



**ERA**

# Annual Report 2011



# 2011 Review

## 336 days

worked without a lost time injury.

*Refer to page 22 for further detail*

## 99 Indigenous employees

*Refer to page 40 for further detail*

## Surrounding environment remains protected.

*Refer to page 32 for further detail*

## \$500m

raised to fund ERA strategic initiatives, including water management and exploration.

*Refer to page 10 for further detail*

## \$120m

approved for the Ranger 3 Deeps exploration decline.

*Refer to page 20 for further detail*

## Successful completion of \$52 million 4 metre lift on the Tailings Storage Facility

*Refer to page 20 for further detail*

## Implementation commenced for 1.83 gigalitre Brine Concentrator facility.

*Refer to page 21 for further detail*

## 5,167 tonnes

of uranium oxide ( $U_3O_8$ ) sold.

*Refer to page 10 for further detail*

## 2,641 tonnes

of uranium oxide ( $U_3O_8$ ) produced.

*Refer to page 12 for further detail*

## \$40m

exploration programme planned on the Ranger Project Area.

*Refer to page 16 for further detail*

## 2,427 mm

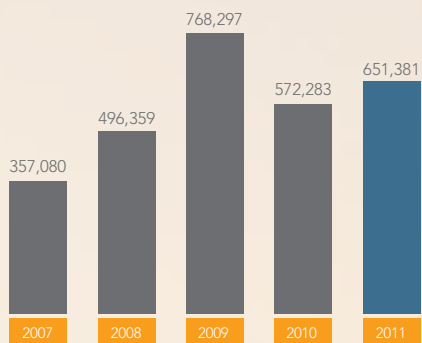
of rain fell on the Ranger Project Area during the 2010/11 wet season. 100 mm short of all time record.

*Refer to pages 12 & 32 for further detail*

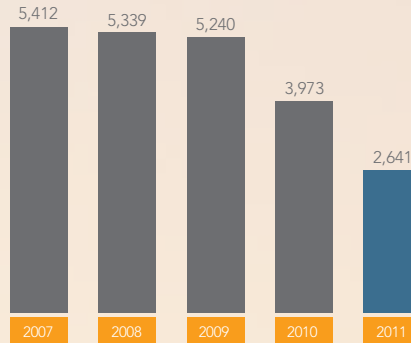
## Suspended process plant production for 4.5 months.

*Refer to page 12 for further detail*

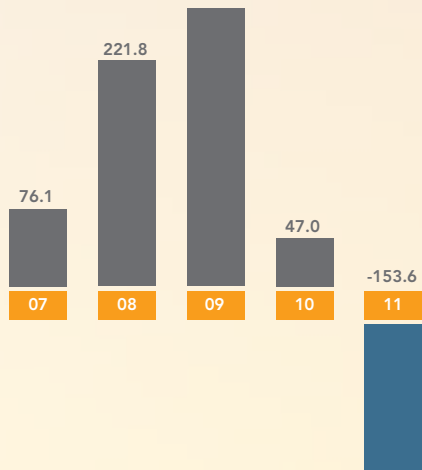
**SALES REVENUE (\$'000)**  
2007 - 2011



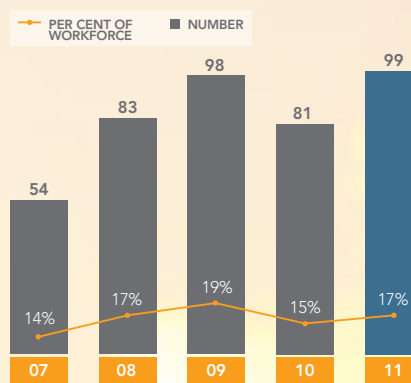
**DRUMMED PRODUCTION - TONNES (t)**  
2007 - 2011



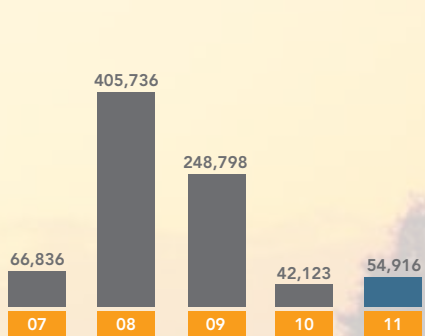
**NET PROFIT AFTER TAX (\$m)**  
2007 - 2011



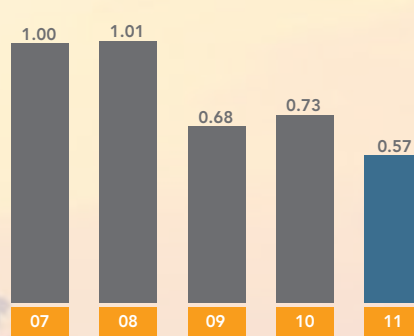
**INDIGENOUS EMPLOYEES**  
2007 - 2011



**OPERATING CASH FLOW (\$'000)**  
2007 - 2011



**ALL INJURY FREQUENCY RATE (per 200,000 hrs worked)**  
2007 - 2011



Front cover: Scott Sullivan, Project Geologist, part of ERA's exploration team undertaking a \$40 million exploration programme from 2012-2014



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# Company Profile

Energy Resources of Australia Ltd (ERA) is one of the nation's largest uranium producers and Australia's longest continually operating uranium mine. ERA has an excellent track record of reliably supplying customers. Uranium has been mined at Ranger for three decades. Ranger mine is one of only three mines in the world to produce in excess of 100,000 tonnes of uranium oxide.

ERA's Ranger mine is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, located in Australia's Northern Territory.

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 mine 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. It maintains long term relationships with customers by providing consistent and reliable supply of uranium oxide in order to meet their energy needs.

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, in accordance with the Jabiluka Long Term Care and Maintenance Agreement, will not be developed by ERA without the approval 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.

## Vision

To be a world class uranium supplier that contributes to environmental sustainability and is trusted by the 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;
- ▶ respecting the culture and aspirations of Indigenous people in our community, particularly the Mirarr Traditional Owners of the land on which ERA operates;
- ▶ caring for our surrounding environment through exemplary management systems and commitment to the principles of sustainable development;
- ▶ creation of value for our shareholders;
- ▶ building partnerships with our customers and aiming to exceed their expectations; and
- ▶ strengthening the culture of compliance within the regulatory framework in which ERA operates.

## Acknowledgement

ERA acknowledges the Mirarr people, Traditional Owners of the land on which ERA operates.

# 2011 in Review

## SAFETY AND HEALTH



Andrew Calcott and Colin Chapman,  
HSE team

### OBJECTIVE

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

### HIGHLIGHTS

The 2011 All Injury Frequency Rate (AIFR) per 200,000 hours was 0.57, a company record.

Reduced risk rating through implementation of actions from 2010 semi quantitative risk assessment.

### CHALLENGES

Changing operating environment due to extreme weather impacts and suspension of plant processing operations.

Employee turnover due to more competitive job market.

## ENVIRONMENT



Amber Hooke, Environmental Scientist

### OBJECTIVE

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

### HIGHLIGHTS

No impact to the surrounding environment as highlighted in the Supervising Scientist Division Annual Report 2010/2011.

Successful management of process water inventory during the third largest wet season on record.

Detailed studies commenced for the Ranger Project Area closure plan.

Rehabilitation trials have been initiated on the Magela Land Application Area.

Successfully completed ISO 14001 recertification audit.

### CHALLENGES

Near record wet season resulted in 2,427 mm of rainfall at Ranger.

Treating and pumping more than 3.5 gigalitres from Pit 3.

## OPERATIONS



Rodney Moore, Frank Jia and Shane Reeves,  
Process Plant Operations

### OBJECTIVE

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

### HIGHLIGHTS

Following the restart of the processing plant in June, it has been operating at an excellent level.

On target to complete mining in Pit 3 by end of 2012.

Improved mine planning and execution increased productivity to near record levels.

Significantly improved grade control model provided more accurate grade prediction and reconciliation.

### CHALLENGES

Extreme weather events limited access to high grade ore at the bottom of Pit 3.

Employee turnover stretched recruitment and training teams and increased the challenge around utilising the mining fleet.

## COMMUNITIES AND GOVERNMENT



George Chaloupka Rock Art Fellowship

### OBJECTIVE

Strengthen community and government engagement and relationships.

### HIGHLIGHTS

Extensive engagement on major projects.

Progress towards finalising the mining agreement with the Mirarr Traditional Owners.

### CHALLENGES

Slow progress on multi-party discussions on the future of Jabiru.

Stakeholder concerns following the impacts of Fukushima accident and extreme wet season.

## PEOPLE



ERA's Radiation team

### OBJECTIVE

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

### HIGHLIGHTS

Leadership coaching and development programmes implemented.

Indigenous employee mentoring programme introduced.

Enhanced leader communications across a variety of complementary media.

Integrated Talent Management System rolled out for all employees at ERA.

Indigenous employee rate of 17 per cent, including trainees.

Introduction of seven day rosters.

### CHALLENGES

Attracting and retaining talented employees in a highly competitive recruitment market.

National skills shortages in the resources industry.

Enhanced leadership development opportunities.

## MAJOR PROJECTS



Further exploration of the Ranger Project Area

### OBJECTIVE

Gain approval for the Environmental Impact Statement on the Heap Leach Facility and advance work on the underground exploration decline.

### HIGHLIGHTS

The study demonstrated that the Heap Leach Facility was technically feasible, however high capital costs and present economic assumptions limited its value. Further, ERA did not have full stakeholder support for this project.

Completed feasibility study for Ranger 3 Deeps exploration decline.

Received all approvals for Ranger 3 Deeps exploration decline.

Commenced Ranger 3 Deeps exploration decline site preparation works.

Completed feasibility study on Brine Concentrator, commenced procurement of long lead time items.

### CHALLENGES

Financial constraints resulting from lower production levels due to suspension of plant processing operations.



## FINANCIAL



*ERA's Commercial team, Naomi Milne, Stephen Bartlett, Daniel Kulu and Craig Cook*

### OBJECTIVE

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

### HIGHLIGHTS

Successfully raised approximately \$500 million through an accelerated renounceable entitlement offer.

Significant cost savings initiatives undertaken in 2011 and another \$40 million planned for 2012.

### CHALLENGES

Lower than forecast production of uranium due to suspension of plant processing operations.

Significant increase in financial statement rehabilitation provision.

Increased expenditure on water treatment initiatives.

## EXPLORATION



*John Mawe, Exploration*

### OBJECTIVE

Continuation of exploration programme on Ranger lease.

### HIGHLIGHTS

Exploration drilling being conducted on Georgetown target.

Identified other prospective areas on Ranger Project Area.

### CHALLENGE

High levels of ground water after 2010/11 wet season resulted in delayed start to exploration.

# 2012 OBJECTIVES

## Safety and Health

- ▶ Continue to work towards the goal of zero harm through strong safety leadership with extensive employee and contractor engagement.

## Environment

- ▶ Ensure that ERA's operations do not adversely impact on the surrounding environment.
- ▶ Progress implementation of water management strategy.
- ▶ Progress the rehabilitation of Pit 1 and land application areas.

## Operations

- ▶ Ensure completion of mining in Pit 3 by end of 2012.
- ▶ Continue progressing initiatives to improve efficiency in the operation resulting in lower unit costs per tonne mined and per tonne milled.

## Communities and Government

- ▶ Finalise and implement the Mining Agreement with Mirarr Traditional Owners and set up the resulting relationship committee.
- ▶ Ensure appropriate consultation with the Traditional Owners and stakeholders in regard to development of ERA's major projects.

## People

- ▶ Utilise innovative recruitment strategies to attract high calibre candidates.
- ▶ Better utilise the skills of our existing people.
- ▶ Provide competitive workplace benefits for all our people.
- ▶ Increase participation in developmental opportunities.
- ▶ Build our leadership capabilities through our leadership coaching and mentoring programme.
- ▶ Expand upon Indigenous employment, training and development opportunities and enhanced educational programmes.

## Major Projects

- ▶ Complete portal access and commence development of Ranger 3 Deeps exploration decline.
- ▶ Initiate a prefeasibility study into the development of the potential Ranger 3 Deeps underground mine and initiate approvals processes.
- ▶ Progress Brine Concentrator project to ensure major items delivered to site by the end of the year.
- ▶ Progress the integrated process water, tailings and closure prefeasibility study.

## Financial

- ▶ Achieve Business Review ongoing cost reduction targets of \$40 million.

## Exploration

- ▶ Progress expanded exploration programme on Ranger Project Area.

# Chairman & Chief Executive's Report



*Dr David Klingner,  
Chairman*



*Mr Rob Atkinson,  
Chief Executive*

ERA experienced very significant operational challenges in 2011, which had a major negative effect on the company's financial performance. Notwithstanding the difficult circumstances faced, ERA's people responded in a highly professional manner which delivered pleasing results in terms of safety performance, environmental protection, exploration opportunities and business focus.

The Ranger Project Area received 2,427 mm of rain in the 2010-2011 wet season, the third highest rainfall on record, and just 100 mm short of the all time record.

