detailed internal control questionnaire process covering all of the Company's material business risks.

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

Key material business risks and opportunities inherent to the Company's operations and the mining industry include (but are not necessarily limited to): economic conditions (and consequent fluctuations in commodity pricing, exchange rates and costs of finance); delivery of exploration and development projects; energy cost and supply; international regulation of greenhouse gas emissions; ore reserve estimates; community relationships and government regulation; land and resource tenure and rehabilitation including impacts of climatic conditions, and costs of operations including changes to input costs.

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

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

The Chief Executive and Chief Financial Officer give statements, in writing, to the Board regarding the financial reporting and operational results being founded on a sound system of internal compliance and control and the financial statements giving a true and fair view of the Company's position and of the results of the Company's operations. This statement relies on ERA's sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and confirms that ERA's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Each year, the leaders of ERA's operational and administrative functions complete an internal control questionnaire that seeks to confirm that adequate internal controls are in place, are operating effectively and are designed to capture and evaluate failings and weaknesses, if any exist, and take prompt action if appropriate.
The results of this process are reviewed by ERA's senior leadership, and then presented by the Chief Executive to the Audit Committee and the Board as a further review of ERA's internal controls. The Chief Executive then certifies that ERA has maintained an effective system of internal compliance and control.

Public statements and disclosure matters

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

Shareholder communication

ERA recognises the importance of effective communication with shareholders and the general investment community. Apart from ERA's compliance with its mandatory continuous disclosure obligations, ERA takes steps to ensure that its shareholders and other stakeholders are kept informed.

Full advantage is taken of the annual general meeting to inform shareholders of current developments and to give shareholders the opportunity to ask questions. As recommended by the Council's Principles, PricewaterhouseCoopers, ERA's auditor, attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. ERA shareholders are also able to submit written questions regarding the statutory audit report to the auditor via the Company. Any questions received and answers provided will be made available to members at ERA Annual General Meetings.

In addition, the Chief Executive and Chief Financial Officer conduct regular meetings with the Company's major investors and with analysts, and the Company organises investor briefings to coincide with the release of half year and full year financial results. ERA also reviews its web site to include up to date information released to the market, investor presentations, general investor information, publications and Company policies.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	NOTES	CONSOLIDATED 2010 $'000	2009 $'000
Revenue from continuing operations	3	585,957	780,643
Changes in inventories		31,529	51,491
Purchased materials and consumables used	4	(210,194)	(120,013)
Employee benefits and contractor expense		(211,148)	(179,331)
Government and other royalties	4	(25,873)	(41,650)
Commission and shipping expenses		(10,778)	(13,936)
Depreciation and amortisation expenses	4	(60,748)	(66,602)
Financing costs	4	(15,709)	(11,191)
Statutory and corporate expenses		(11,972)	(14,238)
Other expenses	4	(11,637)	(3,120)
Profit before income tax		59,427	382,053
Income tax expense	5	(12,423)	(109,479)
Profit for the year		47,004	272,574
Other comprehensive income			
Cash flow hedges		–	(1,705)
Income tax relating to components of other comprehensive income		–	512
Other comprehensive income for the year, net of tax		–	(1,193)
Total comprehensive income for the year		47,004	271,381
Profit is attributable to:			
Owners of Energy Resources of Australia Ltd		47,004	272,574
Total comprehensive income for the year is attributable to:			
Owners of Energy Resources of Australia Ltd		47,004	271,381
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	28	24.6	142.9
Diluted earnings per share (cents)	28	24.6	142.9
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents)	28	24.6	142.9
Diluted earnings per share (cents)	28	24.6	142.9

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

Consolidated balance sheet

As at 31 December 2010

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	187,670	253,672
Trade and other receivables	8	72,850	60,049
Current tax assets		12,704	–
Inventories	9	138,552	134,376
Other	10	579	921
Total current assets		412,355	449,018
Non-current assets			
Inventories	11	212,118	182,786
Undeveloped properties	12	203,632	203,632
Property, plant and equipment	13	539,477	470,425
Investment in trust fund	14	55,814	53,270
Total non-current assets		1,011,041	910,113
Total assets		1,423,396	1,359,131
LIABILITIES			
Current liabilities			
Payables	15	94,072	68,888
Current tax liabilities		–	52,248
Provisions	16	27,672	24,279
Total current liabilities		121,744	145,415
Non-current liabilities			
Deferred tax liabilities	18	50,926	48,429
Provisions	17	299,650	198,713
Total non-current liabilities		350,576	247,142
Total liabilities		472,320	392,557
Net assets		951,076	966,574
EQUITY			
Contributed equity	19	214,585	214,585
Reserves	20	391,300	390,859
Retained profits	20	345,191	361,130
Total equity		951,076	966,574

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

Consolidated statement of changes in equity

For the year ended 31 December 2010

CONSOLIDATED	NOTES	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 January 2009		214,585	390,934	153,407	758,926
Total comprehensive income 2009		–	(1,193)	272,574	271,381
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	6	–	–	(64,851)	(64,851)
Employee share options – value of employee services	20	–	1,118	–	1,118
		–	1,118	(64,851)	(63,733)
Balance at 31 December 2009		214,585	390,859	361,130	966,574
Total comprehensive income 2010		**–**	**–**	**47,004**	**47,004**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	6	**–**	**–**	**(62,943)**	**(62,943)**
Employee share options – value of employee services	20	**–**	**441**	**–**	**441**
		–	**441**	**(62,943)**	**(62,502)**
Balance at 31 December 2010		**214,585**	**391,300**	**345,191**	**951,076**

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

Consolidated cash flow statement

For the year ended 31 December 2010

	NOTES	CONSOLIDATED 2010 $'000	 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers			
(inclusive of goods and services tax)		589,890	802,988
Payments to suppliers and employees			
(inclusive of goods and services tax)		(476,085)	(422,017)
Payments for exploration		(4,449)	(5,189)
		109,356	375,782
Interest received		9,386	6,048
Financing costs paid		(1,742)	(1,301)
Income taxes paid		(74,877)	(131,731)
Net cash inflow from operating activities	27	42,123	248,798
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for deferred stripping and property, plant and equipment		(44,951)	(37,076)
Proceeds from sale of property, plant and equipment		74	105
Net cash (outflow) from investing activities		(44,877)	(36,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Employee share option payments		(286)	(191)
Dividends paid	6	(62,943)	(64,851)
Net cash (outflow) from financing activities		(63,229)	(65,042)
Net increase/(decrease) in cash and cash equivalents		(65,983)	146,785
Cash and cash equivalents at the beginning of the financial year		253,672	106,894
Effects of exchange rate changes on cash and cash equivalents		(19)	(7)
Cash and cash equivalents at end of year	7	187,670	253,672

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

Notes to the consolidated financial statements

For the year ended 31 December 2010

1 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(i) Compliance with IFRS

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

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iii) Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Energy Resources of Australia Ltd (referred to as Company or parent entity) as at 31 December 2010 and the results of all subsidiaries for the year then ended. Energy Resources of Australia Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of ERA.

(c) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

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

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

(ii) Rendering of services

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

(iii) Other revenue/income

Other revenue/income recognised by the Group includes:

- Interest income, which is recognised on a time proportion basis using the effective interest rate method;
- Rental income, which is recognised on a straight line basis;
- Net gains on disposal of assets, which is recognised at the date control of the asset passes to the acquirer;
- Foreign exchange gains, and
- Insurance recoveries, which is recognised on confirmation from the insurer that the claim payment has been approved.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(e) Financing costs

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

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

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

(f) Provisions

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

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

(i) Rehabilitation

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

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the profit and loss account in each accounting period. The amortisation of the discount is shown as a financing cost. Other movements in the provision for closure and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to lives of operations and revisions to discount rates are capitalised within fixed assets. These costs are then depreciated on a unit of production basis over the life of the reserves.

