

**Results for announcement to the market**

# **Appendix 4E**

## **Energy Resources of Australia Ltd**

ABN 71 008 550 865

ASX Preliminary final report – 31 December 2011

Lodged with the ASX under Listing Rule 4.3A

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**Results for announcement to the market**

				<b>2011</b>	<b>2010</b>
				<b>\$000</b>	<b>\$000</b>
<b>Revenue</b> from sales of uranium	<b>up</b>	13%	to	649,213	572,036
<b>Revenue</b> from continuing operations	<b>up</b>	14%	to	667,849	585,957
<b>Profit/(loss)</b> from continuing operations after tax attributable to members	<b>down</b>	427%	to	(153,599)	47,004
<b>Net profit/(loss)</b> for the period attributable to members	<b>down</b>	427%	to	(153,599)	47,004
<b>EPS</b> (cents)	<b>down</b>	388%	to	(48.4)	16.8
<b>Net Cash inflow</b> from operating activities	<b>up</b>	30%	to	54,916	42,123
<b>Underlying earnings</b>	<b>down</b>	203%	to	(54,156)	52,798

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

**Reconciliation of net earnings to underlying earnings**

*All after tax figures in \$000*

	<b>2011</b>	<b>2010</b>
Profit/(Loss) for the year	(153,599)	47,004
Low grade inventory value adjustment	(99,443)	-
One-off charge for the write-off of trial water treatment process	-	(5,794)
Underlying earnings	<u>(54,156)</u>	<u>52,798</u>

**Review of operations**

Energy Resources of Australia Ltd's (**ERA**) net loss after tax for the year ended 31 December 2011 was \$154 million, down from a profit of \$47 million in 2010.

In 2011, operations at the Ranger mine were significantly affected by a suspension of processing operations announced in January 2011. ERA took this proactive action in response to the significantly higher than average level of rainfall encountered at the Ranger mine during the 2010/2011 wet season. Whilst the suspension was initially expected to be for a period of 12 weeks, the continuation of the La Nina weather pattern and high rainfall at the Ranger mine resulted in ERA extending the suspension on 12 April 2011. Typical dry season conditions from late April 2011 permitted the progressive restart of processing operations from 15 June 2011, however, the significant volume of pond water at the Ranger mine following the 2010/2011 wet season affected mining operations for the remainder of 2011.

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Sales of uranium oxide for the year were 5,167 tonnes (2010: 5,026 tonnes). Revenue from the sale of uranium oxide for the year was \$649 million, an increase of \$77 million when compared with 2010. The increase in sales revenues from uranium oxide was due to a higher average realised sales price, which was partially offset by the stronger Australian dollar during 2011 compared with 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 sales price of uranium oxide for 2011 was US\$59.32 per pound (2010: US\$48.16 per pound). This increase was largely attributable to the expiration of a low priced legacy contract in 2010 and an increase in the long term price indicator in 2011.

The suspension of processing operations and corresponding lower production resulted in the need for ERA to purchase 2,126 tonnes of uranium oxide in 2011. Out of this amount, 1,636 tonnes was used to fulfil 2011 sales commitments with the remainder used to repay loans and build inventory at the end of 2011. As a consequence, purchased material costs rose substantially in 2011.

Notwithstanding the suspension of processing operations, ERA met all of its sales commitments in 2011 with the additional supply requirements fulfilled through purchased material, loans and inventory management.

Employee and contractor costs remained in line with 2010 despite increased expenditure on ERA's major projects which included further studies on the Brine Concentrator project, finalisation of studies on the Ranger Heap Leach Facility project and the approval of the Ranger 3 Deeps Exploration Decline project.

Royalty costs declined in line with the decrease in sales volume of Ranger mined uranium oxide. ERA does not pay royalties on purchased material.

Depreciation costs increased significantly during 2011 as a result of the adjustment to the Ranger Ore Reserves and the increase in the non current asset associated with the increased rehabilitation provision. The increase in the rehabilitation provision also resulted in a significant increase in financing costs. It is expected that these two items will continue to impact non-cash costs in future years.