The decision to implement an orderly suspension of plant processing operations in January, a decision that had major production and financial consequences, ensured that the surrounding environment remained

protected, an achievement confirmed by the Australian Government's Supervising Scientist Division in its 2010/2011 Annual Report.

The temporary suspension of plant processing operations provided an opportunity to bring forward scheduled maintenance in the processing plant. Processing operations resumed again in June.

The suspension of plant processing operations restricted production for 2011 to 2,641 tonnes. ERA successfully met all sales commitments for the year with purchases and inventory management making up the shortfall in production.

In terms of financial performance, ERA's revenue for 2011 was \$668 million, with a net loss of \$154 million. The significant factors that drove this result were the suspension of processing operations, the reduction in the valuation of stockpiled ore following the reclassification of a significant quantity of low grade stockpiled ore and an increase in non cash costs (predominantly depreciation).

Throughout these challenging conditions ERA maintained its strong focus on safety, achieving a world class 2.1 million hours without a lost time injury during 2011, and an All Injury Frequency Rate of 0.57.

This outstanding result was achieved across major, labour intensive projects such as the four metre wall lift of the Tailings Storage Facility and the comprehensive plant maintenance programme undertaken during the suspension of plant processing operations.

The \$52 million Tailings Storage Facility wall lift was part of a comprehensive range of water management initiatives and investigations undertaken during the year to significantly improve our ability to manage water.

These initiatives included studies into a proposed \$220 million Brine Concentrator facility designed to treat 1.83 gigalitres of process water per year, and the installation of new pond water treatment plant.

In February 2012, ERA approved the design, construction and commissioning of a Brine Concentrator facility at Ranger.

The Brine Concentrator facility is planned to be commissioned and fully operational in the second half of 2013, and will provide ERA with further capacity to handle the impacts of future heavy rainfall events.

During 2011, ERA completed the feasibility study into the proposed Ranger Heap Leach Facility.

The study demonstrated that this facility was technically feasible, however, high capital costs and present economic assumptions limited its value. Further, ERA did not have full stakeholder support for this project. Accordingly, ERA decided not to proceed with the project.

With the operational Pit 3 approaching the end of its life, ERA increased its focus on exploration opportunities on the Ranger Project Area.

In August, ERA approved \$120 million for construction of an exploration



decline to conduct close spaced underground exploration drilling and to explore areas adjacent to the Ranger 3 Deeps resource.

The Ranger 3 Deeps mineralised zone contains an estimated mineral resource of 34,000 tonnes of uranium oxide, and represents one of the most significant recent uranium discoveries worldwide.

An additional \$55 million has been allocated for further studies into the potential development of a Ranger 3 Deeps underground mine.

ERA has scheduled a three year drilling programme at an estimated cost of \$40 million starting in 2012 to define and determine potential additional resources on the Ranger Project Area.

Investor confidence in ERA's strategic plan was confirmed by the successful accelerated renounceable entitlement offer conducted in October and November, which raised approximately \$500 million.

Proceeds from the capital raising will be used to fund the Ranger 3 Deeps exploration decline, the studies into development of a potential Ranger 3 Deeps mine, expanded exploration of the Ranger Project Area, and construction of the Brine Concentrator and other water management initiatives.

In addition, ERA responded to the challenging operating conditions with a comprehensive Business Review, which identified targeted cumulative savings of \$150 million to be achieved across the business by 2014.

This review identified opportunities to operate more efficiently and reduce costs in line with expected future lower production levels, as well as meeting the changing business conditions that ERA is facing.

In parallel with our increased focus on exploration in coming years ERA is

also devoting more time and resources towards rehabilitation activities.

These activities and investigations demonstrate our ability to restore disturbed areas of the mine to a condition that reflects the natural habitat of the surrounding area, and includes the trial landform project, rehabilitation of land application areas, and closure of the exhausted Pit 1.

In the first half of 2011, ERA also undertook a detailed desktop review of the costs associated with the rehabilitation of the Ranger Project Area. This review resulted in the provision for rehabilitation increasing from \$314 million to \$550 million as at 30 June 2011 (net present cost basis).

The provision was revised to \$565 million as at 31 December 2011 to account for disturbance related to operations in the second half of 2011.

We also continued consultation with key stakeholders, particularly the Mirarr Traditional Owners. These discussions with the Mirarr and other stakeholders centred on finalisation of the mining agreement, major projects, water management, and future arrangements for the township of Jabiru.

Throughout the suspension of plant processing operations, ERA was able to avoid forced redundancies and in spite of an extremely competitive employment market, was able to successfully recruit a substantial number of new operators to meet the 2012 mining schedule.

The Company's continued focus on Indigenous employment, supported by a new Indigenous employment strategy and support for mine industry training programmes has helped maintain Indigenous employment levels at 17 per cent.

ERA's Education Partnership with the West Arnhem College won awards at the National Australia Bank's Schools

First Awards and the Northern Territory Government's Smart Schools Awards.

Looking ahead, ERA faces another challenging year in 2012. Water management remains key to ERA's future success.

The Ranger 3 Deeps resource and the expanded exploration programme are both very promising projects.

With the work being currently executed in regards to water management, operations and processing improvements, the company looks forward to successfully transitioning the business from an open cut operation to one which is predominantly underground.

We would like to thank the Gundjeihmi Aboriginal Corporation and the Mirarr Traditional Owners as well as other key stakeholders for their ongoing engagement.

We would like to sincerely thank all of our employees and contractors for their significant efforts and commitment throughout a very challenging year.



**Dr D Klingner**  
Chairman



**Mr R Atkinson**  
Chief Executive

# Financial Performance

## Earnings

ERA's net loss after tax for the year ended 31 December 2011 was \$154 million, down from a net profit of \$47 million in 2010. The 2011 earnings were significantly impacted by the production shortfall resulting from the suspension of plant processing operations, an unfavourable inventory adjustment of \$99 million net after tax related to the reclassification of reserves and an increase in non-cash costs (predominately depreciation).

## Revenue

Sales of uranium oxide for the year were 5,167 tonnes (2010: 5,026 tonnes). Revenue from the sale of uranium oxide in 2011 was \$649 million, (2010: \$572 million).

In 2011, ERA achieved an average realised sale price of uranium oxide of US\$59.32 per pound (2010: US\$48.16).

The average realised sales price of uranium oxide for the year demonstrates the importance of ERA's long term sales strategy with a focus on the long term price rather than the spot price.

The Company's long term sales strategy helped offset the very significant revenue reductions associated with production shortfalls and an unfavourable exchange rate.

Sales of uranium oxide are denominated in US dollars. ERA does not conduct hedging activities to mitigate the impact of movements in the Australian currency relative to the US dollar.

## Costs

Total costs were adversely affected by the significant quantity of uranium oxide purchased to meet sales commitments. This was partially offset by lower consumable costs resulting from the suspension of plant processing operations and efficiency improvements in the operation.

During the year, ERA purchased a total of 2,126 tonnes of uranium oxide to meet sales commitments, 1,636 tonnes of which related to 2011 commitments.

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.

Royalties declined due to reduced sales volume of Ranger produced materials. ERA does not pay royalties on purchased material.

In August 2011, ERA adjusted its Ore Reserves and Mineral Resources statement for the Ranger Project Area to reclassify a significant quantity of low grade stockpiled ore from reserves to resources which resulted in a \$99 million post tax inventory value write off. This adjustment also caused an increase in non-cash costs as the majority of depreciation is calculated on total reserves. The increase in the financial provision for rehabilitation also adversely impacted non-cash costs.

Capital expenditure increased in 2011 to \$97 million (2010: \$45 million). The majority of that expenditure related to the implementation of ERA's Water Management Strategy and included the successful completion of the four metre Tailings Storage Facility wall lift, increased pond water treatment capacity and progress on the Brine Concentrator Project.

## Successful Capital Raising

ERA successfully raised approximately \$500 million through an underwritten accelerated renounceable entitlement offer.

The 12 for 7 share entitlement offer included an institutional component and a retail component at an offer price of \$1.53 per new share.

The capital raising was fully supported by the major shareholder Rio Tinto, which took up its full 68.4 per cent entitlement.

Proceeds from the equity raising will be used to fund:

- ▶ construction of Ranger 3 Deeps exploration decline (see page 20);
- ▶ further studies into development of a potential Ranger 3 Deeps underground mine (see page 20);
- ▶ expanded exploration of the Ranger Project Area (see page 16); and
- ▶ construction of the Brine Concentrator and other water management initiatives (see page 21).

## Dividends

ERA Directors have decided that a dividend for 2011 will not be paid (2010: 8 cents per share).

## Rehabilitation Provision

In 2011, the provision for rehabilitation in the financial statements was increased from \$314 million (Dec. 2010) to \$565 million at the end of 2011 (on a net present cost basis).

Work continues to further define the scope and cost of rehabilitation activities with a review of the estimate scheduled for December 2012.

## Business Review

In 2011, ERA conducted a comprehensive business review of its operations and strategy to ensure that it remains focused on the most value enhancing activities. This included a review of the cost structure of the business. The business review identified a number of opportunities to operate more efficiently and to reduce costs in line with the expected future production levels, as well as meeting the changing business conditions that ERA is facing.

The initiative targets cumulative cost savings of \$150 million in operating cost reductions over the course of the next 3.5 years and includes:

- ▶ introduction of seven day rosters allowing more efficient use of accommodation (see page 40);
- ▶ reduced reliance on contractor labour;
- ▶ reduction in the use of raw materials;
- ▶ re-tendering major service and operational contracts upon expiration;
- ▶ consolidation of vendors; and
- ▶ reduced stores inventories.



### RECONCILIATION OF PROFIT TO UNDERLYING EARNINGS

ALL AFTER TAX FIGURES IN \$ MILLION	2011	2010
Profit (loss) for the year	(154)	47
Low grade inventory adjustment	99	–
One-off charge for the write-off of trial water treatment process	–	6
Underlying earnings	(54)	53

### FINANCIAL HIGHLIGHTS

YEAR END 31 DECEMBER	2011	2010	CHANGE %
Revenue from continuing operations (\$ million)	667.8	586.0	14
Earnings before interest and tax (\$ million)	(220.6)	47.7	(362)
Net profit (loss) after tax (\$ million)	(153.6)	47.0	(427)
Underlying earnings (\$ million)	(54.2)	52.8	(203)
Total dividends (cents per share)	–	8.0	(100)
Uranium oxide production (tonnes drummed)	2,641	3,793	(30)
Total tonnes uranium oxide sold	5,167	5,026	3

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

*Above: Members of ERA's Commercial team, Naomi Milne, Stephen Bartlett, Daniel Kulu and Craig Cook*



# Operations

During 2011, ERA's operations were significantly impacted by a temporary suspension of plant processing operations due to near-record rainfall.

## Production

In January 2011, ERA took decisive action and announced an orderly suspension of plant processing operations as a proactive measure to manage water levels in the Tailings Storage Facility to manage what was then expected to be an above average wet season.

This decision was vindicated with the Ranger mine experiencing the third highest rainfall in recorded history, having received 2,427 mm of rain, 100 mm short of the all time record.

The suspension of plant processing operations and other water management actions successfully contained the process water inventories. A progressive restart of processing operations began on 15 June.

The significantly higher than average rainfall encountered during the wet season and the consequential suspension of plant processing operations restricted total production for 2011 to 2,641 tonnes, compared with 3,793 tonnes in 2010. The processing plant utilisation and throughput rates were excellent in the second half of 2011.

The high water levels in Pit 3 restricted access to high grade ore located at the bottom of Pit 3, which in turn lowered the average mill head grade to 0.18 per cent (2010: 0.19).

Additional pond water treatment capacity was installed in 2011, which doubled the treatment rate of pond water. This capacity expedited the removal and treatment of approximately 3.5 gegalitres from Pit 3.

Total material mined was 10.7 million tonnes (2010: 10.6 million) with operations confined to the upper benches of Pit 3 for the majority of the year due to water levels. There were significant periods of time during the year when, due to the water levels in the pit, mining operations were diverted from Pit 3 to stockpile mining.

## Outlook for Pit 3

Pit 3 is approaching the end of its operational life. Remaining ore is located within increasingly narrow, geologically complex zones in close association with barren rock at the margin of the ore body.

Whilst the increased pond water treatment capacity will improve dewatering rates in Pit 3, the mining schedule in 2012 is highly dependent on the level of rainfall during the 2011/12 wet season.

During 2011, ERA purchased additional mining equipment to increase the hauling capacity in order to meet the scheduled completion of mining in Pit 3 at the end of 2012.

ERA completed an intensive mine haul truck driver and operator recruitment programme during 2011, hiring an additional 70 skilled operators to keep the fleet running at full capacity throughout 2012.