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

Separately, ERA is required to maintain with the Commonwealth Government the Ranger Rehabilitation Trust Fund ("trust fund"), to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). Each year, 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, in the trust fund, is then determined. The trust fund includes both cash and financial instruments. The cash portion is shown as an investment on the balance sheet, and interest received by the trust fund is shown as interest income.

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

(g) Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

(i) Tax consolidation legislation

Energy Resources of Australia Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as at 31 December 2005 and have agreements governing these relationships for tax purposes in place.

The head entity, Energy Resources of Australia Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Energy Resources of Australia Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(h) Trade and other receivables

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

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

(i) Inventories

Inventories, other than stores, are carried at the lower of cost and net realisable value. Net realisable value is determined based on estimated future sales prices, exchange rates and capital and production costs, including transport. Inventory is valued using the weighted average cost method and includes both fixed and variable production costs as well as cash and non-cash charges. No accounting value is attributed to ore in situ or stockpiles containing ore at less than the assessed cut off grade. Stores are valued at cost or net realisable value where applicable and are impaired accordingly to take into account obsolescence.

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

Non current inventories consist of stockpiled ore not expected to be processed within twelve months.

(j) Impairment of assets

Assets that have an indefinite useful life and intangible assets that are not yet available for use are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. The value in use is determined using a discount rate, adjusted for risk, appropriate to the asset's inherent risks.

(k) Property, plant and equipment

(i) Acquisition

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

(ii) Depreciation and amortisation

Depreciation of plant and equipment is provided for as follows:

(a) individual assets that have a life equal to or longer than the estimated remaining life of the Ranger mine are depreciated on a unit of production basis over the life of the reserves; and

(b) each other asset is depreciated over its estimated operating life on a straight line basis.

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

- Buildings – units of production over the life of reserves
- Plant and equipment* – units of production over the life of reserves

*Some of these assets are depreciated on a straight line basis over their useful operating life which is less than the life of the Ranger mine. See below for the estimated useful lives.

- Office equipment: computers – three years
- Office equipment: general – five years
- Plant and equipment – five years
- Furniture & fittings – ten years
- Motor vehicles – five years

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

(iii) Leases

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

(iv) Mine properties

Mine properties, consisting principally of Ranger Project Rights, are amortised on a unit of production basis over the life of the economically recoverable resources of Ranger.

(v) Deferred stripping costs

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

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

(l) Exploration and evaluation expenditure

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

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- compiling pre-feasibility and feasibility studies.

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

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

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

(i) Undeveloped properties

Undeveloped properties are mineral concessions where the intention is to develop and go into production in due course. The carrying values of these assets are reviewed annually by management and the results of these reviews are reported to the Audit Committee. Impairment is assessed based on a status report regarding ERA's intentions for development of the undeveloped property and is reviewed using the fair value less cost to sell method.

(m) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(n) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 60 days.

(o) Borrowings

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

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

(p) Derivatives

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

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

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

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

Derivative financial instruments are not held for speculative purposes.

(q) Employee entitlements

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

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

(ii) Long service leave

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

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

(iii) Superannuation plan

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

The defined benefits section currently has only two members from Energy Resources of Australia Ltd and as such any surplus or deficit of plan assets are disclosed in the sponsoring entity, Rio Tinto Services Limited.

(r) Segment reporting

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

(s) Cash and cash equivalents

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

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(u) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(v) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been 'rounded off' in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(w) Share based payments

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

Equity settled share plans are settled either by the issue of shares by the relevant parent Company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to other reserves. If the cost of shares acquired to satisfy the plans exceeds the expense charged, the excess is taken to the appropriate reserve. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (e.g. Total Shareholder Return). The Group uses fair values provided by independent actuaries calculated using a lattice based option valuation model.

Non-market based vesting conditions (e.g. earnings per share targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.
Further information about the treatment of individual share based payment plans is provided in Note 32.

(x) Dividends

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

(y) Parent entity financial information

The financial information for the parent entity, Energy Resources of Australia Ltd (ERA), disclosed in Note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantess are accounted for as contributions and recognised as part of the cost of the investment.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions* [AASB 2] (effective for annual periods commencing on or after 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity-settled or a cash-settled transaction. The Group has applied these amendments retrospectively for the financial reporting period commencing on 1 January 2010. There is no impact on the financial statements of the Group.

(ii) AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues* [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency of the issuer. Provided certain conditions are met, such as right issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retropectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's or the parent entity's financial statements.

(iii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact.

(iv) AASB I*nterpretation 19 Extinguishing financial liabilities with equity instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amunt of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

(v) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improments Project* (effective from 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The group will apply the amendments from 1 January 2011. It does not expect that any adjustments will be necessary as a result of applying the revised rules.

(vi) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Energy Resources of Australia Ltd is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of Group.

2 Critical accounting estimates and judgements

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

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

(a) Rehabilitation provision

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

The costs are estimated on the basis of a closure model, taking into consideration the technical closure options available to meet ERA's obligations and applying a probability weighting to each option based on the likelihood of executing each option. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to regular reviews.

(b) Taxation

The Group has recognised certain deferred tax assets for deductible temporary differences. In recognising these deferred tax assets assumptions have been made regarding the Group's ability to generate future taxable profits.

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

(c) Determination of ore reserves and resources

ERA estimates its ore reserves and resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code).

There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

(d) Impairment

ERA's balance sheet contains items that are subject to impairment testing. In assessing impairment, estimates are required of future market prices, discount rates, exchange rates and capital and production costs in order to assist in the judgement of the recoverable amount.

Management makes estimates and assumptions in regard to impairment which are subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. Management has conducted a range of sensitivities for reasonable changes in key assumptions and determined they do not indicate an impairment.

If the carrying values of the assets are assessed to be impaired, the impairment would be charged against the income statement. Specific details are provided in Note 12.

(e) Share based payments

ERA recognises the fair value of equity settled share based payments granted as remuneration. The fair value of share options is estimated as at the date of grant using a lattice based option valuation model. Key inputs for this valuation model for each of the relevant share based payments plans are detailed in Note 32.

3 Revenue

	2010 $'000	2009 $'000
REVENUE FROM CONTINUING OPERATIONS		
Sales revenue		
Sale of goods	572,036	767,825
Rendering of services	247	472
Total sales revenue	572,283	768,297
Other revenue		
Interest received/receivable, other parties	12,699	7,621
Rent received	975	729
Net gain on sale of property, plant and equipment	–	52
Foreign exchange gains	–	3,944
Total other revenue	13,674	12,346
Total revenue from continuing operations	585,957	780,643

4 Expenses

	NOTES	2010 $'000	2009 $'000
PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:			
Cost of sales - produced product		330,590	280,076
Purchase of finished product U3O8		100,408	–
Depreciation			
Mine land and buildings		3,328	4,201
Plant and equipment		44,193	49,712
Total depreciation		47,521	53,913
Amortisation			
Mine properties		10,398	10,191
Rehabilitation asset		2,829	2,498
Total amortisation		13,227	12,689
Total depreciation and amortisation expenses		60,748	66,602
Government and other royalties			
Royalty payments		5,880	9,466
Payments to Aboriginal interests	22	19,993	32,184
Total Government and other royalties		25,873	41,650
Financing costs			
Related parties		5	160
Other parties		1,737	1,352
Unwinding of discount		13,967	9,679
Total financing costs		15,709	11,191
Impairment of assets			
Receivables		218	273
Inventories – stores and spares		1,412	371
Loss on disposal of trial plant and equipment		8,277	–
Total impairment of assets		9,907	644
Net exchange loss		301	50
Rental expense relating to operating leases		3,480	215
Research and development expenditure		64,775	35,280
Defined contribution superannuation expense		5,754	5,496

5 Income tax expense

	2010 $'000	2009 $'000
INCOME TAX EXPENSE		
Current tax	12,806	103,039
Deferred tax	(47)	7,972
Under/(over) provided in prior years	(336)	(1,532)
Income tax expense	12,423	109,479
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (Note 18b)	(5,017)	(3,431)
(Decrease)/increase in deferred tax liabilities (Note 18a)	4,970	11,403
Deferred tax	(47)	7,972
RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Operating profit before income tax	59,427	382,053
Tax at the Australian tax rate of 30% (2009 – 30%)	17,828	114,616
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
R&D tax concession	(4,858)	(2,936)
Amortisation	849	749
Other items	(1,060)	(1,418)
Income tax under/(over) provided in prior years	(336)	(1,532)
Income tax expense	12,423	109,479
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity		
Net deferred tax asset (Notes 18b)	(128)	(1,323)
Net deferred tax liability (Notes 18a)	–	(512)

Tax consolidation legislation

Energy Resources of Australia Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legisla tion as at 31 December 2005. The accounting policy in relation to this legislation is set out in Note 1(g).