Uranium oxide production in 2011 was 2,641 tonnes (2010: 3,793 tonnes). Production of uranium oxide was significantly affected by a temporary suspension of processing operations. Mining operations were also impacted by the significantly above average rainfall during the 2010/2011 wet season with the level of pond water in Ranger Pit 3 reaching a record level of in excess of 3.5 gigitalitres. ERA commissioned additional pond water treatment capacity, however, as a result of the record level of rainfall in December 2011, the company was unable to fully dewater Ranger Pit 3. This prevented access to the high grade ore at the bottom of the pit, with mining operations being restricted to the upper benches of Ranger Pit 3 and stockpile transfers for the majority of 2011.

Following the recommencement of processing operations in June 2011, the processing plant performed at a high level with production of uranium oxide for the December quarter of 1,030 tonnes, two per cent higher than the previous quarter. Improvements implemented during the suspension resulted in ore milled in the December 2011 quarter being 23 per cent higher than the corresponding period in 2010. Average mill recovery for the December 2011 quarter was also higher than that achieved in the corresponding period in 2010, despite the lower mill head grade in 2011 compared with 2010.

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In 2011, underlying earnings excluded a negative inventory value adjustment of \$99.4 million announced on 4 August 2011 at the time of the company's 2011 interim report. This adjustment followed the downgrade of low grade stockpiled material, previously classified as Ore Reserves, to Mineral Resources. In 2010, underlying earnings excluded a one-off charge of \$5.8 million related to the write-off of previously capitalised expenditure for a trial process water treatment project, which was discontinued after the results of the trial did not meet the expected performance.

Total capital spending (including sustaining capital) increased in 2011 to \$97 million (2010: \$45 million). The projects completed in 2011 included a four metre lift to the Tailings Storage Facility walls, a feasibility study into the construction of a brine concentrator at the Ranger mine and the purchase of additional mining equipment to assist with completion of mining in Ranger Pit 3 by the end of 2012. Sustaining capital for 2011 was \$12 million.

## **Capital raising**

On 12 October 2011, ERA announced a 12 for 7 accelerated renounceable entitlement offer ('Entitlement Offer') of new ERA ordinary shares to all eligible shareholders at an offer price of \$1.53 per new share. The offer received strong support from ERA's institutional and retail shareholders, including the major shareholder Rio Tinto which participated to its full 68.4% entitlement.

The Entitlement Offer was successfully completed on 15 November 2011 with ERA raising its target amount of \$500 million.

The funds will be used to progress the implementation of ERA's strategic initiatives including the construction of a brine concentrator, construction of an exploration decline for the Ranger 3 Deeps resource and an expanded surface exploration on the Ranger Project Area.

## **Brine Concentrator Project**

Following the completion of a feasibility study in 2011, the ERA Board today approved the design, construction and commissioning of a brine concentrator at the Ranger mine with the nominal capacity to treat 1.83 gegalitres per annum of process water. The estimated total capital expenditure for the Brine Concentrator project is \$220 million, which includes an amount of \$65 million for the procurement of long lead time items previously approved by the Board.

ERA has entered into a contract with HPD LLC for the design and supply of the brine concentrator units. Procurement of the long lead time items remains on schedule with the brine concentrator expected to be commissioned in the second half of 2013.

## **Rehabilitation Provision**

As announced on 4 August 2011, ERA increased the rehabilitation provision from \$315 million (as at 31 December 2010) to \$550 million (on a net present cost basis). As at 31 December 2011, this provision has been revised to \$565 million to include additional disturbance related to operations in the second half of 2011. Further detail is provided in the notes on 'Additional information for announcement to the market' section.

## **Ore Reserves and Mineral Resources**

During 2011, Ore Reserves for the Ranger Project Area decreased by 16,364 tonnes of contained uranium oxide to 13,484 tonnes of contained uranium oxide as a consequence of depletion by processing, downward adjustments following grade adjustments to stockpiled

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material and the insitu ore model, reclassification of Ore Reserves to Mineral Resources and reconciliation adjustments.

Mineral Resources for the Ranger Project Area increased by 7,642 tonnes to 117,246 tonnes of contained uranium oxide. The majority of this increase was attributable to the reclassification of Ore Reserves to Mineral Resources associated with the low grade inventory value adjustment.