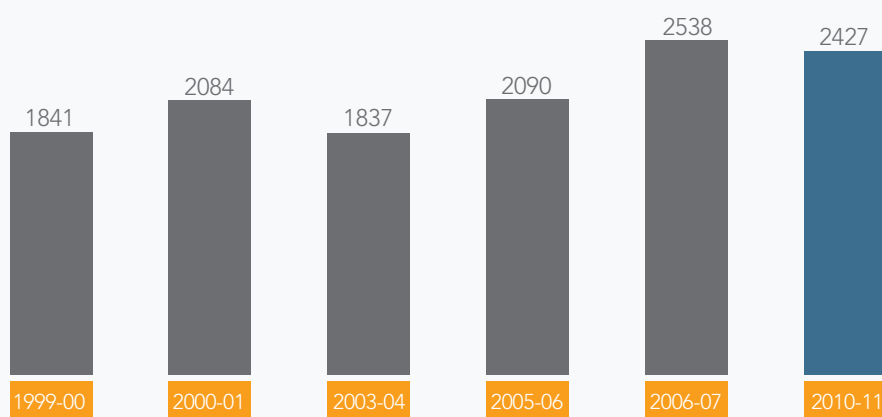
## Maintenance Programme Completed Safely

The temporary suspension of plant processing operations provided an opportunity to bring forward scheduled maintenance in the processing plant.

ERA redeployed employees affected by the suspension of plant processing operations onto maintenance duties.

Tasks included major overhauls, maintenance and cleaning, and safety and environmental improvements. Maintenance work focused on the rod mill and ball mill, laterite plant, primary and fine ore bins, crushing and grinding circuits, leach tanks and settling tanks, clarifier, lime mill, pregnant liquor tank, precipitation tank, product bins, and high voltage switches and transformers.

### TOP SIX HEAVIEST WET SEASONS IN THE NORTHERN TERRITORY DURING THE LAST 30 YEARS OF OPERATION (1981 – 2011)



RAINFALL (mm)  
1999 – 2011

“ERA took decisive action and announced an orderly suspension of plant processing operations as a proactive measure to manage water levels in the Tailings Storage Facility to protect the surrounding environment.”



*Karina Archer, a member of ERA's mining department, which mined 10.6 million tonnes of material*





*Frank Harris Chief Advisor, Radiation Governance and Product Stewardship, helping to ensure all aspects of ERA's radiation management and controls on uranium are global leading practice*





The maintenance programme was completed without injury to employees or contractors.

## Peak Plant Performance

Plant performance exceeded expectations in 2011, following the completion of the maintenance programme and the resumption of processing operations.

Mill throughput for the year was 1.6 million tonnes (2010: 2.4 million tonnes). Plant utilisation rates reached 86 per cent, while the rate for extraction was 92 per cent, and the recovery rate was 88 per cent.

This was excellent performance in light of the duration of the suspension of the plant processing operations.

## New Approach to Wet Weather

When unable to mine in Pit 3 due to water levels, ERA's mine haul truck fleet was redeployed to haul ore from the stockpiles to ensure the highest grade ore was closest to the mill. In addition, the fleet was utilised to provide crushed rock for the Tailings Storage Facility wall lift, instead of engaging additional contractors.

Normally wet weather signals a restriction to vehicle movement on site, resulting in reduced productivity and potential for loss of skilled personnel to other, more active mine

sites. A strong focus on improvement and maintenance of haul roads and adjusting driving schedules to suit conditions, allowed the mine fleet to operate for longer periods than previous wet seasons.

## Seven Day Roster

One of the objectives of the business review was to simplify our operations, which resulted in the introduction of a seven day roster. It is expected that the roster will improve occupancy rates for company owned accommodation from 50 per cent to more than 80 per cent. This is expected to deliver annualised savings of approximately \$5 million.

It is also expected to enhance retention, improve recruitment and enable leaders to have greater contact with their teams. It also provides our people with the improved family and recreational benefits that are associated with an even time roster.

## Power Station Up, Acid Plant Down

The three year Ranger mine power station major overhaul programme was completed in 2011, delivering more reliable power supply to the mine and to the township of Jabiru.

Five diesel-powered generators have been rebuilt with fuel efficiency improving by approximately four per cent, saving 800,000 litres of fuel per

year and avoiding over 2,000 tonnes of greenhouse gases.

ERA safely completed the demolition of the decommissioned Ranger acid plant. The disused plant was carefully dismantled and placed in land fill disposal on site. The new Brine Concentrator facility will be constructed in this area.

## Jabiru Airport Upgrade

The Jabiru Airport is located on the Ranger Project Area and provides a critical regional air transport service for mining operations, tourism, agricultural business, emergency services and local communities.

During 2011, ERA completed a significant work programme at Jabiru Airport designed to upgrade the security, access, fencing, parking, lighting, airstrip markings and buffer zone.

The Jabiru Airport is utilised for ERA fly-in, fly-out operations and by third parties. The airport is of particular importance to the local region and Kakadu National Park, especially when considering emergency evacuation flights associated with medical issues. These upgrades have greatly assisted night time medical evacuations.

*Left and bottom right: ERA completed a major airport upgrade at the Jabiru Airport*

*Top right: Jody Clark, Manager Water and Tailings*

# Future Supply

## Evaluation and Exploration

ERA has approved \$120 million for the construction of an exploration decline to conduct close spaced underground exploration drilling of the Ranger 3 Deeps resource, estimated to contain 34,000 tonnes of uranium oxide (see page 20).

Results from the 2011 drilling programme facilitated planning for ERA's expanded \$40 million exploration programme to be executed over the next three years.

ERA's exploration programme on the Ranger Project Area during 2011 focused on the Georgetown area south east of the Ranger 3 Deeps resource.

Drilling of the Georgetown area so far has intersected mineralisation, including:

- ▶ **R3PD7** 14 m @ 0.40% eU<sub>3</sub>O<sub>8</sub> in hanging wall sequence (HWS) from 404 m
- ▶ **R3PD20** 7 m @ 0.15% eU<sub>3</sub>O<sub>8</sub> in HWS from 251 m, 11 m @ 0.62% eU<sub>3</sub>O<sub>8</sub> in HWS from 287 m
- ▶ **R3PD19** 1 m @ 0.22% eU<sub>3</sub>O<sub>8</sub> in HWS from 370 m
- ▶ **R3PD20** 7 m @ 0.17% eU<sub>3</sub>O<sub>8</sub> in upper mine sequence from 770 m
- ▶ **R3PD25** 4 m @ 0.45% eU<sub>3</sub>O<sub>8</sub> in HWS from 409 m

Mineralised intersections are based on a 0.08% uranium oxide cut off.

## \$40 Million Exploration Programme

ERA has scheduled a three year drilling programme at an estimated cost of \$40 million, starting in 2012 to define and determine potential additional resources on the Ranger Project Area.

New exploration techniques developed in the last ten years, such as geochemical, mineralogical, geophysical and structural techniques, will be used to shape this expanded exploration programme for the Ranger Project Area.

## Ranger Project Area Reserves and 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 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.

## Jabiluka Reserves and Resources

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

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

### THE TABLE BELOW SETS OUT THE RECONCILIATION OF ORE RESERVES:

RANGER RECONCILIATION	CONTAINED U <sub>3</sub> O <sub>8</sub> - TONNES
Ore Reserves as at 1 January 2011	29,848
Ore Reserves depleted by processing	(2,921)
Other adjustments	
See Explanatory Notes	(13,443)
<b>Ore Reserves as at 31 December 2011</b>	<b>13,484</b>

### EXPLANATORY NOTES

#### Grade adjustments for stockpiled and insitu ore

(as outlined in announcement dated 4 August 2011) (6,100)

#### Reclassification of Ore Reserves to Mineral Resources

(as outlined in announcement dated 4 August 2011) (7,100)

Reconciliation adjustments (243)

**Net Other Adjustments (13,443)**



“New exploration techniques developed in the last ten years, such as geochemical, mineralogical, geophysical and structural techniques, will be used to shape this expanded exploration programme for the Ranger Project Area.”



*Scott Sullivan and John Mawe, members of the Exploration team who will deliver ERA's \$40 million exploration programme.*



## ERA 2011 Ore Reserves & Mineral Resources

	CUT-OFF GRADE – IN SITU ORE 0.08% U <sub>3</sub> O <sub>8</sub> STOCKPILE ORE 0.08% U <sub>3</sub> O <sub>8</sub>			CUT-OFF GRADE – IN SITU ORE 0.08% U <sub>3</sub> O <sub>8</sub> STOCKPILE ORE 0.06% U <sub>3</sub> O <sub>8</sub>		
	AS AT 31 DECEMBER 2011			AS AT 31 DECEMBER 2010		
	ORE (Mt)	% U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	ORE (Mt)	% U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>
<b>RANGER ORE RESERVES</b>						
Current Stockpiles	5.78	0.12	6,955	20.26	0.10	20,557
Ranger No. 3 Pit In situ						
Proved	2.69	0.22	5,973	3.48	0.21	7,219
Probable	0.67	0.08	557	1.12	0.19	2,072
Sub-total Proved and Probable Reserves	3.36	0.19	6,530	4.60	0.21	9,291
<b>Total Ranger No. 3</b>						
<b>Stockpiles, Proved and Probable Reserves</b>	<b>9.14</b>	<b>0.15</b>	<b>13,484</b>	<b>24.9</b>	<b>0.12</b>	<b>29,848</b>

	CUT-OFF GRADE – OPEN PIT IN SITU RESOURCE 0.02% U <sub>3</sub> O <sub>8</sub> UNDERGROUND IN SITU RESOURCE 0.15% U <sub>3</sub> O <sub>8</sub> STOCKPILE ORE 0.02% U <sub>3</sub> O <sub>8</sub>			CUT-OFF GRADE – OPEN PIT IN SITU RESOURCE 0.02% U <sub>3</sub> O <sub>8</sub> UNDERGROUND IN SITU RESOURCE 0.15% U <sub>3</sub> O <sub>8</sub> STOCKPILE ORE 0.02% U <sub>3</sub> O <sub>8</sub>		
	AS AT 31 DECEMBER 2011			AS AT 31 DECEMBER 2010		
	ORE (Mt)	% U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	ORE (Mt)	% U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>
<b>RANGER MINERAL RESOURCES</b>						
In Addition To The Above Ore Reserve						
Current Mineralised Stockpiles	64.11	0.04	27,710	38.11	0.04	15,092
In situ resource						
Measured	21.02	0.10	19,990	29.76	0.08	23,605
Indicated	52.88	0.12	61,830	57.45	0.11	63,818
Sub-total						
Measured and Indicated Resources	138.01	0.08	109,530	125.31	0.08	102,515
Inferred Resources	6.18	0.12	7,710	5.95	0.12	7,090
<b>Total Resources</b>	<b>144.19</b>	<b>0.08</b>	<b>117,240</b>	<b>131.27</b>	<b>0.08</b>	<b>109,604</b>



	AS AT 31 DECEMBER 2011			AS AT 31 DECEMBER 2010		
	CUT-OFF GRADE 0.20% U <sub>3</sub> O <sub>8</sub>			CUT-OFF GRADE 0.20% U <sub>3</sub> O <sub>8</sub>		
	ORE (Mt)	% U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>	ORE (Mt)	% U <sub>3</sub> O <sub>8</sub>	t U <sub>3</sub> O <sub>8</sub>
<b>JABILUKA ORE RESERVES</b>						
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
<b>JABILUKA MINERAL RESOURCES</b>						
In Addition To The Above Ore 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
<b>Total Resources</b>	<b>15.44</b>	<b>0.48</b>	<b>73,940</b>	<b>15.44</b>	<b>0.48</b>	<b>73,940</b>

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 Ltd) 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

## Ranger 3 Deeps Exploration Decline

In August, ERA approved \$120 million for construction of an exploration decline to conduct close spaced underground exploration drilling and to explore areas adjacent to the Ranger 3 Deeps resource.

The Ranger 3 Deeps mineralised zone contains an estimated 34,000 tonnes of uranium oxide, and represents one of the most significant recent uranium discoveries worldwide.

Site preparation began in October 2011 and construction of the decline is expected to begin in May 2012 after the wet season.

The first stage of construction is excavation of the box cut and installation of a portal access tunnel, which is scheduled for completion in

October 2012. Development of the decline will commence from October 2012 and exploration drilling is targeted for commencement in June 2013.

An additional \$55 million has been allocated for further studies into the potential development of a Ranger 3 Deeps underground mine.

ERA will consult with the Traditional Owners of the Ranger Project Area, the Mirarr and their representatives, as well as the regulators and the Commonwealth and Northern Territory Governments, on the outcomes of those studies.

## Tailings Storage Facility Wall Lift

Increasing the capacity of the Ranger Tailings Storage Facility was a critical component of ERA's Water Management Strategy.