6 Dividends

	2010 $'000	2009 $'000
ORDINARY SHARES		
Final dividend: For the year ended 31 December 2009 of 25 cents (2008 – 20 cents) per fully paid share paid on 5 March 2010 (2008 – 27 February 2009). Fully franked based on tax paid @ 30% – 7.5 cents (2008 – 6 cents) per share	47,684	38,148
Interim dividend: For the year ended 31 December 2010 of 8 cents fully franked (2009 – 14 cents fully franked) per fully paid share paid on 13 August 2010 (2009 – 28 August 2009)	15,259	26,703
Total dividends provided for or paid	62,943	64,851

DIVIDENDS NOT RECOGNISED AT YEAR END

The directors have not declared a final dividend for the year ended 31 December 2010 (2009 – 25 cents fully franked). The aggregate amount of the final dividend payable out of retained profits at 31 December 2010 but not recognised as a liability is	–	47,684

DIVIDEND FRANKING ACCOUNT

	2010 $'000	2009 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 – 30%)	236,976	254,202

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

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

7 Cash and cash equivalents

	2010 $'000	2009 $'000
CURRENT		
Cash at bank and in hand	1,095	4,183
Deposits at call	186,575	249,489
Cash and cash equivalents	187,670	253,672

Cash at bank/Deposits at call

Cash assets and deposits bear floating interest rates between 0.00% and 5.28% (2009 – 0.00% and 4.95%).

Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 29.

8 Trade and other receivables

	2010 $'000	2009 $'000
CURRENT		
Trade debtors	69,164	55,478
Other debtors	6,388	7,007
Provision for impairment	(2,702)	(2,436)
Net other debtors	3,686	4,571
Trade and other receivables	72,850	60,049

Impairment of receivables

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

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

Foreign exchange and interest rate risk

ERA operates internationally but is primarily exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in Note 29.

Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to Note 29 for more information on the financial risk management policy of the Group.

9 Inventories – current

	2010 $'000	2009 $'000
Stores and spares	25,174	23,194
Ore stockpiles at cost	24,629	22,345
Work in progress at cost	5,383	3,580
Finished product U3O8 at cost	83,366	85,257
Total current Inventory	138,552	134,376

Inventory expense

Obsolescence of inventory provided for and recognised as an expense during the year ended 31 December 2010 amounted to $1,412,0 43 (2009: $371,199). Any expense incurred relates to raw materials and consumables and has been disclosed as such in the statement of comprehensive income.

10 Other assets

	2010 $'000	2009 $'000
Prepayments	579	921

11 Inventories – non-current

	2010 $'000	2009 $'000
Ore stockpiles at cost	212,118	182,786

12 Undeveloped properties

	2010 $'000	2009 $'000
Jabiluka: Long-term care and maintenance development project		
Balance brought forward	**203,632**	203,632
Amount capitalised during the year	**–**	–
Total undeveloped properties	**203,632**	203,632

Undeveloped properties are considered an asset not yet ready for use. The recoverable amount of the undeveloped properties is determined using the fair value less cost to sell method.

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

- Uranium prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Mineral reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and has utilised the expertise of external consultants to validate entity–specific assumptions such as costs, production techniques and mineral reserves.

Further, the Company's cash flow forecasts are based on estimates of future uranium prices, which assume market prices will revert to the Company's assessment of the long term average price, generally over a period of three to five years.

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

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

During the period no scope changes have occurred that require reflection in the cash flow projections since the last reporting period. Key economic assumptions have been updated to reflect current best estimate.

A range of sensitivities have been conducted, including for discount rate, foreign exchange and uranium price. These sensitivities did not indicate the carrying value to be above fair value.

Based on these procedures, including reasonable evidence and economic predictions available, the directors believe the recoverable amount of the undeveloped properties is in excess of the assets carrying value.

13 Property, plant and equipment

CONSOLIDATED	MINE LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	MINE PROPERTIES $'000	REHABILITATION $'000	TOTAL $'000
YEAR ENDED 31 DECEMBER 2010					
Opening net book amount	27,415	355,117	69,813	18,080	470,425
Additions	421	34,209	10,321	–	44,951
Disposals	–	(8,351)	–	–	(8,351)
Change in estimate	–	–	–	93,200	93,200
Transfers	–	–	–	–	–
Depreciation/amortisation charge	(3,328)	(44,193)	(10,398)	(2,829)	(60,748)
Closing net book amount	24,508	336,782	69,736	108,451	539,477
Cost	111,531	832,154	421,700	151,337	1,516,722
Accumulated depreciation/ amortisation	(87,023)	(495,372)	(351,964)	(42,886)	(977,245)
Net book amount	24,508	336,782	69,736	108,451	539,477
YEAR ENDED 31 DECEMBER 2009					
Opening net book amount	23,906	379,896	75,625	11,424	490,851
Additions	7,710	24,986	4,379	–	37,075
Disposals	–	(53)	–	–	(53)
Change in estimate	–	–	–	9,154	9,154
Transfers	–	–	–	–	–
Depreciation/amortisation charge	(4,201)	(49,712)	(10,191)	(2,498)	(66,602)
Closing net book amount	27,415	355,117	69,813	18,080	470,425
Cost	111,110	807,043	411,379	58,137	1,387,669
Accumulated depreciation/ amortisation	(83,695)	(451,926)	(341,566)	(40,057)	(917,244)
Net book amount	27,415	355,117	69,813	18,080	470,425

Assets under construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property , plant and equipment which is in the course of construction:

	2010 $'000	2009 $'000
Plant and equipment	19,204	23,744

14 Investment in trust fund

	2010 $'000	2009 $'000
NON-CURRENT		
Trust Fund	55,814	53,270

Trust fund

The Trust Fund holds a restricted fixed term investment in the form of bank bills which mature and are reinvested periodically . The applicable weighted average interest rate for the year ended 31 December 2010 was 5.31% (2009: 4.09%).