Details of the grade adjustments and reclassification of Ore Reserves to Mineral Resources is outlined in the company's interim report lodged with the Australian Securities Exchange on 4 August 2011 and the separate announcement made to the Australian Securities Exchange today.

## Exploration

On 4 August 2011, the ERA Board approved the construction of an exploration decline to conduct close spaced underground exploration drilling and to explore areas adjacent to the Ranger 3 Deeps resource. The current estimated cost of this project is \$120 million.

ERA expects to select the successful tenderer for the construction of the box cut and decline in mid February 2012. Preparatory works remain on schedule with construction of the box cut and decline expected to commence in May 2012.

Exploration in 2011 on the Ranger Project Area focused largely on the Georgetown and Ranger 18 East areas.

Four holes drilled in the Georgetown area in the first half of the year intersected mineralisation, however, drilling in the December 2011 quarter did not intersect consistent mineralisation. Further detailed structural analysis is being conducted in this area which may identify further follow up drilling targets for 2012.

At Ranger 18 East, four of seventeen diamond drilling tails were completed to the target depth before rain forced the temporary suspension of the program. The drilling program will continue in 2012 when access to the area becomes available following the 2011/2012 wet season.

Exploration expenditure for the year totalled \$9 million (2010: \$5 million).

## Dividends

In light of the 2011 results and the forecast cashflow requirements for the implementation of ERA's strategic initiatives, the ERA directors have decided not to declare a final dividend for the 2011 financial year.

The total dividend paid for the 2010 financial year was 8 cents per share.

## Outlook

In the short term, the uranium market appears to be adequately supplied with utilities holding sufficient inventories and there is mostly discretionary demand in the market. Following the Fukushima accident, buying slowed as utilities in Japan and around the world conducted extensive nuclear safety reviews. Consequently, the spot price of uranium oxide declined gradually over the remainder of 2011. ERA expects the market to remain at present levels until demand increases and nuclear plants in Japan begin to restart. China, which has the most aggressive new-build program, also put approvals of new projects on hold while

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conducting nuclear safety reviews. It is anticipated that China will resume approvals of new projects in 2012.

Long term demand for uranium oxide is expected to continue to be driven by strong growth in the Chinese market. Over the next decade, this demand is expected to significantly exceed any loss in demand from utilities in Japan or Germany. ERA continues to envisage a strong future for uranium, including continued demand growth and higher market prices, given that new production will be needed to meet future demand.

As at 9.00am on 31 January 2012, 956.2 mm of rain has fallen at the Jabiru airport since 1 September 2011 which includes a record December rainfall of 459mm (Source: Australian Bureau of Metrology).

As previously announced, the record December rainfall prevented ERA from fully dewatering Ranger Pit 3 and accessing the high grade ore located at the bottom of the pit prior to the end of 2011. At this time, ERA expects uranium production for 2012 to be within the range of 3,000 to 3,700 tonnes, however, production remains highly dependent on the level of actual rainfall encountered for the remainder of the 2011/2012 wet season. Production in 2012 will be weighted towards the second half of the year with mining operations limited due to the wet season, particularly the record December 2011 rainfall.

ERA continues to evaluate the impact of rainfall, particularly the record level of rain in December 2011, on production for 2012 and will provide further guidance on production and sales during the year. An important element of ERA's process water management strategy is the completion of mining in Ranger Pit 3 by the end of 2012. ERA will continue to optimise the mine schedule to maximise material movement to ensure that this task is completed within the targeted timeframe.

Sales of uranium oxide in 2012 are expected to be broadly in line with production.

The average realised price for 2012 is expected to be broadly in line with that achieved in 2011, however, it remains subject to the precise timing of sales deliveries during the period and movements in the long term and short term price indicators.