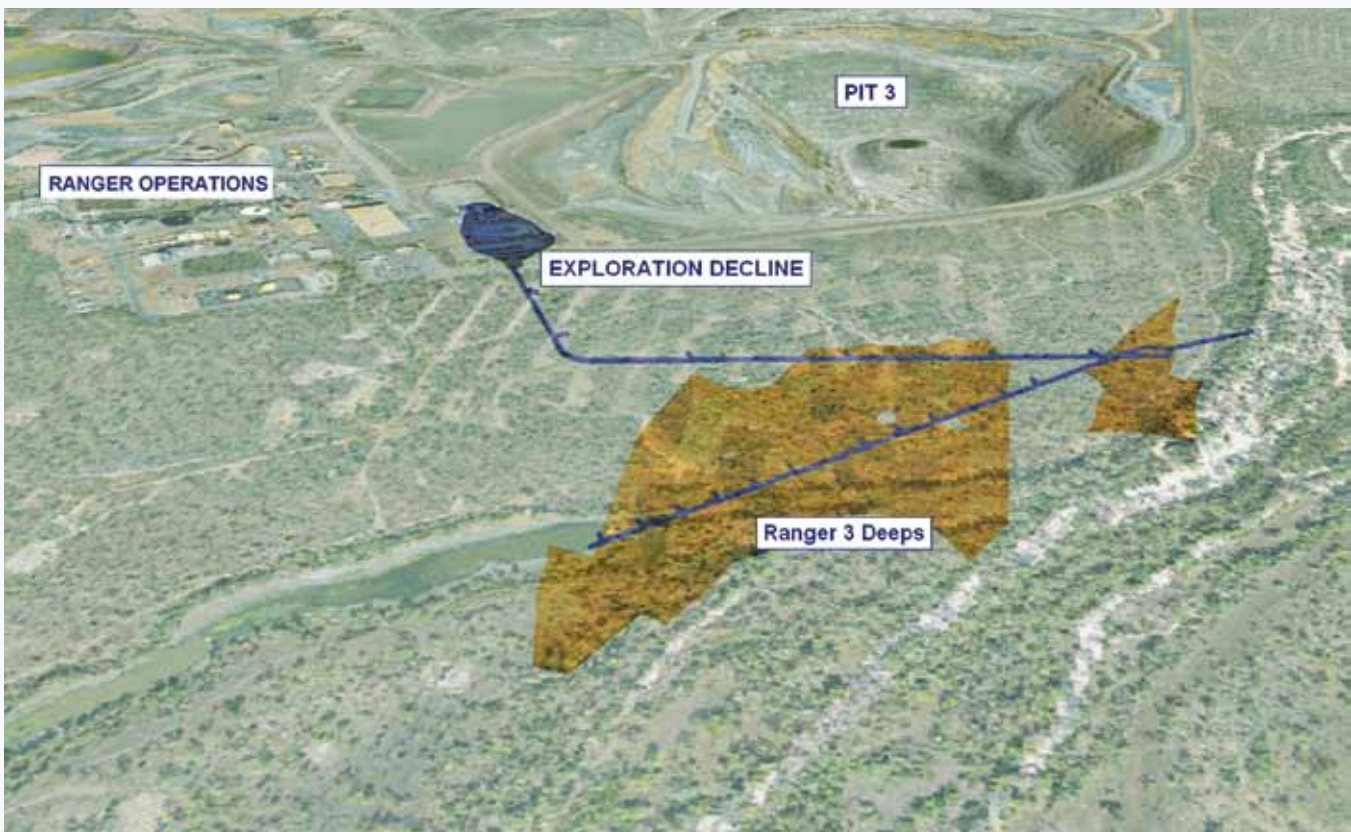
During 2011, ERA successfully completed a \$52 million project to raise the embankment of the Tailings Storage Facility by four metres. In November 2011, ERA received regulatory approval to raise the wet season operating limit to RL 56.0 metres.

The project was completed ahead of time, on budget and without injury.

ERA is considering a potential further wall lift, which may occur in 2012.

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*Below: Diagram of the Ranger 3 Deeps exploration decline which will allow ERA to conduct close spaced underground drilling and to explore areas adjacent to the Ranger 3 Deeps resource.*





## Heap Leach Facility

During 2011, ERA completed the feasibility study into the proposed Ranger Heap Leach Facility.

The study demonstrated that this facility was technically feasible, however, high capital costs and present economic assumptions limited its value. Further, ERA did not have full stakeholder support for this project.

Accordingly, ERA decided to not proceed with the project. The proposed Heap Leach Facility was designed to process low grade ore from the Ranger mine stockpiles. These stockpiles contain significant quantities of uranium oxide and ERA will continue to investigate methods of recovering it.

## Brine Concentrator Facility

During 2011, ERA completed the feasibility study into a proposed Brine Concentrator facility.

In February 2012, ERA announced approval of \$220 million to construct a Brine Concentrator facility to treat process water, which will allow for the discharge of up to 1.83 gigalitres (1.83 billion litres) per year.

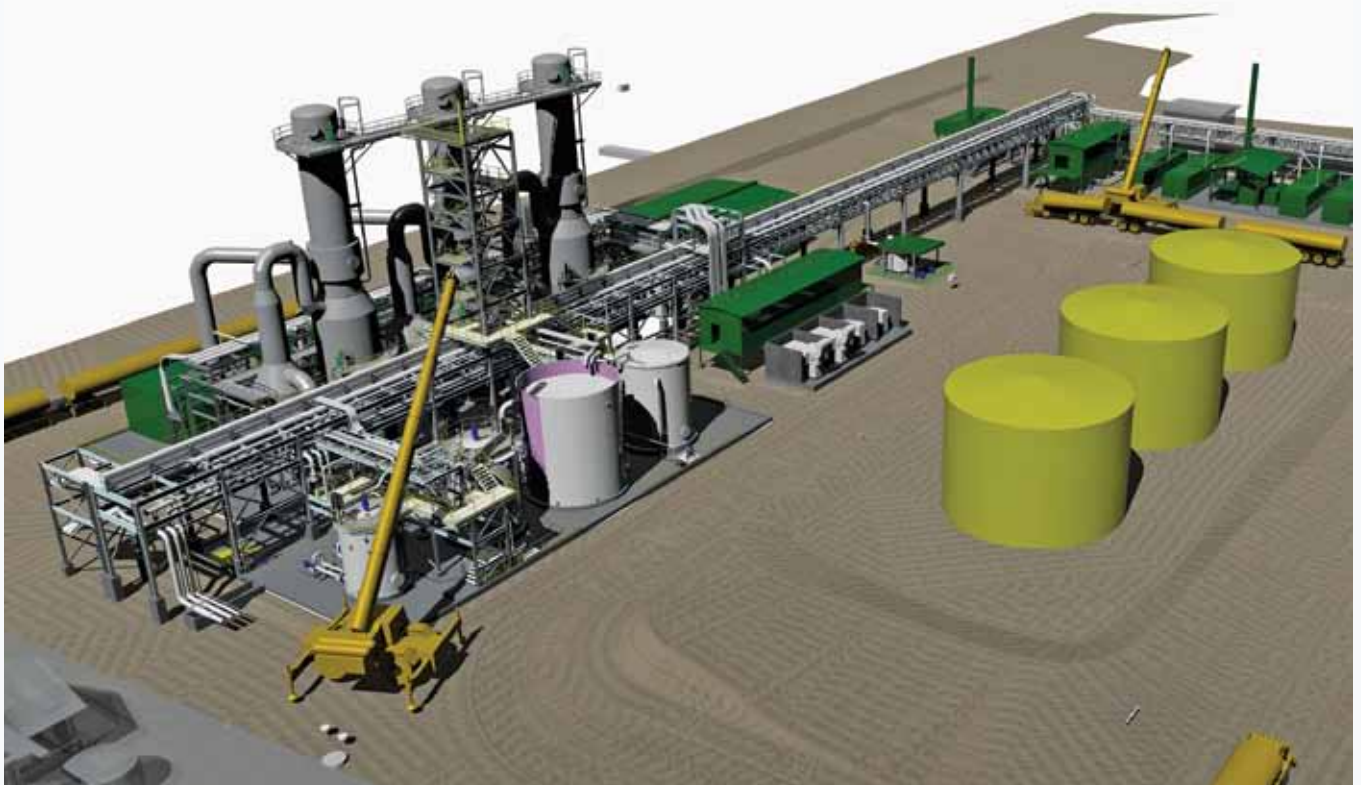
Brine concentrators use thermal energy to evaporate water, which is subsequently condensed and discharged as clean distilled water. This proven technology is scientifically and environmentally sound and will provide ERA with effective treatment means to reduce the process water inventory and to manage the impacts of future heavy rainfall events.

The Brine Concentrator will be provided by HPD LLC, a subsidiary of Veolia Water Solutions and Technologies. The Brine Concentrator facility is planned to be commissioned in the second half of 2013.

ERA completed a pilot facility trial of the Brine Concentrator technology using Ranger process water at Rio Tinto's research facilities in Melbourne. Results indicated that the Brine Concentrator can successfully treat Ranger process water to design specifications.

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*Below: Design of ERA's new Brine Concentrator, which will treat and discharge approximately 1.83 gigalitres of process water per year*



# Health and Safety

In an extremely challenging year, the team at ERA, kept safety at the forefront of all activities to make ERA one of the safest mining operations across the Rio Tinto group – a truly world class safety result.

## Safety Performance

Safety is the number one priority for ERA. ERA has established clear goals, accountabilities, and support mechanisms to help achieve its stated goal of zero harm.

ERA's approach to improving safety focuses on three key areas:

- ▶ building capability of safety leadership;
- ▶ comprehensive systems, training and support materials; and
- ▶ encouraging a workplace culture of shared and personal responsibility and accountability for safe behaviour.

By constantly engaging with leaders, employees and contractors on safety issues, awareness and training, ERA has achieved significant improvements to safety performance.

ERA achieved a world class 2.1 million hours without a lost time injury during 2011, eclipsing the 1.3 million hours without injury in 2010.

This outstanding result was achieved across major, labour intensive projects such as the four metre wall lift of the Tailings Storage Facility and the comprehensive plant maintenance programme undertaken during the suspension of plant processing operations.

Strong leadership on safety issues and demonstration of commitment to the highest safety standards played a key role in creating a culture of personal and team responsibility of safety awareness.

Safety leadership was demonstrated throughout the comprehensive maintenance programme completed during the suspension of plant processing operations. This programme involved redeployment of employees onto maintenance tasks, specialist contractors, and was completed without injury.

## Injury Rates

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 2011 ERA bettered the strong safety performance of 2010, with an AIFR of 0.57 (2010: 0.71).

ERA's Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours for 2011 was 0.10 compared with 0.20 in 2010.

There was one lost time injury and five medical treatment injuries in 2011. The lost time injury involved a finger laceration caused when an employee attempted to adjust an air-conditioner vent.

The five medical treatment injuries involved an injured knuckle, a laceration to the knee, a crushed finger, a cut nose and a cut to a hand. All personnel made a full complete recovery.

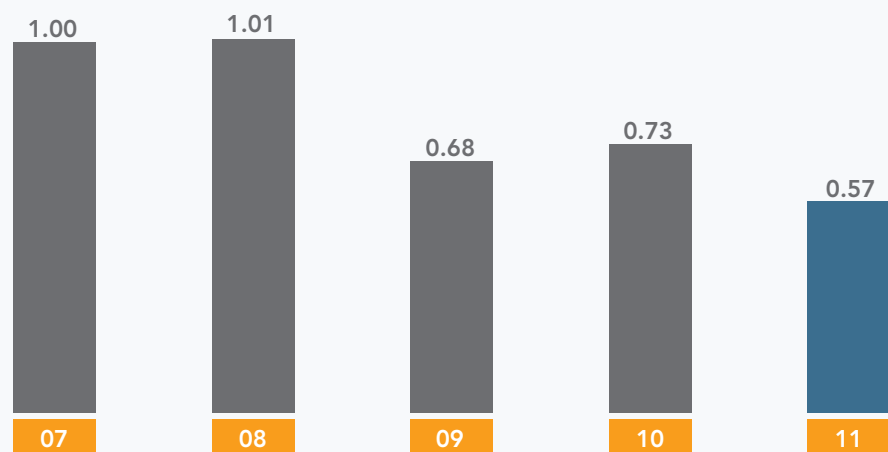
## Re-certified to ISO 14001 and AS 4801

ERA completed a major external audit of its health, safety and environment systems during February with excellent results.

ERA achieved international recertification of its environmental management systems to ISO 14001, and recertification of its safety and health management system to Australian Standard AS4801.

The independent external HSEQ auditor found no major requirements necessary to achieve recertification.

**ALL INJURY FREQUENCY RATE (per 200,000 hrs worked) 2007 - 2011**





ERA's environmental management system includes the Company's water management system, and ERA's safety and health management system includes the Company's radiation management system.

## Safety Initiatives

During 2011, there was a higher number of contractors brought in for major projects and specialist maintenance tasks, presenting challenges for ensuring all contractors met ERA requirements for safety.

ERA's FieldGlass contractor management system helped ensure contractors brought to site had relevant skills and safety training for the tasks they were completing.

The Rio Tinto based Safety Leadership Development programme provided support for ERA managers, supervisors and team leaders to improve their understanding of safety responsibilities and use of health and safety support systems.

ERA completed a Semi-Quantitative Risk Assessment (SQRA) in 2011. SQRA reviews are conducted on a two-year cycle and examine all aspects of operational activities to identify and manage high risks.