15 Payables

	2010 $'000	2009 $'000
CURRENT		
Trade payables	83,744	61,692
Amounts due to related parties	8,566	5,219
Other payables	1,762	1,977
Total payables	94,072	68,888

16 Provisions – current

	2010 $'000	2009 $'000
CURRENT		
Employee benefits	8,922	9,330
Rehabilitation	18,750	14,949
Total current provisions	27,672	24,279

Movements in provisions

Movements in each class of provision during the financial year , other than employee benefits, are set out below:

	REHABILITATION $'000
CONSOLIDATED – 2010	
Carrying amount at the start of the year	14,949
Payments	(3,670)
Transfer from non-current provision	7,471
Carrying amount at the end of the year	18,750

	REHABILITATION $'000
CONSOLIDATED – 2009	
Carrying amount at the start of the year	15,119
Payments	(4,994)
Transfer from non-current provision	4,824
Carrying amount at the end of the year	14,949

17 Provisions – non-current

	2010 $'000	2009 $'000
NON-CURRENT		
Employee benefits	3,768	2,527
Rehabilitation	295,882	196,186
Total non-current provisions	299,650	198,713

Movements in provisions

Movements in each class of provision during the financial year , other than employee benefits, are set out below:

	REHABILITATION $'000
CONSOLIDATED – 2010	
Carrying amount at the start of the year	196,186
Change in estimate	86,363
Unwinding of discount	13,967
Additional provisions recognised	6,837
Transfer to current provision	(7,471)
Carrying amount at the end of the year	295,882

	REHABILITATION $'000
CONSOLIDATED – 2009	
Carrying amount at the start of the year	182,178
Change in estimate	(1,641)
Unwinding of discount	9,679
Additional provisions recognised	10,794
Transfer to current provision	(4,824)
Carrying amount at the end of the year	196,186

18 Deferred tax liabilities

	2010 $'000	2009 $'000
(A) DEFERRED TAX LIABILITY		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Property, plant and equipment	34,945	37,322
Investment in trust fund	16,744	15,981
Undeveloped properties	23,405	23,405
Inventories	33,054	25,623
Receivables	4,420	1,747
Total deferred tax liabilities	112,568	104,078
Off-set of deferred tax asset pursuant to set-off provisions (Note 18b)	(61,642)	(55,649)
Net deferred tax liabilities	50,926	48,429
Movements		
Opening balance at 1 January	104,078	89,557
(Credited) to the income statement (Note 5)	4,970	11,403
(Credited) to equity (Note 20)	–	(512)
(Over) provided in prior years credited to the income statement	3,520	3,630
Closing balance at 31 December	112,568	104,078
(B) DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Rehabilitation	53,417	48,893
Employee provisions	3,336	3,053
Other payables	4,761	2,379
	61,514	54,325
Amount recognised directly in equity		
Share benefits	128	1,324
Total deferred tax assets	61,642	55,649
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18a)	(61,642)	(55,649)
Net deferred tax assets	–	–
Movements		
Opening balance at 1 January	55,649	49,774
(Debited)/credited to the income statement (Note 5)	5,017	3,431
(Over) provided in prior years credited to the income statement	848	1,121
Under/(over) provided in prior years credited to equity	128	1,323
Closing balance at 31 December	61,642	55,649

19 Share capital

	2010 SHARES	2009 SHARES	2010 $'000	2009 $'000
SHARE CAPITAL				
A Class shares fully paid	**190,737,934**	190,737,934	**214,585**	214,585
Total contributed equity			**214,585**	214,585

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

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

Capital risk management

Details of the Group's exposure to risks when managing capital are set out in Note 29.

20 Reserves and retained profits

	2010 $'000	2009 $'000
RESERVES		
Hedging reserve – cash flow hedges	–	–
Share-based payments reserve	1,800	1,359
Capital reconstruction	389,500	389,500
Total Reserves	391,300	390,859
Movements		
Hedging reserve – cash flow hedges		
Balance 1 January	–	1,193
Revaluation – gross	–	311
Deferred tax	–	(93)
Transfer to net profit – gross	–	(2,016)
Deferred tax	–	605
Balance 31 December	–	–
Share-based payments reserve		
Balance 1 January	1,359	241
Option expense	441	1,118
Balance 31 December	1,800	1,359
Capital reconstruction		
Balance 1 January	389,500	389,500
Movements	–	–
Balance 31 December	389,500	389,500
RETAINED PROFITS		
Movements in retained profits were as follows:		
Opening retained earnings – 1 January	361,130	153,407
Net profit for the year	47,004	272,574
Dividends paid	(62,943)	(64,851)
Closing retained earnings – 31 December	345,191	361,130

Nature and purpose of reserves

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(p). Amounts are recognised in profit and loss when the associated hedged transaction af fects profit and loss.

Share-based payments reserve

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

Capital reconstruction reserve

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

21 Contingencies

Contingent liabilities

Legal actions against Energy Resources of Australia Ltd.

The remaining argument in the action listed in the Federal Court against the former Commonwealth 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 any of the above contingent liabilities or legal disputes.

22 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2010 $'000	2009 $'000
Within one year	35,643	49,830

Lease commitments

Operating leases

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

Commitments in relation to leases contracted for at the reporting datebut not recognised as liabilities, payable		
Within one year	3,017	773
Later than one year but not later than five years	936	1,718
Total operating leases	3,953	2,491

The consolidated entity leases property, plant and equipment under operating leases expiring from two to four years. Some lease s provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount and may include an incremental contingent rental.

Mineral tenement leases

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

Within one year	73	73
Later than one year but not later than five years	291	291
Later than five years	631	699
Total mineral tenement leases	995	1,063

In order to maintain current rights of tenure to mining tenements, the consolidated entity will be required to outlay an amount of approximately $73,000 in the year ending 31 December 2011 in respect of tenement lease rentals.

ERA is liable to make payments to the Commonwealth as listed below:

(i) An amount equal to the sum payable by the Commonwealth to the Northern Land Council pursuant to the Section 44 Agreement *Aboriginal Land Rights (NT) Act 1976*. This amounts to $200,000 per annum during the currency of the Agreement;
(ii) Amounts equal to the sums payable by the Commonwealth to the Aboriginal Benefits Reserve pursuant to a determination under Section 63(5) (b) of the *Aboriginal Land Rights (NT) Act 1976*. These amounts are calculated at 4.25 per cent of Ranger net sales revenue (amounts paid during 2010: $19,992,479. 2009: $32,183,844);
(iii) Amounts equal to sums payable by the Commonwealth to the Northern Territory pursuant to an understanding in respect of financial arrangements between the Commonwealth and the Government of the Northern Territory. These amounts are also calculated as though they were royalties and the relevant rate is 1.25 per cent of Ranger net sales revenue (amounts paid during 2010: $5,880 ,141 2009: $9,465,835);

ERA is liable to make payments to the Northern Land Council (NLC) pursuant to the Section 43 Agreement *(Aboriginal Land Rights (NT) Act 1976)* between Pancontinental Mining Limited and Getty Oil Development Company Limited and the NLC dated 21 July 1982, which was assigned to ERA with the consent of the NLC, as listed below:

(i) Up front payment of $3,400,000 on the commencement of production at Jabiluka.
(ii) Annual royalty payments calculated at 4.5 per cent of net sales revenue less $500,000 less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease for the first 10 years and thereafter at 5 per cent of net sales revenue less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease (refer commitment below).

ERA is liable to make payments to the Commonwealth in respect of the Jabiluka project pursuant to the conditions attached to the Mineral Lease. The amount payable was, until 30 June 1990, calculated at the rate of 5.25 per cent of net sales revenue from the Jabiluka project.

23 Auditor's remuneration

During the year the auditor of the parent entity and its related practices earned the following remuneration:

	2010 $'000	2009 $'000
AUDIT SERVICES		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	**250**	260
Total remuneration for audit services	**250**	260

24 Related parties

Directors

The names of persons who were Directors of ERA at any time during the financial period are as follows:
R Carter (resigned April 2010), H Garnett, D Klingner, R Atkinson, C Salisbury (resigned June 2010), P Taylor, J Pegler and M Coulter (appointed June 2010).

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

Key management personnel

Key management personnel compensation

	2010 $'000	2009 $'000
Short-term employee benefits	**3,497**	3,409
Post-employment benefits	**381**	320
Share-based payments	**547**	795
	4,425	4,524

In compliance with Corporations Regulations 2001 2M.3.03 the Company has provided detailed remuneration disclosures in the Directors report. The relevant information can be found in the remuneration report on pages 35 to 48.

Loans with Directors and key management personnel

There are no loans with Directors or key management personnel during 2010 (2009: nil).