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**Preliminary consolidated statement of comprehensive income**

	2011 \$000	2010 \$000
Revenue from continuing operations	667,849	585,957
Changes in inventories	(110,430)	31,529
Purchased materials (uranium oxide)	(244,064)	(100,408)
Materials and consumables used	(111,192)	(109,786)
Employee benefits and contractor expenses	(211,353)	(211,148)
Government and other royalties	(16,153)	(25,873)
Commission and shipping expenses	(5,611)	(10,778)
Depreciation and amortisation expenses	(125,925)	(60,748)
Financing costs	(27,132)	(15,709)
Statutory and corporate expense	(13,675)	(11,972)
Other expenses	(8,654)	(11,637)
<b>Profit/(Loss) before income tax</b>	<b>(206,340)</b>	<b>59,427</b>
Income tax benefit/(expense)	52,741	(12,423)
<b>Profit/(Loss) for the year</b>	<b>(153,599)</b>	<b>47,004</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>(153,599)</b>	<b>47,004</b>
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	(153,599)	47,004
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	<b>(153,599)</b>	<b>47,004</b>

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**Preliminary consolidated balance sheet**

	2011 \$000	2010 \$000
<b>Current assets</b>		
Cash and cash equivalents	632,584	187,670
Trade and other receivables	67,200	72,850
Current tax assets	3,698	12,704
Inventories	126,049	138,552
Other	381	579
<b>Total current assets</b>	<b>829,912</b>	<b>412,355</b>
<b>Non-current assets</b>		
Inventories	112,801	212,118
Undeveloped properties	203,632	203,632
Property, plant and equipment	741,254	539,477
Deferred tax assets	2,154	-
Investment in trust fund	59,219	55,814
<b>Total non-current assets</b>	<b>1,119,060</b>	<b>1,011,041</b>
<b>Total assets</b>	<b>1,948,972</b>	<b>1,423,396</b>
<b>Current liabilities</b>		
Payables	80,238	94,072
Provisions	37,019	27,672
<b>Total current liabilities</b>	<b>117,257</b>	<b>121,744</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	-	50,926
Provisions	543,179	299,650
<b>Total non-current liabilities</b>	<b>543,179</b>	<b>350,576</b>
<b>Total liabilities</b>	<b>660,436</b>	<b>472,320</b>
<b>Net assets</b>	<b>1,288,536</b>	<b>951,076</b>
<b>Equity</b>		
Share capital	706,485	214,585
Reserves	390,459	391,300
Retained profits	191,592	345,191
<b>Total equity</b>	<b>1,288,536</b>	<b>951,076</b>



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**Preliminary consolidated statement of changes in equity**

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 January 2010</b>	<b>214,585</b>	<b>390,859</b>	<b>361,130</b>	<b>966,574</b>
Profit/(Loss) for the year	-	-	47,004	47,004
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>47,004</b>	<b>47,004</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	-	-	(62,943)	(62,943)
Employee share options - value of employee services	-	441	-	441
	-	441	(62,943)	(62,502)
<b>Balance at 31 December 2010</b>	<b>214,585</b>	<b>391,300</b>	<b>345,191</b>	<b>951,076</b>
Profit/(Loss) for the year	-	-	(153,599)	(153,599)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(153,599)</b>	<b>(153,599)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity	491,900	-	-	491,900
Dividends provided for or paid	-	-	-	-
Employee share options - value of employee services	-	(841)	-	(841)
	491,900	(841)	(153,599)	337,460
<b>Balance at 31 December 2011</b>	<b>706,485</b>	<b>390,459</b>	<b>191,592</b>	<b>1,288,536</b>

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**Preliminary consolidated statement of cash flows**

	2011 \$000	2010 \$000
	inflows/ (outflows)	inflows/ (outflows)
<b>Cash flows from operating activities</b>		
Receipts from customers	687,817	589,890
Payments to suppliers and employees	(645,447)	(476,085)
Payment for exploration	(9,368)	(4,449)
	<u>33,002</u>	<u>109,356</u>
Interest received	12,127	9,386
Borrowing costs paid	(2,110)	(1,742)
Income taxes (paid)/refunded	11,897	(74,877)
<b>Net cash inflow from operating activities</b>	<b><u>54,916</u></b>	<b><u>42,123</u></b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(97,426)	(44,951)
Proceeds from sale of property, plant and equipment	22	74
<b>Net cash outflow from investing activities</b>	<b><u>(97,404)</u></b>	<b><u>(44,877)</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	500,290	-
Share issue transaction costs	(11,986)	-
Employee share option payments	(902)	(286)
Dividends paid	-	(62,943)
<b>Net cash outflow from financing activities</b>	<b><u>487,402</u></b>	<b><u>(63,229)</u></b>
<b>Net (decrease)/increase in cash held</b>	<b>444,914</b>	<b>(65,983)</b>
Cash at the beginning of the financial year	187,670	253,672
Effects of exchange rate changes on cash	-	(19)
<b>Cash at the end of the financial year</b>	<b><u>632,584</u></b>	<b><u>187,670</u></b>