The 2011 SQRA again identified driving between the Ranger mine and Darwin as ERA's greatest single risk of harm for employees and contractors. ERA released a new Road Safety video to be screened as part of employee and contractor general induction.

To view the video, go to <http://www.energyres.com.au>

In addition, process safety management has been a major focus for ERA in 2011. ERA implemented actions from a third party review focused on process safety.

Actions have been implemented to significantly reduce risk around ammonia and solvent extraction resulting from HAZOP risk assessments. This work has resulted in a lower risk profile contributing to the safety of our employees and contractors.

## Safety Milestones

The Safety Milestones programme raises 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 are met.

In September ERA passed the previous record of 278 days without a lost time injury. To highlight the achievement ERA donated bicycle safety helmets to school children in Gunbalanya and Jabiru.

ERA continued with its excellent safety record, achieving a new record of 336 days worked without a lost time injury. This equates to more than 2,000,000 working hours. To celebrate this milestone, ERA donated \$10,000 towards the Jabiru community to install new playground equipment in the community. In addition to this, ERA also donated \$5,000 to Mission Australia and \$5,000 to the Starlight Foundation.

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.

## Radiation Monitoring

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

The aim of the Ranger mine radiation monitoring programme is to ensure that ERA's employees, 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 and medical sources to distinguish between two types of people: members of the public and radiation workers. Those radiation exposure limits (above natural background and medical exposures) are:

- ▶ Members of the public: 1 millisievert (mSv) per year
- ▶ Radiation workers: 20 mSv 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 more stringently monitored.

It is ERA practice to ensure effective and appropriate communication with key stakeholders, including the regulatory authorities. Radiation results are subject to review prior to being finalised.

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*Above: Katrina Sonter; Andrew Calcott and Colin Chapman undertaking radiation checks*



## ERA Road Safety Video

ERA's new Road Safety video is getting the safe driving message across to a wider audience.

ERA's 2011 Semi-Quantitative Risk Assessment again identified the 260 kilometre drive between Darwin and the Ranger mine as the biggest single risk of injury to employees and contractors.

The video is the latest in a range of safe driving responses developed by ERA's Safety Standards Committee and is designed to make driving safer for all ERA employees and contractors.

In addition to being made available on DVD, ERA uploaded the video to YouTube where it is being accessed by contractors, suppliers, employees and their family and friends, and other mining operations.

A key element of the video addresses ERA's mandatory 110 kph speed limit (below the signed limit of 130 kph), and provides clear analysis of the potential risks of overtaking.

The video is screened as part of ERA's induction programme for new employees and contractors, and contractors and visitors who will be travelling between Ranger and Darwin are required to watch the video.

ERA drivers are required to complete their journey during daylight hours, and break the journey at the half-way point Bark Hut rest stop, where they sign an ERA travel register.

The Arnhem Highway is subject to changing conditions, extreme weather, wildlife and high levels of tourist traffic.

To view the video, go to  
<http://www.energyres.com.au>

*Below: ERA worked closely with Northern Territory Police to film a video which outlines the risks associated with the drive between Darwin and Jabiru.*



## Case Study 1

*The drive between Darwin and Jabiru is ERA's single biggest risk of injury to employees and contractors*

Preliminary analysis of the doses for 2011 has been performed and confirms 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 are similar in magnitude to the natural variation in background radiation experienced worldwide.

The maximum individual dose recorded remains around a quarter of the annual dose limit.

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.

Doses are calculated using the methodology required by the Code of Practice on Radiation Protection and Radioactive Waste Management in Mining and Mineral Processing and approved in ERA's Authorisation to Operate.

The total effective dose is the sum of the dose from three exposure pathways: external gamma radiation, inhalation of radon decay products, and inhalation of long lived alpha activity.

All radiation doses to workers at Ranger are available for review by the regulatory authorities in the Northern Territory. In 2011 ERA was not legally able to provide the individual dose information to the Australian National Radiation Dose Register (ANRDR) due to requirements under Northern Territory privacy legislation. ERA is currently awaiting alteration of legislation by the Northern Territory Government after which ERA will transfer individual dose information to the ANRDR.

## Results

ERA assures the highest possible quality control on radiation doses and does not finalise the doses until they have been presented and reviewed by the appropriate regulatory authorities, As such the 2010 results were not available for inclusion in the ERA 2010 Annual Report at the time of printing.

Full year results are contained in the 2010 Annual Radiation Protection and Atmospheric Monitoring Report presented to stakeholders in March 2011.

The maximum and mean annual radiation doses received by designated and non-designated workers in 2010 are summarised in Table 1.

The maximum and mean annual radiation doses received by designated and non-designated workers during 2011 will be reported in the 2011 Annual Radiation Protection and Atmospheric Monitoring Report to be submitted to stakeholders

in accordance with the Ranger Authorisation in March 2012. Accordingly, only preliminary data for 2011 is presented in this report.

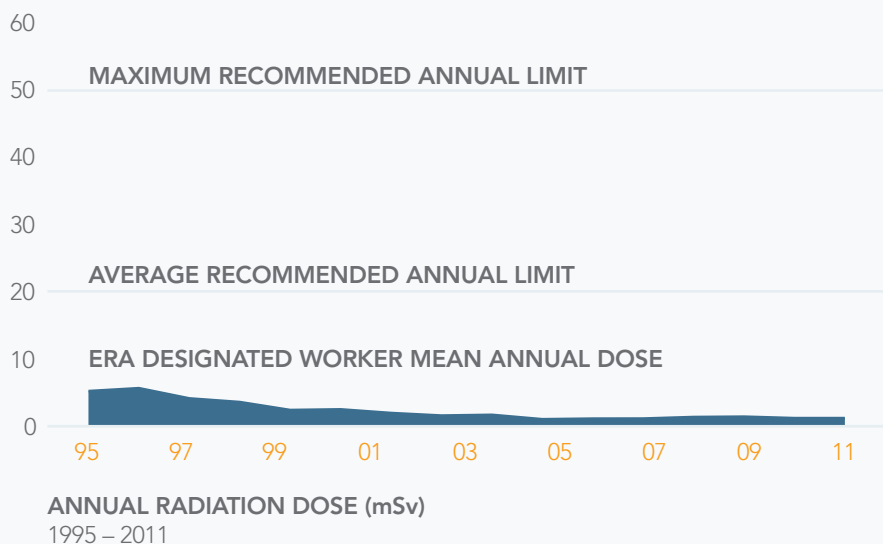
The potential exposures of Jabiru residents and surrounding communities are also monitored, and the contribution from the Ranger mine remains very low in comparison with both the public dose limit and the natural background radiation.

The natural background in the area is 2-3mSv but varies according to location and other factors such as dwellings and lifestyle.

**TABLE 1: MAXIMUM AND MEAN RADIATION DOSES FOR WORKERS IN 2010**

DOSE	DESIGNATED	NON-DESIGNATED
Limit (mSv)	20	20
Maximum Dose (mSv)	3.93	0.57
Mean dose (mSv)	0.67	Not Applicable

### DESIGNATED WORKER MEAN ANNUAL RADIATION DOSE







*Dr Ping Lu, Manager, Ecology, working on the progressive rehabilitation programme at Ranger mine*

# Sustainable Development





# Sustainable Development Overview

ERA takes pride in its focus on safety, in its commitment to the highest standards and performance in environmental protection, and in its initiatives to build a strong community.

ERA operates in a highly sensitive location, internationally recognised as one of the most environmentally and culturally significant places in the world, with unique ecosystems and biodiversity, and a long tradition of human habitation.

ERA's product, uranium oxide, is highly valued because of the potential power that can be generated with low carbon emissions.

In meeting the future demand for uranium supply, and the expectations of electricity consumers the world over, ERA strives for safety leadership, environmental protection and strong and enduring relationships with all stakeholders.

ERA will continue to engage with the Mirarr Traditional Owners, with local communities and with governments to maintain Jabiru as an important regional centre, and to create cultural, social and economic development

opportunities for our neighbours and future generations.

2011 was an extremely challenging year for ERA, with significant changes and disruption to the business, major projects, and adverse operating conditions including near-record wet season rainfall totalling 2,427 mm.

Throughout these challenging circumstances, ERA's employees and contractors kept safety at the forefront of all activities and achieved excellent safety results. In addition, our capability and commitment to protect the environment was confirmed by the Australian Government's Supervising Scientist Division.

## The Mirarr

The Mirarr are the Traditional Owners of lands in the Kakadu region. Mirarr country encompasses the Ranger Project Area and the Jabiluka lease, the town of Jabiru and parts of Kakadu National Park, including the wetlands of the Jabiluka billabong country and the sandstone escarpment of Mount Brockman.

In 1995, the Mirarr established the Gundjeihmi Aboriginal Corporation (GAC), an incorporated body, to assist them to manage a balance between sustainable development and traditional practice on their land,

and to direct income from mining royalties towards the establishment and maintenance of outstation infrastructure and essential services. The Mirarr have successfully claimed traditional country under the *Commonwealth Aboriginal Land Rights (Northern Territory) Act 1976*, and therefore hold beneficial freehold title to their country via the Kakadu and Jabiluka Land Trusts.

In the first half of 2011 the GAC expressed concern about potential environmental and cultural impacts arising from the proposed Ranger Heap Leach Facility. Traditional Owner and other stakeholder concerns about the Heap Leach Facility contributed to ERA's decision in August not to proceed with the facility.

The GAC has for some time also urged ERA to take additional steps to reduce process water inventory. ERA has worked closely with the GAC in regard to recent water management initiatives such as the installation of monitoring bores and raising of the Tailings Storage Facility wall. ERA acknowledges water management as its most significant challenge and is committed to working with the GAC to continue to address Traditional Owner concerns and ensure the surrounding environment remains protected.







## Power for the World

The role of nuclear energy as a key part of global energy production remains strong, with events in Japan highlighting the importance of safe operation of nuclear facilities and transparency and accountability of nuclear industries.

Concerns about global warming, projected increases in demand for electricity – particularly from developing countries – and the economic implications of carbon emissions remain as fundamental drivers for the search for safe and reliable base-load power.

The key role of nuclear power remains an integral part of the global clean energy mix, particularly its ability to deliver secure base-load electricity supply.

Furthermore, nuclear power is a key component of many nations' energy security goals, particularly for resource-poor countries, because of the high energy intensity of uranium compared to other fuel sources.

The reactors currently operating around the world will continue to require fuel, while China drives new demand growth with 27 reactors under construction, and industry growth in India, South Korea, United States and United Arab Emirates.

According to the World Nuclear Association, there are currently 432 reactors in operation with 63 under construction and a further 152 reactors planned to be in operation by 2030.

As a key global fuel supplier to the energy sector, ERA has a strong reputation for reliability and quality of supply.

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



# 2011 in Review

2011 TARGET	2011 RESULT	NOTE
Continue towards the goal of zero harm.	YES	<p>Lost Time Injury Frequency Rate (LTIFR) per 200,000 hours for 2011 was 0.10 (2010: 0.20).</p> <p>All Injury Frequency Rate (AIFR) was 0.57 (2010: 0.71).</p> <p>Achieved 2,000,000 hours without a lost time injury.</p>
Ensure ERA's operations do not adversely impact on surrounding environment.	YES	Supervising Scientist Division 2010/2011 Annual Report: "confirm that the environment has remained protected through the period."
Further develop the Safety Leadership Development Programme (SLDP).	PROGRESS	Ongoing delivery of SLDP, undertook leadership workshops.
Extend process water treatment and management by completing a feasibility study on the Brine Concentrator and completing a three metre lift of the Tailings Storage Facility.	YES	<p>Successful control of process water with no environmental impact occurring during the third largest wet season on record.</p> <p>Brine Concentrator feasibility study completed and procurement of long lead items commenced.</p> <p>Tailings Storage Facility three metre lift upgraded to a four metre lift with practical completion achieved in October 2011.</p>
Progress rehabilitation strategies and field work, with focus on Pit 1 and Land Application Areas.	PROGRESS	<p>Trials in Magela Land Application Area were established using various remediation methodologies.</p> <p>Post remediation monitoring of the trial plots started and will continue over the 2011/12 wet season.</p> <p>ERA received delivery of Pit 1 wick installation barge and associated equipment. Installation planned for 2012.</p>
Demonstrate enhanced monitoring of surrounding waterways.	YES	<p>During the wet season ERA demonstrated enhanced monitoring of surrounding waterways through 13 real-time continuous monitoring stations.</p> <p>Water quality data for these sites were reported to stakeholders in weekly water quality reports. There were no statutory non-compliances.</p>
Advance the ERA Climate Change Management programme for energy/ greenhouse gas reduction.	PROGRESS	PricewaterhouseCoopers data integrity audit undertaken. Monthly reporting of greenhouse gas emissions data to Rio Tinto completed.
Embed improvements of plant utilisation and metallurgical performance.	YES	Geomet programme plant improvements (e.g. pH control) and wash-flow, economic modelling for optimal plant conditions.
Embed mining improvements for planning and operations to ensure mine can be completed at the end of 2012.	PROGRESS	<p>The mine planning process is robust and to a high standard. The mine operates a life of pit, 3 month, 2 week and daily schedule.</p> <p>Mine operations has a focused team of leaders with suitable experience to complete the Pit 3 mining.</p> <p>Numerous improvement projects have been completed and a number are still underway.</p>