Transactions with Directors and Director-related entities

There were no transactions with Director related entities other than Rio Tinto Limited during 2010. Details of transactions with Rio Tinto Limited are outlined below.

Controlled entity

Information relating to the controlled entity is set out in Note 25.

Ultimate parent entity

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

Interest income

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

Notes to the consolidated financial statements

Transactions with related parties

The following transactions occurred with related parties:

	2010 $'000	2009 $'000
Other transactions		
Management services fees paid to ultimate parent entity:		
Rio Tinto Limited	**1,600**	1,600
Consulting fees paid to:		
Rio Tinto Limited	**9,081**	5,768
Other re–imbursements for commercial services:		
Rio Tinto Limited	**43,040**	16,544
Amounts received from related parties:		
Rio Tinto Limited – other	**11,237**	264
Rio Tinto Limited – interest	**8,338**	5,383
Dividends paid to:		
Related parties – North Ltd	**21,464**	22,114
Related parties – Peko Wallsend Ltd	**21,585**	22,244

Outstanding balances arising from sales/purchases of goods and services

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

Aggregate amounts receivable from and payable to each class of other related parties at balance date were as follows:		
Assets – derivative financial instruments		
Related parties – North Finance Limited	**–**	–
Current assets – cash assets		
Related parties – Rio Tinto Finance Ltd	**186,575**	249,489
Current assets – receivables		
Related parties – Rio Tinto companies	**508**	423
Current liabilities – creditors		
Related parties – Rio Tinto companies	**8,470**	4,286

All related party transactions were conducted on commercial terms and conditions and at market rates.

25 Investment in controlled entity

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2010 %	EQUITY HOLDING 2009 %
EWL Sciences Pty Ltd	Australia	Ordinary	**100**	100

The above controlled entity is wholly-owned and no dividends were paid to the parent entity (2009: $Nil).

26 Segment information

Description of segments

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

The Chief Executive considers the business from a product prospective and has identified only one reportable segment in the year ended 31 December 2010. The company reported two reportable segments in the comparative period but has ceased engaging in consulting services during the period and hence has one reportable segment being the mining, processing and selling of uranium; the comparative information has been adjusted to reflect this. There are no other unallocated operations.

Primary reporting – business segments

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

	URANIUM 2010 $'000	URANIUM 2009 $'000
Total segment revenue	**585,957**	780,643
Revenue from external customers	**572,283**	768,297
Other revenue	**13,674**	12,346
Total segment revenue	**585,957**	780,643
Segment result	**59,427**	382,053
Income tax expense	**(12,423)**	(109,479)
Profit for the year	**47,004**	272,574
Segment assets	**1,423,396**	1,359,131
Total assets	**1,423,396**	1,359,131
Segment liabilities	**472,320**	392,557
Total liabilities	**472,320**	392,557
Acquisitions of non-current assets	**44,951**	37,075
Depreciation and amortisation expense	**60,748**	66,602
Loss on disposal of trial plant and equipment	**8,277**	–

Notes to the consolidated financial statements

Other segment information

Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Chief Executive is measured in a manner consistent with that in the income statement.

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

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

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS	
	2010 $'000	**2009 $'000**
Asia	**198,234**	185,305
United States	**287,316**	432,272
Europe	**86,486**	150,248
	572,036	767,825

Segment revenues are allocated based on the country in which the customer is located.

Segment assets

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

All assets of the consolidated entity as at 31 December 2010 are in Australia with the exception of inventories in transit or at converters of $59,486,699 (2009 – $45,870,578). All acquisitions of property, plant and equipment and other non-current assets occurred in Australia.

Segment liabilities

The amounts provided to the Chief Executive with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions. The consolidated entity does not have any borrowings or derivative financial instruments as at 31 December 2010.

27 Reconciliation of profit after income tax to net cash inflow from operating activities

	2010 $'000	2009 $'000
Profit for the year	**47,004**	272,574
Add/(less) items classified as investing/financing activities:		
Net (gain) loss on sale of non-current assets	**8,277**	(52)
Add/(less) non-cash items:		
Depreciation and amortisation	**60,748**	66,602
Rehabilitation provision: unwinding of discount	**13,967**	9,679
Employee benefits: share based payments	**727**	1,309
Net exchange differences	**19**	7
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**(12,801)**	(8,119)
(Increase)/decrease in inventories	**(33,508)**	(54,174)
(Increase)/decrease in other assets	**342**	(210)
(Increase)/decrease in investment in trust fund	**(2,544)**	(1,572)
(Decrease)/increase in payables	**25,184**	(11,206)
(Decrease)/increase in current tax liabilities	**(64,951)**	(32,616)
(Decrease)/increase in net provision for deferred tax liabilities	**2,497**	9,157
(Decrease)/increase in provisions	**(2,838)**	(2,581)
Net cash inflow provided from operating activities	**42,123**	248,798

28 Earnings per share

	2010 CENTS	2009 CENTS
Basic earnings per share	**24.6**	142.9
Diluted earnings per share	**24.6**	142.9

Earnings used in the calculation of basic and diluted earnings per share: 2010: $47,004,351 (2009: $272,573,600)

Weighted average number of ordinary shares on issue used in calculation of basic earnings per share: 2010: 190,737,934 shares (2009: 190,737,934)

Options

Options granted to employees are granted under the share-based payment plans are for options in Rio Tinto plc and Rio Tinto Ltd. Therefore, the options have not been included in the determination of diluted earnings per share. Details relating to the optio ns are set out in Note 32.

29 Financial risk management

ERA carries out risk management under policies approved by the board of directors. The board provides principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and other risks, use of derivative and non-derivative financial instruments. The subsidiary does not utilise any financial instruments, and as such, sensitivities are identical for both parent and group.

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

Market risk

Foreign exchange risk

ERA markets its products internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. It is no longer group policy to hedge against foreign exchange risk, all legacy financial instruments held in the form of foreign exchange contracts expired during 2009.

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

	2010 USD $'000	2009 USD $'000
Trade receivables	63,613	49,600

Group sensitivity

At 31 December 2010, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the change in trade receivables would have effected post-tax profit for the year by $5,503,613 higher/$3,221,964 lower (2009: $3,153,068 higher/$3,505,221 lower).

Commodity price risk

In the absence of uranium being traded on global futures exchanges, the Group uses a combination of both fixed and market price related contracts for future sales to manage this exposure. No financial instruments are used by the group to manage commodity price risk.

Interest rate risk

The Group's main interest rate risk arises from cash on deposit. When cash is surplus to operational and investing requirements it is invested in lump sum deposits to maximise interest received. In addition, the Group is exposed to interest rate risk on cash in the investment trust fund.

Credit risk

The group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Where customers are rated by an independent credit rating agency, these ratings are used to set credit limits. If no independent rating exists, the credit quality of the customer is subject to extensive assessment. Letters of credit and other forms of credit insurance are also used as required. Derivative counterparties, cash transactions and cash invested through the investment/trust fund are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

	2010 $'000	2009 $'000
TRADE RECEIVABLES		
AA	24,752	–
A	9,108	10,065
BBB	–	–
BB	–	–
B	–	–
Other	35,304	45,413

Liquidity and capital risk

The Group's objectives when managing capital are to safeguard the Group'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 Group does not have a target debt to equity ratio, but has a policy of maintaining a flexible financing structure to be able to fund capital expenditure programmes, pay dividends and fund expansion opportunities as they arise. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of the Group's balance sheet in the longer term through pro-active capital management programmes.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these amounts.

30 Parent entity financial information

(i) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $'000	2009 $'000
Balance sheet		
Current assets	**400,167**	449,196
Total assets	**1,411,100**	1,359,082
Current liabilities	**108,664**	144,569
Total liabilities	**459,255**	391,726
Shareholders' equity		
Issued capital	**214,585**	214,585
Reserves		
Capital reconstruction	**389,500**	389,500
Share-based payments	**1,800**	1,359
Retained earnings	**345,959**	361,912
Profit or loss for the year	**46,990**	272,623
Total comprehensive income	**46,990**	271,430

(ii) No guarantees have been provided by the parent entity
(iii) The commitments for the parent entity are consistent with those reported in Note 22 for the consolidated entity.