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<b>Retained earnings</b>	2011 \$'000	2010 \$'000
Retained earnings at the beginning of the financial year	345,191	361,130
Net profit/(loss) attributable to members of Energy Resources of Australia	(153,599)	47,004
Dividends provided for or paid	-	(62,943)
Retained profits at the end of the financial year	<u>191,592</u>	<u>345,191</u>

<b>Share Capital</b>	Issue price	No. of Shares	\$'000
Opening balance		190,737,934	214,585
Rights Issue	1.53	326,987,128	500,290
Transaction costs related to rights issue			(11,986)
Deferred tax on transaction costs			3,596
Equity share capital at the end of the financial year		<u>517,725,062</u>	<u>706,485</u>

On 12 October 2011, the company announced a 12 for 7 accelerated renounceable entitlement offer of new ERA ordinary shares to all eligible shareholders at an offer price of \$1.53 per new share. The entitlement offer was completed on 15 November 2011 and was fully subscribed.

<b>Provisions</b>	2011 \$'000	2010 \$'000
Provisions - current		
Employee benefits	11,891	8,922
Rehabilitation	25,128	18,750
Total current provisions	<u>37,019</u>	<u>27,672</u>
Movement in current rehabilitation provision		
Carrying value at the start of the year	18,750	14,949
Payments	(5,382)	(3,670)
Transfer from non-current provisions	11,760	7,471
Carrying amount at the end of the year	<u>25,128</u>	<u>18,750</u>
Provisions – non-current		
Employee benefits	3,022	3,768
Rehabilitation	540,157	295,882
Total non-current provisions	<u>543,179</u>	<u>299,650</u>
Movement in non-current rehabilitation provision		
Carrying value at the start of the year	295,882	196,186
Change in estimate	220,217	86,363
Unwind of discount	25,022	13,967
Additional provision recognised	10,796	6,837
Transfer from current provisions	(11,760)	(7,471)
Carrying amount at the end of the year	<u>540,157</u>	<u>295,882</u>

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

The costs are estimated on the basis of a closure model, taking into account consideration to the preferred options available to meet ERA's obligations. The cost estimates are reviewed annually during the life of the operation to reflect known developments.

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A detailed desk top review was conducted during the first half of the year and resulted in modifications to the preferred closure case as at the 30 June 2011. The provision for rehabilitation represents the net present cost at 31 December 2011 of the preferred closure plan.

ERA is undertaking detailed studies to further refine its understanding of the capital and operating costs involved in full remediation of the Ranger Project Area. The ultimate cost of rehabilitation is uncertain and can vary in response to many factors such as legal requirements, technological change and experience at other sites. To the extent that ERA's future estimates of the rehabilitation costs are different to those currently estimated, ERA will adjust the provision for rehabilitation costs to reflect additional knowledge obtained.

### Asset Carrying Values

During the period significant events occurred within ERA's operation and across the broader market indicating the presence of trigger events for asset impairment testing.

ERA's balance sheet contains items that have been subject to impairment testing, with respect to the Ranger Project Area and Jabiluka lease. Following the completion of testing, ERA has concluded that the recoverable amounts exceed the carrying values and there are no impairments.

In assessing impairment, estimates are required of resource and development potential, future market prices, discount rate, exchange rates and capital and production costs in order to assist in the judgment of the recoverable amount. Changes in circumstances may affect these estimates and the recoverable amount.

Net Tangible Asset Backing	2011	2010
Net tangible asset backing per ordinary share	2.5	5.0

### Events occurring after the balance sheet date

No matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations or state of affairs of the consolidated entity in subsequent financial years.

### Audit

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