Engage with land owners and other stakeholders on regional development and future of Jabiru.	PROGRESS	ERA, Northern Land Council and Gundjeihmi Aboriginal Corporation nearing conclusion of mining agreement and socio economic trust negotiations. Jabiru future discussions proceeding slowly.
Work towards achieving regulatory approval for Heap Leach Facility.	NO	The study demonstrated that this facility was technically feasible, however high capital costs and present economic assumptions limit its value. Further, ERA did not have full stakeholder support for this project. In August, ERA decided not to proceed with the Heap Leach Facility.
Work towards gaining approval and starting construction of the exploration decline.	YES	Completed feasibility study for Ranger 3 Deeps exploration decline. Received all approvals for exploration decline. Commenced Ranger 3 Deeps exploration decline site preparation works.
Consult with land owners and other stakeholders on major projects.	YES	Traditional Owners and Northern Land Council regularly briefed on all major projects. Took account of stakeholder concerns in the decision making process in not to proceed with the Heap Leach Facility project.
Continue to expand upon Indigenous employment, training and development opportunities and enhanced educational programmes.	YES	17 per cent Indigenous employment rate in 2011. Indigenous traineeship programme. As part of the Education Partnership, developed new careers information and a careers website for students considering employment at ERA. Pilot project work with the Minerals Council of Australia on numeracy and literacy skills and work readiness programmes for Indigenous employees.
Strengthen employee engagement through strong positive and felt leadership.	YES	Continuation of Employee Advisor Groups and introduction of an ERA specific Leadership Coaching programme for all Leaders. Integrated Talent Management System rolled out for all employees at ERA.
Implement market competitive attraction and retention employment strategies.	YES	Continuation of the ERA Bonus scheme. Roll out of the 2011 Rio Tinto Share Scheme. Deployment of Employee Profiles for all ERA employees designed to create an employee career and development plan. Introduction of a market leading even time roster arrangement.
Build upon educational initiatives with the West Arnhem College (WAC) and the Department of Education and Training.	YES	Building Our Local Talent (BOLT) partnership strategy has been developed. This document forms the basis of operational planning for ERA and WAC to meet educational objectives together.

#### Result legend

YES	NO	PROGRESS
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# Environment

At Ranger mine, the 2010/11 wet season was the third largest on record, with rainfall of 2,427 mm recorded. This was only approximately 100 mm less than the all-time rainfall record for the area.

Based on the rainfall records in the Northern Territory, the past decade has been the wettest on record. Five of the six highest wet seasons have occurred since 1999.

Protecting the environment from the impacts of rainfall during the wet season became the key focus of the company's operational, water management and environmental protection activities.

ERA's management of the impacts of extreme wet season rainfall experienced in 2011 delivered an outstanding result in terms of environmental protection.

The decision to suspend processing operations from 28 January until 15 June 2011 (see page 12) helped contain the volume of process water in the Tailings Storage Facility and in the exhausted Pit 1 within authorised operating limits.

These actions built on a series of water management improvements put in place the previous year, and helped to protect local waterways, minimise additions to the process water inventory, and improve water treatment and monitoring.

During 2011, ERA maintained its 31 year history of protection of the surrounding environment based on its statutory monitoring programmes.

The Australian Government's Supervising Scientist Division, which monitors the impact of uranium mining on the environment and people in the Alligator Rivers region, stated in its 2010/2011 Annual Report that its extensive monitoring and research programmes "confirm that the environment has remained protected through the period."

## Water

Managing water safely and effectively is the most significant environmental and operational aspect of ERA's activities.

At Ranger mine, all aspects of water capture, storage, supply, distribution, sampling, use, treatment and disposal are governed by ERA's Environment, Safety and Health Management System.

ERA's Water Management Plan, which is updated each year and approved by key stakeholders, directs the management of water on site.

There are several different classes of water encountered on ERA's operations, including process water, pond water, release water, potable water, and water treatment plant permeate.

Each class of water differs according to its composition, which dictates the way it is managed.

## Water Management Strategy

ERA's Water Management Strategy involved a number of initiatives in 2011 relating to process water management and treatment at Ranger.

These water management initiatives include:

- ▶ investment of \$80 million to complete a feasibility study and to procure long lead items for a Brine Concentrator facility (see page 21) which will enable treatment of process water;
- ▶ \$52 million, four metre raising of the Tailings Storage Facility wall; (see page 20)
- ▶ additional bore holes installed to monitor ground water; and
- ▶ installation of additional pond water capacity.

In February 2012, ERA approved the construction of a Brine Concentrator with commissioning scheduled for the second half of 2013.

From 2012, a detailed assessment of process water inventory at Ranger mine will be undertaken on 1 May each year to plan for the coming year based on rainfall encountered during the previous wet season. In addition, the outcomes of the integrated process water, tailings and closure prefeasibility study will assist in determining the key activities, costs and timing of our water management strategy going forward.

This planning process will make use of the Ranger OPSIM™ Water Balance Model. This is a water and solute balance model, which provides



“Supervising Scientist Division 2010/11 Annual Report ‘confirms that the environment has remained protected through the period’.”

*Gavin Edwards, Supervisor, Water and Tailings, monitoring operations in the Water Treatment Plant*



## Environment



*Michelle Iles, Manager Water Sciences monitoring ERA's 200 ground water monitoring bores at Ranger mine. Michelle was also awarded Australian Mining Prospect's "Mining Woman of the Year" in 2011.*

## Water Monitoring

ERA has an extensive water monitoring system which tracks changes in composition and flow rates in surface water, ground water and waterways.

This system includes 200 ground water monitoring bores and 13 real-time monitoring points in waterways upstream and downstream of the Ranger mine.

During 2011, ERA began an extensive field programme to implement the recommendations of a detailed independent review of the ground water systems around the Tailings Storage Facility.

The review was commissioned by ERA and the GAC. A stakeholder working group was established to review the Tailings Storage Facility and carried out by technical services consultant URS.

Review recommendations included strengthening the monitoring and modelling of ground water movement and composition around the facility.

As part of the field programme, an additional 80 ground water monitoring bores were drilled and developed in 2011.

Water sampling from these bores is using the latest micro sampling and purging techniques developed in the United States designed to minimise water disturbance within the bore water column and improve accuracy of results.

ERA has recruited a Principal Hydrogeologist and a dedicated Water Management Advisor to monitor and assess the facility bore network and develop ground water modelling.

## Protecting Local Waterways

Real-time water quality results from ERA's in-stream monitoring points in Magela Creek confirmed improvements to water quality in 2011 due to diversion and control of ore stockpile run-off and catchment improvements completed in 2010.

The construction of a stockpile interception trench and catchment improvements to manage water run-off from stockpiles combined with high inflows of high quality water treatment plant permeate has improved water quality in Retention Pond 1, which flows to Magela Creek.

The levels of electrical conductivity (EC – a measure of dissolved salts), calcium, magnesium and sulfate concentrations in Retention Pond 1 all show a significant reduction compared with previous years.

The maximum electrical conductivity measured in Retention Pond 1 during the 2010-11 reporting period was 615  $\mu\text{S}/\text{cm}$  on 6 September 2010. The electrical conductivity reduced to below 300  $\mu\text{S}/\text{cm}$ , prior to discharge commencing in late December 2010. This is compared with the maximum Retention Pond 1 electrical conductivity measured in January 2010 of 1,110  $\mu\text{S}/\text{cm}$  and January 2009 1,081  $\mu\text{S}/\text{cm}$  respectively. The annual mean for electrical conductivity for the 2010-11 reporting period (354  $\mu\text{S}/\text{cm}$ ) is similar to the annual mean for 2002.

## Management of Water

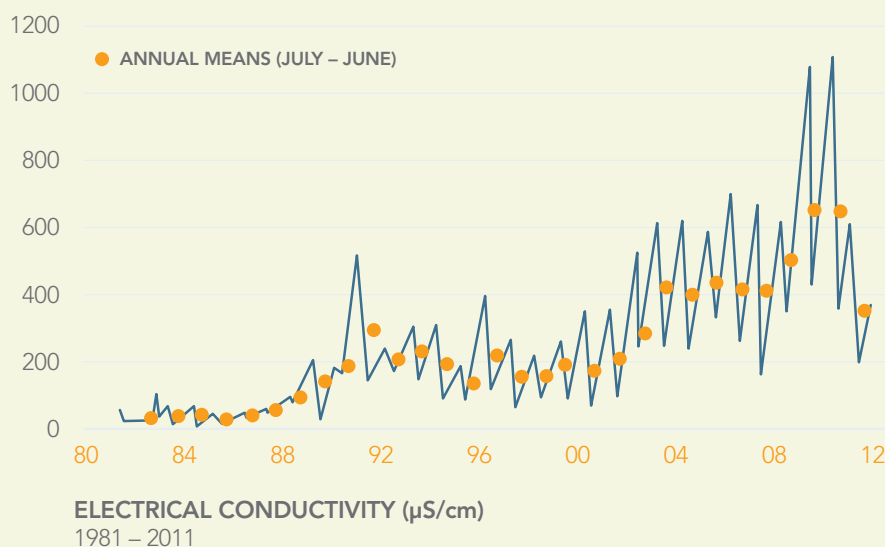
Water treatment is a key aspect of ERA's water management activities. Currently ERA only treats pond water, producing high quality water permeate which is released to wetlands or irrigated in designated land application areas. ERA stores and passively evaporates process water. Due to the significant volumes of pond water on site following the extreme wet season in 2010/11 and the need for subsequent treatment, ERA suspended the treatment of process water through the process water treatment plant.

Pond water is water that lands as rain on disturbed areas of the mining lease, such as stockpiles or the operational Pit 3.

Pond water requires active management and treatment via wetland filtration or ERA's ultra/micro filtration and reverse osmosis pond water treatment plants.

During 2011, ERA increased its pond water treatment capacity to 22 megalitres per day with the installation of a third pond water treatment plant, and began planning for a new 16 hectare retention pond to be constructed in the 2012 dry season.

### CHANGE IN ELECTRICAL CONDUCTIVITY AT RETENTION POND 1 (1981 – PRESENT)



Above: The construction of a stockpile runoff interception trench and associated catchment improvements have improved water quality within Retention Pond 1. This chart shows there has been a dramatic drop in electrical conductivity within Retention Pond 1 since completion of run-off and catchment initiatives in mid 2010.



# Environment

Throughout the year ERA treated a total of 5,510 megalitres of pond water, compared with 3,210 megalitres in 2010.

## Land

ERA's land management responsibilities include operational works such as controlled burning and weed management, rehabilitation and closure research and capability demonstrations such as the trial landform, Pit 1 closure and the Land Application Area rehabilitation trials, and planning activities.

The extreme rainfall encountered in the 2010/2011 wet season affected or delayed a range of ERA land management activities and projects, particularly weed control and controlled burning.

During 2011, ERA developed detailed rolling five-year management plans for weed management, fire management, and revegetation management. These longer term plans direct the work required on an annual basis and help ensure that day-to-day operational activities are carried in line with long term goals.

## Closure Planning

ERA's mine closure plan outlines 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.

During 2011, these plans moved to prefeasibility studies in order to provide greater detail around work requirements, timing and estimated costs.

A detailed desktop review of rehabilitation cost estimates resulted in ERA increasing provision in financial statements from \$314 million to \$565 million as at 31 December 2011 (on a net present cost basis). A further review of the closure estimate is scheduled for December 2012 with the completion of the prefeasibility studies in early 2013.

These projects include the trial landform project, rehabilitation of land application areas and preparations for closure of Pit 1.

## Magela Land Application Area Rehabilitation Trial

In September, ERA began trials of soil remediation techniques for the Magela Land Application Area on the Ranger Project Area.

The Land Application Area rehabilitation trial demonstrates ERA's soil remediation capability, and will allow ERA to develop a comprehensive rehabilitation strategy for land application areas.

Land application areas were previously used for disposing of excess pond water in accordance with ERA's regulator approved Water Management Plan. Regulators now require treatment of pond water before release via irrigation or into wetland polishing systems.

The Magela Land Application Area was identified as the area most impacted by contaminants as a result of irrigation between 1985 and 2008.

The trial rehabilitation work on the Magela Land Application Area tests the effectiveness of soil remediation methods, such as surface scraping or soil mixing or a combination of both.

The trial will also test revegetation techniques required to restore the site to a similar condition to nearby undisturbed sites, and hosts the same plant species.

## Pit 1 Closure

The closure and rehabilitation of Pit 1 tailings repository is a key component of ERA's land rehabilitation and closure strategy.

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

Works to dewater Pit 1 through the installation of vertical wick drains had been planned for early 2011; however extreme rainfall in the 2010/2011 wet season necessitated the deferment of the dewatering project.

The project is scheduled to resume in the 2012 dry season, and will involve installation of more than 8,000 vertical drainage wicks to a depth of up to 40 metres using a purpose built amphibious barge.