31 Events subsequent to balance date

On 28 January 2011, Energy Resources of Australia Ltd (ERA) commenced an orderly suspension of plant processing operations as a precautionary measure to help ensure that levels in the Tailings Storage Facility (TSF) remain below the authorised operating limit throughout the remainder of the wet season.

The suspension is intended to be for a period of 12 weeks.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations or state of affairs of the consolidated entity in subsequent financial years.

32 Share-based payments

ERA participates in a number of share-based payment plans administered by Rio Tinto plc and Rio Tinto Limited, which are described in detail in the Remuneration Report. These plans have been accounted for in accordance with the fair value recognition provisions of AASB2, 'Share-based Payments', which means that AASB2 has been applied to all grants of employee share-based payments that had not vested as at 1 January 2004.

Mining Companies Comparative Plan ("MCCP")

With effect from 2010, the policy for settling awards granted under the Mining Companies Comparative Plan (the MCCP) changed. For settlement of all future awards under this plan, participants will be assigned shares and offered a third party facility to realise these shares for cash and/or to meet any tax liabilities.

The grant date fair value of the awards is taken to be the market value of the shares at the date of award reduced by 50 per cent for anticipated relative TSR performance. In addition for the valuations after 2005 the market value is reduced for non-receipt of dividends between measurement date and date of vesting. Forfeitures are assumed prior to vesting at 3 per cent per annum of outstanding awards. In accordance with the method of accounting for cash-settled awards, fair values are subsequently remeasured each year to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

A summary of the status of shares granted under the share plan at 31 December 2010, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
CONSOLIDATED – 2010							
Rio Tinto Limited	**11,726**	**5,673**	**1,400**	**(3,871)**	**(2,917)**	**12,011**	**5,646**
Weighted average exercise price	**$71.44**	**$75.03**	**$74.91**	**$69.00**	**$69.00**	**$74.92**	**$74.79**
Rio Tinto plc	**1,507**	**1,735**	**–**	**–**	**–**	**3,242**	**1,507**
Weighted average exercise price	**£27.55**	**£37.30**	**–**	**–**	**–**	**£32.77**	**£27.55**
CONSOLIDATED – 2009							
Rio Tinto Limited	13,911	2,036	–	(3,514)	(707)	11,726	6,788
Weighted average exercise price	$61.63	$71.44	–	$39.12	$39.12	$71.44	$69.00
Rio Tinto plc	4,609	262	(3,364)	–	–	1,507	–
Weighted average exercise price	£24.79	£27.55	£23.77	–	–	£27.55	–

The weighted average share price at the date of exercise of rights to shares exercised regularly during the year ended 31 December 2010 was $71.85 (2009: $44.66).

The weighted average remaining contractual life of rights to shares outstanding at the end of the period was 3 years (2009: 3 years).

Where options are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these options.

Notes to the consolidated financial statements

Share Option Plan ("SOP")

It is policy to settle these awards in equity, although the participants at their discretion can be offered a cash alternative. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The performance conditions in relation to Total Shareholder Return have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto's TSR and that of the index. The relationship between Rio Tinto's TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice-based option valuation model, was used to determine the fair value of the options.

A summary of the status of options granted under the plan at 31 December 2010, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
CONSOLIDATED – 2010							
Rio Tinto Limited	**30,682**	**–**	**(3,217)**	**(1,511)**	**(5,532)**	**20,422**	**15,052**
Weighted average exercise price	**$34.66**	**–**	**$30.15**	**$26.50**	**$58.48**	**$35.75**	**$36.57**
Rio Tinto plc	**4,726**	**–**	**–**	**–**	**(1,507)**	**3,219**	**–**
Weighted average exercise price	**£18.37**	**–**	**–**	**–**	**£22.32**	**£16.53**	**–**
CONSOLIDATED – 2009							
Rio Tinto Limited	26,358	4,853	–	(529)	–	30,682	21,748
Weighted average exercise price	$50.66	$33.45	–	$18.30	–	$34.66	$30.46
Rio Tinto plc	4,645	3,219	(3,138)	–	–	4,726	–
Weighted average exercise price	£25.18	£16.53	£20.08	–	–	£18.37	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2010 was $73.00 (2009: $57.87).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3 years (2009: 3 years).

Where options are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these options.

Share Savings Plan ("SSP")

Awards under these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice-based option valuation model, including allowance for the exercise price being at a discount to market price.

A summary of the status of options granted under the plan at 31 December 2010, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
CONSOLIDATED – 2010							
Rio Tinto Limited	**50,158**	**8,493**	**(2,889)**	**(7,130)**	**(1,508)**	**47,124**	**6,871**
Weighted average exercise price	**$54.31**	**$59.26**	**$51.67**	**$48.85**	**$56.80**	**$54.69**	**$55.24**
CONSOLIDATED – 2009							
Rio Tinto Limited	47,330	27,519	(8,540)	(14,435)	(1,716)	50,158	12,938
Weighted average exercise price	$55.15	$48.73	$50.83	$33.12	$32.76	$54.31	$36.39

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2010 was $72.23 (2009: $52.18).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3 years (2009: 4 years).

Where options are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these options.

Notes to the consolidated financial statements

Management Share Plan ("MSP")

The Management Share Plan was introduced in 2007 and is described in the Remuneration Report. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The fair value of each award on the day of grant is set equal to share price on the day of grant. Forfeitures are assumed prior to vesting at 3 per cent per annum of outstanding awards.

A summary of the status of shares granted under the share plan at 31 December 2010, and changes during the year, is presented below:

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
CONSOLIDATED – 2010							
Rio Tinto Limited	**11,500**	**5,507**	**2,231**	**(3,605)**	**–**	**15,633**	**–**
Weighted average fair value at grant date	**$72.17**	**$75.03**	**$74.53**	**$74.50**	**–**	**$73.04**	**–**
Rio Tinto plc	**7,012**	**3,358**	**–**	**(1,043)**	**–**	**9,327**	**–**
Weighted average fair value at grant date	**£26.11**	**£37.16**	**–**	**£26.81**	**–**	**£30.36**	**–**
CONSOLIDATED – 2009							
Rio Tinto Limited	4,454	7,046	–	–	–	11,500	–
Weighted average fair value at grant date	$93.22	$49.80	–	–	–	$72.17	–
Rio Tinto plc	2,778	5,169	(935)	–	–	7,012	–
Weighted average fair value at grant date	£35.65	£22.35	£28.67	–	–	£26.11	–

The weighted average share price at the date of exercise of conditional grants of shares exercised regularly during the year ended 31 December 2010 was $78.08 (2009: nil).

The weighted average remaining contractual life of conditional grants of shares outstanding at the end of the period was 2 years (2009: 2 years).

The model inputs for conditional rights granted during the year ended 31 December 2010 included:

(a) rights are granted for no consideration and have a three year life
(b) exercise price: – (2009: –)
(c) grant date: 22 March 2010 (2009: 10 March 2009)
(d) expiry date: 22 March 2013 (2009: 10 March 2012)
(e) share price at grant date: $75.03 (2009: $49.80)

Where options are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these options.

Bonus Deferral Plan

The Bonus Deferral Plan was introduced during 2009 and is made up of two parts: the Bonus Deferral Award and the Company Contributed Award. The Bonus Deferral Award was established for the mandatory deferral of 100% of the 2008 Bonus for "Most Senior Executives" and 50% of the 2008 Bonus for "Band C and Above Executives". In addition, in order to enhance retention of key employees the Company Contributed Award was made in respect of 25% of the gross annual basic salary for each Band C and Above Executive. The vesting of these awards is dependent only on service conditions being met. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity- settled share based payment transactions. The fair value of each award on the day of grant is equal to share price on the day of grant less a small adjustment for the timing of dividends vesting. Forfeitures are assumed prior to vesting at three per cent per annum of outstanding awards.