Water expressed via the wicks will be transferred to the Tailings Storage Facility and the tailings surface in Pit 1 allowed to dry out.

A fit for purpose plastic matting will be placed over the tailings surface, followed by layers of waste rock until the final land form is achieved. The new land form will then be revegetated using knowledge gained from ERA's trial landform project.



## Trial Landform

Flourishing plantations on ERA's trial landform signal strong early results for the effectiveness of ERA's revegetation strategies, as part of progressive rehabilitation of parts of the Ranger Project Area.

Constructed in 2009, the eight hectare trial landform comprises waste rock and laterite planted with local native plants, and provides a large scale opportunity to assess the performance of revegetation strategies, erosion characteristics and rainfall run-off patterns.

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

Trees that were planted in 2009 and 2010 as tube stocks began flowering this year, in particular Darwin woollybut trees (*Eucalyptus miniata*). The new seedlings indicate the growing conditions are well suited for the species.

The Darwin woollybut is native to Australia's Top End, and is the most important 'framework species' for the reconstruction of the native vegetation on the final landform.

During the year an additional 3,800 local native plants were planted on the site.

*Below: flowering Darwin woollybut trees (Eucalyptus miniata)*



## Case Study 2

*ERA's trial land form on the Ranger Project Area*



## Weed Management

ERA has mapped weeds on its lands annually since 2003, focusing on 13 priority weed species. At the Jabiluka Mineral Lease, the area affected by weeds has decreased from 4.4 hectares in 2010 to 4.3 hectares in 2011.

On the Ranger Project Area 11 weed management areas were mapped in 2011, rather than the whole area, as part of strategic use of survey resources.

In these 11 areas there were 28.8 hectares of weed affected areas in 2011, compared to 11.8 hectares in 2010. This increase is partly due to the long and above average wet season, which favoured growth of annual mission grass.

In the 2010/2011 control season, there were 3,120 hours spent managing weeds at Ranger and Jabiluka, up from 2,227 hours in 2009/10. Of this, 20 per cent was spent at Jabiluka, and 80 per cent at Ranger.

In 2011, the focus was on weed spraying, and not on alternative methods of weed control as in

previous years (i.e. scraping trials or burning), due to the reduced period of time to access weeds at the peak seeding time.

Where possible, staff undertook additional seed de-heading work to reduce seed bank build up when access with spraying units was not possible.

The Five-Year Weed Management Plan for 2012-2016 was finalised in 2011. The plan describes ERA's weed management aims and targets, and is designed to enable ERA to meet overall objectives for weed management.

## Energy and Greenhouse Gas Emissions

The principal source of energy for ERA is diesel fuel. ERA uses electricity produced by the Ranger diesel power station for milling ore, processing operations, water management, lighting, heating and cooling.

The power station also provides electricity for the town of Jabiru and Parks Australia's headquarters.

The measured total energy consumption for the Ranger operation in 2011 was 1,372,301 GJ (gigajoules), compared with 1,406,544 GJ in 2010.

Combined greenhouse gas emissions for 2011 from all diesel, LPG, petrol use and process emissions, calculated as CO<sub>2</sub> equivalent (CO<sub>2</sub>-e), was 102,432 tonnes (2010: 109,513 tonnes).

The increase in emission volumes due to the Tailings Storage Facility wall lift project and water pumping and treatment activities were partially offset by the 4.5 months suspension of plant processing operations.

The completion of the power station generator rebuild project in 2011 has helped ERA to improve power station energy efficiency, delivering savings of approximately 293,000 litres of diesel, and avoiding approximately 790 tonnes of CO<sub>2</sub>-e emissions.

Other energy efficiency initiatives include completion of new site building air conditioning units at Ranger.



## Biodiversity

ERA's environmental burning programme continues to improve biodiversity around the Ranger mine site and the Jabiluka lease.

Early dry season burns were conducted again in 2011 at the Djarr Djarr former exploration camp site on the Jabiluka lease, which has been progressively rehabilitated by ERA since 2006.

The burning created a protective buffer around a seven hectare revegetation area. Previous ERA studies show that young plants require at least three years of growth before they become tolerant to regular fire.

Two traditional burnings were conducted north of Magela Creek with the help of Aboriginal people employed through Gundjehmi Aboriginal Corporation. The burns provided a protective buffer protecting vegetation along the creek from potential, damaging late dry season fires.

Other biodiversity actions undertaken in 2011 include developing a biodiversity management plan, and surveys of the Ranger Project Area to identify 'reference areas' of undisturbed habitat. These reference areas help inform the development of a long term flora and fauna monitoring programme to guide mine site rehabilitation and revegetation.

## Product Stewardship

Product stewardship in the uranium industry will help the public and other key stakeholders understand the benefits and impacts of developing and using uranium for peaceful nuclear power.

In 2011, ERA progressed a Life Cycle Assessment (LCA) of its product, uranium oxide concentrate.

The LCA document examines the impacts of one kilogram of our product in terms of standard reporting measures, and calculates total greenhouse gas emission for our product, including all contributions from our mining, processing and use of materials.

The LCA calculates that in 2009, the greenhouse gas emissions associated with producing one kilogram of uranium oxide from Ranger mine was 50.5 kilograms of CO<sub>2</sub>- equivalent.

This information will form part of an Environmental Product Declaration which advises customers and other stakeholders of the environmental performance of our operation.

ERA also plays a key role in developing product stewardship for the wider industry through its work with the World Nuclear Association's Uranium Mining Sustainability Working Group (co-chaired by ERA and Rio Tinto).

This included working with scientific organisations at the cutting edge of radiation protection, development of a standard global approach to evaluating health, safety and environment performance, and seeking global adoption of best practice in sustainability.

ERA also has close ties with the Australian Uranium Association (AUA). ERA's Chief Executive is Chair of the AUA. The AUA helps to build better understanding of the uranium industry's role in contributing to the global energy mix.

## Waste Management

ERA and the West Arnhem Shire collaborated in 2011 on a community project programme to help Jabiru manage recyclable materials.

Glass from the West Arnhem Shire which otherwise would have been disposed of to the Jabiru landfill has been transported by ERA to recycling facilities in Darwin.

ERA continues to investigate options for managing contaminated hydrocarbon wastes on site. Contaminated waste hydrocarbons cannot be moved off site and are stored in drums and processed in a secure incineration facility on site.

## Environmental Team Changes

As part of ERA's 2011 business review, the company's Environmental Strategy and Technical Projects were merged into one department called Technical and Major Studies.

In addition to existing environmental and technical research and operation support activities, the new department will conduct major studies into the potential Ranger 3 Deeps mine, life of mine plan, process water, tailings and rehabilitation.

This helps to ensure that all of the work associated with water management and progressive rehabilitation is coordinated and studied by the same workgroup.



# Employment

ERA has a total 2011 workforce of 630 people comprising 582 staff and 48 contractor positions across a range of job-sharing, part-time and secondment arrangements. ERA also directly employs 18 apprentices and three school based apprentices.

ERA has a female participation rate of employment of 22 per cent, and has 20 females across the business fulfilling leadership roles from supervisor level to manager level. In 2011, ERA's Water Sciences Manager, Michelle Iles, was awarded Mining Woman of the Year from the Australian Mining Prospect Awards. ERA also provides flexible work arrangements for both male and female employees to help them balance their work and life commitments.

ERA has an average rolling staff turnover of 21 per cent, which is as a result of both standard labour movement and a transient population in the Northern Territory. ERA maintains an absenteeism rate of under one per cent as a rolling annual average. In addition to the extremely low levels of unemployment in the Northern Territory, the high rental and property prices as well as significant competition from other sectors of the resources industry has created a very difficult environment in which to attract and retain suitably skilled labour to ERA.

ERA will continue to review the workplace benefits offered to staff in order to attract and retain the best people in 2012 and beyond.

## Seven Day Roster

ERA introduced a seven day roster in 2011 which allows greater efficiencies in mine planning, work structures, flights and accommodation.

The roster also allows greater certainty for employees and contractors in managing work-life balance, particularly fly-in, fly-out employees, while at the same time ensuring employee safety is maintained with provision for adequate rest breaks.

A key benefit of the new roster is increased occupancy rates for ERA's on site accommodation, from around 50 per cent to over 80 per cent, resulting in annualised saving estimated at approximately \$5 million through reduced ad-hoc use of tourist accommodation in Jabiru.

## Cultural Awareness

New employees and contractors are introduced to the cultural, environmental and historical values of the Kakadu region and the Mirarr Traditional Owners through Cultural Awareness Programme courses.

During the year, 304 employees and contractors took part in these courses (2010: 119), which are part of ERA's induction programmes and delivered in partnership with the Gundjeihmi Aboriginal Corporation representing the Mirarr Traditional Owners.

## Indigenous Employment

ERA is a major employer in the West Arnhem region, and is one of the leading employers of Indigenous people in the Northern Territory.

At 31 December 2011, ERA's workforce of 616 full-time equivalent employees included 99 Indigenous employees, and 12 permanent Indigenous contractors, representing 18 per cent.

This compares with 81 Indigenous employees and nine permanent Indigenous contractors (15.5 per cent) at the same time in 2010.

ERA's Indigenous employees are employed in positions at many levels within the company, from operations to human resources.

In 2011, ERA started the year with seven Indigenous trainees and added a further 12 trainees in April. Indigenous trainees were matched with mentors who worked with the trainees to develop performance management plans.

During 2011 ERA endorsed a new Indigenous Employment Strategy, which builds on previous actions to develop a strong Indigenous workforce, including:

- ▶ introduction of a new mentoring system which pairs new Indigenous employees with experienced employees;
- ▶ refocus on getting local Indigenous people into the business through flexible work arrangements;
- ▶ support for the Northern Territory Mine Training Programme, hosted by Northern Territory Minerals Council of Australia;
- ▶ enrolling and supporting ERA Indigenous employees in further training, such as nationally recognised certification and language and literacy skills; and
- ▶ supporting work experience and school-based apprenticeships for students from local communities through an Education Partnership.

ERA is also working in close collaboration with its suppliers to incorporate Indigenous employment into supplier contracts.



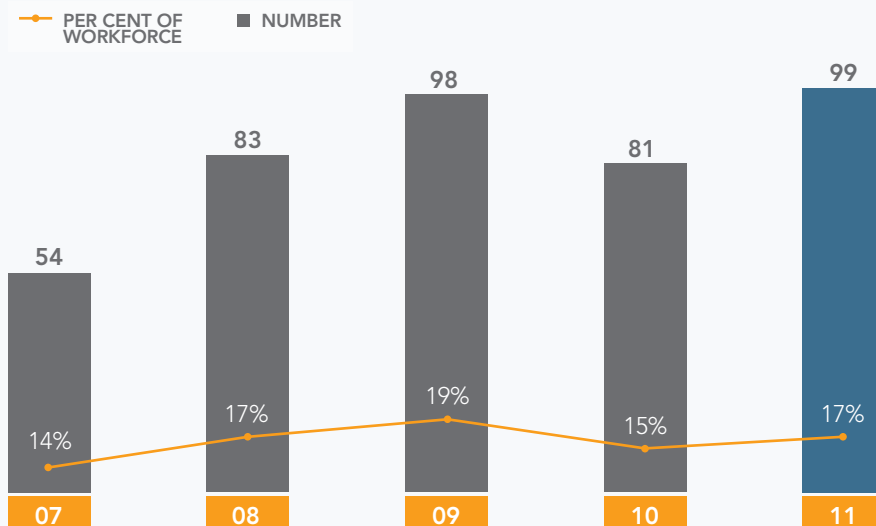
“New employees and contractors are introduced to the cultural, environmental and historical values of the Kakadu region and the Mirarr Traditional Owners through Cultural Awareness Programmes.”

*Steven Nabulwad is one of ERA's 99 Indigenous employees and is a member of the light vehicle workshop team.*



# Employment

## INDIGENOUS EMPLOYEES 2007 – 2011



## Northern Territory Mine Training Programme

ERA continued its support for the Northern Territory Mine Training Programme in partnership with the Minerals Council of Australia (Northern Territory Division) and various government agencies.

This pre-employment programme is tailored towards the mining industry and helps people from local Indigenous communities acquire job ready skills, such as drivers' licence and training in use of power tools or machinery.

## Education Partnership

The Education Partnership between ERA and the Northern Territory Government established a formal commitment to providing quality education and training opportunities leading to real employment and career options for students and families in the West Arnhem region.

ERA is proud to be the first company to sign such a Memorandum of Understanding (MOU) which set out clear goals for the partnership with the Northern Territory Government in 2009.

The partnership forms the basis for an integrated programme of activities to build capacity in the local economy, support sustainable regional development, and improve education and employment outcomes for local community members.

As part of the partnership in 2011 ERA provided the following to the students of the Gunbalanya and Jabiru Schools:

- ▶ school visits to the mine site;
- ▶ opportunities for school-based apprentices and traineeships;
- ▶ presentations to students;
- ▶ support for the Building Our Local Talent programme; and
- ▶ development of career information and a new careers website which outlines career opportunities at ERA.