	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCISABLE AT END OF THE YEAR
CONSOLIDATED – 2010							
Rio Tinto Limited	**798**	**2,185**	**–**	**(1,499)**	**–**	**1,484**	**–**
Weighted average fair value at grant date	**$41.77**	**$51.24**	**–**	**$51.25**	**–**	**$51.24**	**–**
CONSOLIDATED – 2009							
Rio Tinto Limited	–	798	–	–	–	798	–
Weighted average fair value at grant date	–	$41.77	–	–	–	$41.77	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2010 was $70.58.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1 years (2009: 2 years).

Where options are issued to employees of subsidiaries within the Rio Tinto Group, the subsidiaries compensate the parent for the amount recognised as expense in relation to these options.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2010 $'000	2009 $'000
Share based payment expense	727	671

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 55 to 93 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2010 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

Dr D Klingner
Director

Melbourne
11 February 2011

Independent auditor's report

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Independent auditor's report to the members of Energy Resources of Australia Limited

Report on the financial report

We have audited the accompanying financial report of Energy Resources of Australia Limited (the company), which comprises the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Energy Resources of Australia Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent auditor's report

PricewaterhouseCoopers

Independent auditor's report to the members of Energy Resources of Australia Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Energy Resources of Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 35 to 48 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Energy Resources of Australia Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

11 February 2011

Shareholder information

The shareholder information set out below was applicable as at 31 January 2011

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	A CLASS ORDINARY SHARES			
	NUMBER OF SHARE-HOLDERS	% OF SHARE-HOLDERS	NUMBER OF SHARES	% OF ISSUED SHARES
1 – 1000	10,910	72.82	4,127,122	2.16
1,001 – 5,000	3,379	22.56	7,895,345	4.14
5,001 – 10,000	449	3.00	3,392,026	1.78
10,001 – 100,000	220	1.47	5,288,018	2.77
100,001 and over	23	0.15	170,035,423	89.15
	14,981	100.00	190,737,934	100.00

There were 1,366 holders at less than a marketable parrel at ordinary shares.

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

	NUMBER OF SHARES	% OF ISSUED SHARES
Peko Wallsend Ltd	65,407,896	34.29
North Limited	65,042,208	34.10
National Nominees Limited	11,165,819	5.85
HSBC Custody Nominees (Australia) Limited	10,990,834	5.76
JP Morgan Nominees Australia Limited	5,585,252	2.93
JP Morgan Nominees Australia Limited <Cash Income A/C>	3,657,049	1.92
Citicorp Nominees Pty Limited	2,493,541	1.31
HSBC Custody Nominess (Australia) Limitied	1,444,952	0.76
Brispot Nominees Pty Limited	1,039,396	0.54
HSBC Custody Nominess (Australia) Limitied	650,486	0.34
Cogent Nominees Pty Limited <SMP Accounts>	546,437	0.29
Cogent Nominees Pty Limited	277,981	0.15
Merrill Lynch (Australia) Nominees Pty Limited	250,322	0.13
Ganra Pty Ltd	240,000	0.13
Queensland Investment Corporation	186,509	0.10
HSBC Custody Nominess (Australia) Limitied	164,265	0.09
AMP Life Limited	160,754	0.08
UBS Wealth Management Australia Nominess Pty Ltd	142,422	0.07
Burleigh Heads Holdings Pty Ltd	125,000	0.07
Mr James Gardiner	125,000	0.07

Entitlements to vote

Subject to any rights or restrictions for the time being attached to any shares on a show of hands, every member present in person or by proxy or by attorney or by representative and entitled to vote shall have one vote.

On a poll, every member present in person or by proxy or by attorney or by representative shall have one vote for each share held by him/her.

Annual general meeting

The next AGM will be held at 10am on Wednesday 13 April 2011 at SKYCITY, Gilruth Avenue, Darwin.

Tax file numbers

Tax file numbers or exemption details are recorded from shareholders who wish to provide the information. Dividend advice statements, when issued to shareholders, indicate whether or not a shareholder's tax file number has been recorded. ERA normally pays fully franked dividends. In the event of an unfranked dividend being paid, ERA will be required to deduct tax at the top marginal rate from the dividend paid to shareholders resident in Australia who have not supplied a tax file number or exemption form.

Information on shareholding

Shareholders who require information about their shareholding or dividend payment should contact ERA's principal registry.
Shareholders who have changed their address should advise the change in writing to:

ERA Share Registry

Computershare Investor Services Pty Ltd

117 Victoria Street
West End QLD 4101
Telephone: +61 (0) 3 9473 2500
Facsimile: +61 (0) 3 9415 4000

Sponsored shareholders should note, however, that they should contact their sponsored broker to initiate a change of address.

2010 ANNOUNCEMENTS

21 Dec 2010	Earnings outlook for 2010
21 Dec 2010	Ranger Pit 3 Infill drilling programme
03 Nov 2010	Analyst forums, Sydney and Melbourne
13 Oct 2010	Quarterly operations review (Q3 2010)
23 Sep 2010	Presentation to Mining the Territory Conference
30 Jul 2010	ASX Interim report 30 June 2010 - Appendix 4D
30 Jul 2010	Presentation to financial community
30 Jul 2010	Half year results (H1 2010)
30 Jul 2010	Resignation and Appointment of Company Secretary
13 Jul 2010	Quarterly operations review (Q2 2010)
25 Jun 2010	Presentation to financial community
16 Jun 2010	Director appointment/resignation - M Coulter
16 Jun 2010	Director appointment/resignation - C Salisbury
11 May 2010	US Investor Presentation
05 May 2010	Presentation to the Financial Community
30 Apr 2010	Financial Community Presentation
21 Apr 2010	2010 AGM – Chief Executive’s address
21 Apr 2010	Results of meeting 2010
21 Apr 2010	2010 AGM – Chairman’s address
21 Apr 2010	Director appointment/resignation - R Carter
13 Apr 2010	Quarterly operations review (Q1 2010)
29 Jan 2010	Correction to ASX Announcement - full year results 2009
29 Jan 2010	ASX Preliminary final report 31 December 2009 - Appendix 4E
29 Jan 2010	Full year results 2009
29 Jan 2010	Presentation to financial community - full year results 2009
29 Jan 2010	Annual statement of reserves and resources 2009
13 Jan 2010	Quarterly operations review (Q4 2009)

Details of these announcements are available at www .energyres.com.au.

Ten year performance

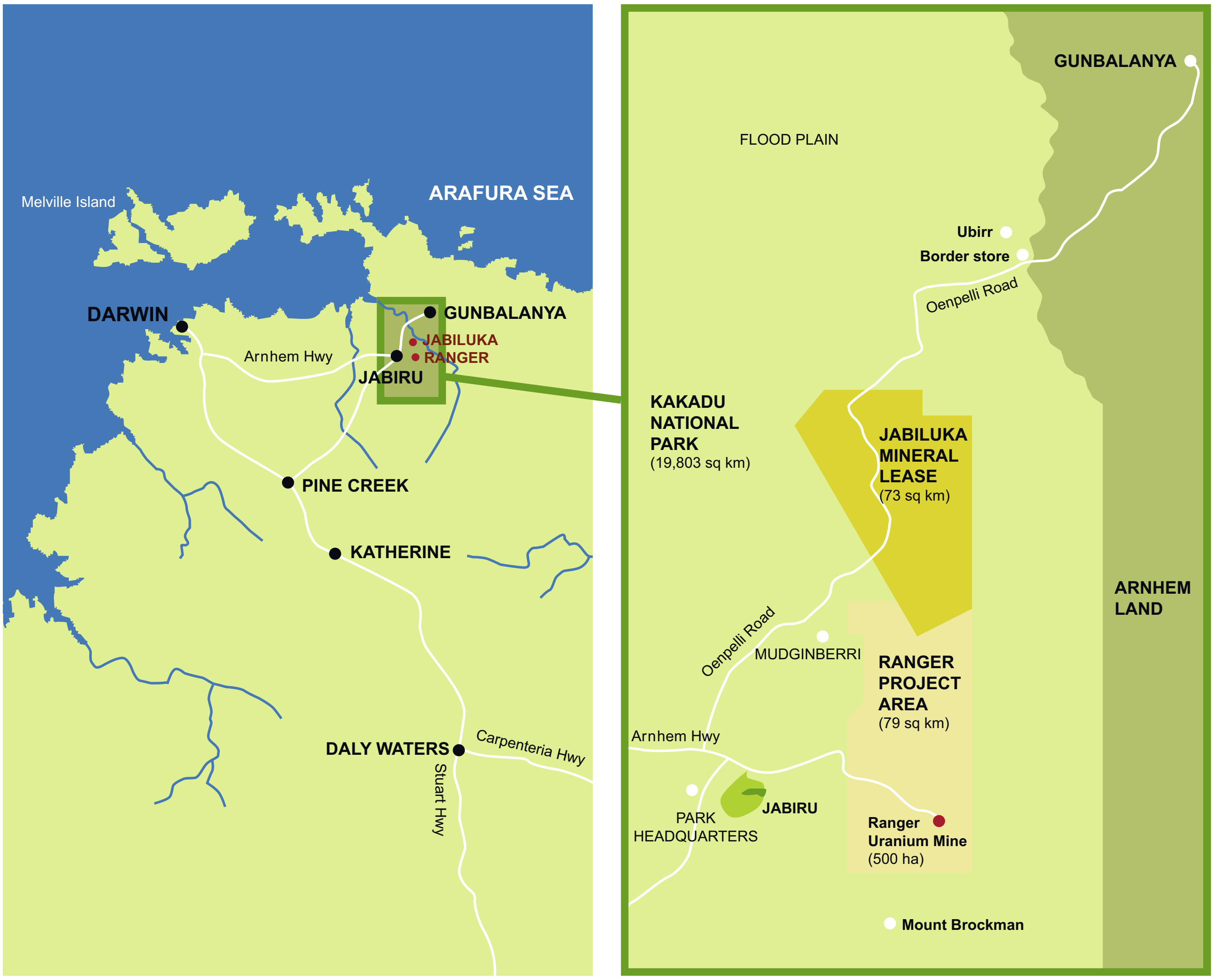
YEAR ENDED 31 DECEMBER	2010	2009	2008	2007	2006	2005	2004[3]	2003	2002[2]	2001[1]
Sales Revenue ($000)	**572,283**	768,297	496,359	357,080	312,698	262,036	236,270	196,216	198,703	232,808
Earnings Before Interest and Tax ($000)	**47,726**	374,737	317,957	108,012	68,745	65,452	42,773	35,298	39,214	36,467
Profit Before Tax ($000)	**59,427**	382,053	312,569	98,366	62,247	59,620	39,239	35,546	36,675	29,652
Income Tax Expense ($000)	**12,423**	109,479	90,784	22,277	18,640	18,554	2,193	15,674	15,490	13,624
Profit After Tax ($000)	**47,004**	272,574	221,785	76,089	43,607	41,066	37,046	19,872	21,185	16,028
Total Assets ($000)	**1,423,396**	1,359,131	1,170,409	985,353	869,350	864,162	862,875	756,327	830,260	810,699
Shareholders' Equity ($000)	**951,076**	966,574	758,926	606,021	552,491	539,764	509,819	614,345	605,917	605,713
Long Term Debt ($000)	**–**	–	–	–	–	–	–	–	–	–
Current Ratio	**3.4**	3.1	1.5	1.8	3.6	3.8	5.2	4.0	2.2	1.3
Liquid Ratio	**2.1**	2.2	0.8	1.0	2.1	2.3	3.1	1.9	1.1	0.6
Gearing Ratio (%)	**–**	–	–	–	–	–	–	–	–	–
Interest Cover (times)	**47.8**	33.5	5.6	7.79	6.3	6.5	4.7	48.0	14.0	4.7
Return on Shareholders' Equity (%)	**4.9**	31.6	29.2	13.1	8.0	7.6	7.3	3.2	3.5	2.6
Earnings Per Share (cents)	**24.6**	142.9	116.3	39.9	22.9	21.5	19	10	11	8
Dividends Per Share (cents)	**8.0**	39.0	28.0	20.0	17.0	17.0	17.0	11.0	11.0	8.0
Payout Ratio (%)	**32**	27	24	28	74	80	88	106	99	95
Share Price ($) closing	**11.13**	23.89	19.00	19.50	20.80	10.02	6.59	3.40	1.71	1.94
Price-Earning Ratio	**45.24**	16.72	16.34	48.88	90.98	47.70	34.7	30.9	15.4	23.1
Dividend Yield (%)	**2.96**	1.42	1.47	1.03	0.82	1.70	2.58	3.24	6.4	4.1
Net Tangible Assets per Share ($)	**4.99**	5.07	3.98	3.20	2.90	2.80	2.67	3.22	3.18	3.18
No. of Employees	**523**	521	519	419	385	354	273	238	184	231
Profit After Tax per Employee ($000)	**89.87**	523.17	427.33	181.6	113.3	116.0	143.7	83.5	115.1	70.3
Ore Mined (million tonnes)	**1.4**	2.2	3.5	2.9	3.3	2.2	0.8	1.8	0.8	3.2
Ore Milled (million tonnes)	**2.4**	2.3	2.0	1.9	2.0	2.3	2.1	2.1	1.8	2.5
Mill Head Grade (% U_3O_8)	**0.19**	0.26	0.30	0.31	0.26	0.29	0.28	0.28	0.28	0.29
Mill Recovery (%)	**87.2**	88.3	88.2	88.2	87.5	88.3	88.8	88.3	89.7	90.6
Production (tonnes U_3O_8) – Drummed	**3,973**	5,240	5,339	5,412	4,748	5,910	5,137	5,065	4,470	6,564
Sales – Ranger Concentrates (tonnes U_3O_8)	**4,373**	5,497	5,272	5,324	5,760	5,552	5,024	5,241	4,517	5,937
Sales – Other Concentrates (tonnes U_3O_8)	**653**	–	–	–	–	136	581	18	628	408
Sales – Total (tonnes U_3O_8)	**5,026**	5,497	5,272	5,324	5,760	5,688	5,605	5,259	5,145	6,345

Note 1 Change of accounting period to 31 December year end (period of 18 months from 1 July 2000 – 31 December 2001)
Note 2 Calendar year 1 January – 31 December 2002
Note 3 Restated to comply with IFRS

Definition of statistical ratios

Current Ratio = current assets/current liabilities
Liquid Ratio = (current assets-inventory-prepayments-foreign exchange hedge asset on borrowings) /(current liabilities-bank overdraft – foreign exchange hedge liability)
Gearing Ratio = (long term debt + term creditors)/(shareholders' equity + long term debt + term creditors)
Interest Cover = earnings before interest and tax/interest expense
Return on Shareholders' Equity = profit after tax/average shareholders' equity
Earnings per Share = profit after tax/weighted average number of shares issued
Dividends per Share = dividends paid/number of shares issued
Payout Ratio = dividends paid/profit after tax
Price-Earnings Ratio = price/earnings per share
Dividend Yield = dividend per share/share price
Net Tangible Assets per Share = net assets/number of shares issued

CORPORATE DIRECTORY



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