During 2011, ERA had 21 full-time apprentices and seven school-based apprentices. By year's end, five apprentices completed their training and transferred to a full-time job with ERA.

## Awards and Recognition

ERA employees and the Education Partnership were recognised in national and Territory based awards in 2011.

In the Australian Mining Prospect Awards, Michelle Iles, Manager Water Sciences, won the Mining Woman of the Year Award, and Process Metallurgist Daniel Hill was a finalist for Young Achiever of the Year. Daniel also featured in a Mining Council of Australia television advertisement promoting mining industry opportunities.

The West Arnhem College and its Education Partnership with ERA was recognised by a number of awards, including the National Australia Bank's Schools First Awards and the Northern Territory Government's Smart Schools Awards.

The awards provided a combined total of \$75,000 awards prize funds to the West Arnhem College to support partnership initiatives.

## Further Education and Training

During 2011, ERA supported 23 employees to enrol in further education and training and achieve nationally recognised industry certification. Training was delivered in partnership with the registered training organisation Careers Australia Institute of Training and Australian Apprentices Northern Territory.

## Joe Qualter

In 2011, ERA quietly achieved 30 years of service – the first drum of uranium oxide was produced on 13 August, 1981. And long time ERA employee Joe Qualter was there to see it.

Joe, who is today a Processing Plant Technician, was one of the first to apply for full-time jobs at the Ranger mine in 1979, and was employed as a crane driver.

Throughout the next three decades Joe has held a variety of roles, in the mining department, as a machinery operator, and in processing where he continues to work today.

Over 30 years at Ranger, Joe has seen the operation evolve and change. “I think the biggest one is the attitude towards safety,” Joe said.

“Safety is just such a major focus now, which is great. Back then we didn’t have the major campaigns we see now, but I am proud to say that even then we always made sure we did things safely and didn’t have accidents.”

In a demonstration of his own personal diligence, Joe has never had a lost time injury in more than 30 years at Ranger. “My view is that if you apply yourself fully to what you’re doing and you think about it properly, you’ll always survive.”

*Below: Joe Qualter*



## Case Study 3

*Daniel Hill, Process Metallurgist featured in the Minerals Council national advertising campaign promoting mining industry opportunities. [http://www.thisisourstory.com.au/our-stories\\_daniel-hill.aspx](http://www.thisisourstory.com.au/our-stories_daniel-hill.aspx)*



# Community

ERA is a strong and dynamic part of the local community, and makes significant contribution to the Northern Territory and national economies.

ERA supports a wide range of community activities, including over \$437,000 in partnerships and sponsorships providing support to local schools and students, sport, the arts, regional festivals, community health and child care, business and cultural heritage.

In 2011, ERA continued its support for the George Chaloupka Fellowship. The Fellowship supports research and conservation of Aboriginal rock art in the Arnhem Land Plateau area of the Northern Territory, and recognises the outstanding work of rock art historian Dr George Chaloupka.

ERA also supported the National Indigenous Music Awards, the Stone Festival in Gunbalanya, the Mahbilil Festival in Jabiru, provided funds to support community health services in Jabiru, and contributed to the Premier's Flood Relief Appeal providing donations for flood affected people in Queensland.

## Mining Agreement

During the year ERA continued discussions with the Gundjeihmi Aboriginal Corporation and the Northern Land Council to establish a mining agreement with the Traditional Owners for the Ranger Project Area.

The Agreement would see increased benefits delivered to Traditional Owners, the establishment of a regional socio-economic trust and creation of a Relationship Committee to facilitate regular exchange of information. All parties are confident of resolving outstanding issues and finalising the agreement in early 2012.

## Territory Teams

During 2011 ERA completed its final year as Principal Partner with Rio Tinto supporting the Territory Teams programme.

Over the past three years ERA and Rio Tinto have contributed \$1 million as founding partners of the Territory Teams programme.

The Territory Teams programme provides support for professional level football and netball opportunities for Northern Territory athletes, with a strong focus on providing support, motivation and development opportunities for Indigenous athletes.

Over the past three years ERA has been proud to support the Territory Thunder Football team and the Territory Storm netball team from their debut in 2009 to their great success in 2011, with Territory Thunder claiming its first National East Australian Football League premiership.

The partnership achieved its aim of providing opportunities for Territorians to compete at higher levels of sporting competition and also inspiring and mentoring young community members, including a strong Indigenous following which is building in remote Territory communities. ERA is extremely proud of Territory Thunder's values in encouraging young Indigenous men to work and contribute to their community, which closely align with ERA's values.

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*Left to right: Alan Tietzel, ERA General Manager, External Relations, Mandy Muir, Professor Helen Garnett, Director, Museum & Art Gallery NT Foundation, Darryl Wesly at the announcement of the 2012 George Chaloupka Fellowship. Mandy is the 2012 recipient and Darryl was the 2011 recipient.*





## Thundering Triumph

As a Principal Partner in the Territory Teams Programme, ERA has been immensely proud to watch and cheer as the Northern Territory Thunder football team went from newcomers to champions in just three years.

In a year which saw the creation of the AFL's new North East Australian Football League (NEAFL), the Northern Territory Thunder staked their rightful claim as the top team for 2011 in both the Northern and Eastern Conference.

The Northern Territory Thunder claimed the 2011 Northern Conference Grand Final in devastating style, with a record breaking 98 point victory over Morningside.

The team then showed great strength, courage and discipline to turn around the following week, and win the overall NEAFL Grand Final against Ainslie.

ERA Chief Executive Rob Atkinson said ERA had been thrilled to be part of the development of the Northern Territory Thunder.

"Not only as a team and club in its own right, but as a source of inspiration and pride for the team's growing army of fans of all ages across the Territory," Rob said.

"That inspiration, that motivation is vitally important, especially in remote communities, where interest in sport helps create healthier lifestyles and helps improve performance in schools."

"We are immensely proud to have been a founding partner in the Territory Teams Programme which has helped shape the future of football in the Northern Territory, and ERA wishes the team all the best for 2012 and beyond."

*Below: NT Thunder team won the 2011 National East Australian Football League premiership.*



## Case Study 4



# Community

## Community Partnership Fund

ERA's community partnership fund calls for expressions of interest from community groups for ideas for funding. The ideas are assessed by an ERA panel.

In 2011, the community partnership fund supported 23 projects, including the Jabiru Children's Christmas Party, the Djagana Community Sports, West Arnhem Sports Carnival, Jabiru Child Care Centre, Jabiru Auskick, Jabiru Tennis, Gunbalanya Health Clinic, Kakadu Health Service, Clontarf Foundation, Jabiru Uniting Church, Jabiru Arts and Crafts Group.

## Cultural Heritage Policy and Planning

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 community development.

In 2011, ERA consulted with the GAC to develop a Cultural Heritage Policy. The policy will operate at the same overarching level as ERA's principal safety and environment policies.

To support the policy development and other community relations and cultural heritage activities ERA has employed a Cultural Heritage Advisor, and developed the 2011-2016 Multi Year communities plan.

The plan directs and co-ordinates community relations and cultural heritage activities, and responds to a 2010 Rio Tinto Review of ERA's community relations activities.

## 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 (GAC).

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

In 2011, ERA's royalties totalled \$16 million (2010: \$26 million). Royalties declined due to reduced uranium oxide production due to the suspension of plant processing operations (see page 12). Royalties on purchased material sold are not payable by ERA.

Over the past five years, ERA has made royalty payments of \$127 million: \$98 million distributed to the Territory based Indigenous organisations and \$29 million to the Northern Territory Government.

## Economic Contributions

In addition to royalties, ERA's activities make other valuable contributions to local and Territory economies.

ERA's economic contribution to the region commenced over thirty years ago when it met more than 70 per cent of the original cost of constructing Jabiru. Today, Jabiru is a diversified regional tourism and service centre, however the infrastructure and services continue to remain heavily reliant on ERA and its resident workforce.

These contributions include direct and indirect employment, payment of wages and salaries, payroll tax, capital works and contract engagement, and purchase of supplies and consumables.

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*Below: Justin O'Brien, Executive Officer of the Gundjeihmi Aboriginal Corporation (GAC) and Rob Atkinson, ERA's Chief Executive, inspecting the Djidbidjidbi Residential College, which is due to open in 2012. The College is being constructed by the GAC to improve local Indigenous education outcomes entirely from Ranger mine royalties*



# Governance

## Regulation

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

The areas of uranium mining that are regulated include exploration, development, production, transport, export, taxes and royalties, labour standards, occupational health, waste disposal, protection and rehabilitation of the environment, mine reclamation, mine safety, toxic and radioactive substances and native title.

The mining and export of uranium is currently permitted under strict international agreements designed to prevent nuclear proliferation.

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

## Regulators, Stakeholders and Committees

ERA's uranium mining activities are regulated through Commonwealth and Northern Territory legislation.

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

- ▶ Northern Territory Department of Resources;
- ▶ Australian Government's Supervising Scientist Division (SSD);
- ▶ Northern Land Council (representing the Mirarr Traditional Owners);

- ▶ Commonwealth Department of Resources, Energy and Tourism;
- ▶ Alligator Rivers Region Advisory Committee (including non-government organisation representatives); and
- ▶ Alligator Rivers Region Technical Committee (including non-government organisation representatives).

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

The Alligator Rivers Region Advisory Committee (ARRAC) provides a formal forum for consultation on matters relating to the effects of uranium mining on the environment in the region. Committee members include representatives of the Northern Territory Government, the Commonwealth Government, the Northern Land Council, Aboriginal associations, mining companies (including ERA), West Arnhem Shire, the Northern Territory Environment Centre and other members who may be appointed by the Commonwealth Minister for the Environment. Further information on ARRAC can be obtained at

<http://www.environment.gov.au/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. The 13 ARRTC members include seven independent scientists nominated by the Federation of Australian Scientists and Technological Societies and six representatives of key stakeholder organisations, including the Supervising Scientist Division, Northern Territory Government, ERA, Northern Land Council, Parks Australia, and a non-government environment organisation. Further information on ARRTC can be contained at:

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



## Managing Our Risks

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.

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.

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

ERA also maintains Australian certification (AS 4801) of its safety and health management system, including ERA's radiation management system.

# Markets and Customers

ERA sells its product to electric utilities in Asia, Europe and North America through an arrangement with Rio Tinto Uranium, which provides global reach and expertise in uranium sales and marketing activities.

Exports of uranium oxide are subject to strict safeguards and non-proliferation conditions to ensure that Australian uranium is only used for peaceful purposes.

Despite the production shortfall in 2011, ERA met all its sales commitments by way of alternate arrangements with some customers, inventory management and purchases of spot material.

ERA continues to enjoy a strong reputation as a leading and reliable supplier of uranium oxide for electricity generation.

The Company's long established production history and its excellent supply relationships with diverse customers across the world create an excellent base for new growth should development opportunities proceed as planned.

The short term price started the year at US\$72.00 and then fell sharply to US\$49.00 following the Fukushima accident, and climbed back to the high fifties for the latter half of the year. The long term price has been more stable and ranged from the US\$62.50 to US\$72.50 during 2011.

ERA's strategy focuses on long term price and as such sales are not overly dependent on the spot price. ERA's 2011 production was delivered into long term contracts.

Most of these long term contracts were signed in the recent period of rising prices and as a consequence ERA's average realised price for 2011 was significantly higher than the average spot price.

Weakness in the US dollar continues to weigh on the global uranium market, affecting non-US producers in terms of reduced earnings.

In terms of the global uranium market in 2011, the Fukushima accident in Japan caused near-term price impacts, and a slowdown in some regions, as countries assess safety learnings. However, with 432 reactors operating worldwide in 2011, with 63 under construction and 152 planned for operation by 2030, nuclear power remains a key element of global energy.

Emerging economies are expected to support uranium demand, with commitment to nuclear energy from China, India, Russia, South Korea and the United Arab Emirates.

Although China's uranium stockpile is estimated to exceed 20,000 tonnes, the country's ambitious build programme - 27 new reactors under construction and plans to have around 80 gigawatts of installed generating capacity by 2020 - is driving new demand.

The major global supplier of uranium, Kazakhstan, has annual production exceeding 19,000 tonnes of uranium in 2011.

Post-Fukushima, the near-term outlook for uranium will be challenging. Demand outlook has worsened in Europe following the announcements that Germany would exit nuclear energy generation by 2022, Switzerland by 2034 and Italy would abandon its embryonic plans for a nuclear programme. Understandably Japan, previously the third largest annual consumer of uranium, will have the greatest impact on the near-term

market for uranium. Japanese utilities are known to hold substantial uranium inventories and the nuclear safety review currently being implemented is likely to result in longer than expected shutdowns; indeed most, if not all, of the Japanese reactor fleet could be offline by May 2012. As a result, Japan is not expected to be very active in the market for the next year or two.

However, demand for nuclear fuel is expected to increase over the longer term, as concerns about climate change and energy security encourage further development of nuclear power.

This is expected to significantly exceed any market contraction as a result of the Japan crisis. ERA continues to envisage a strong long term future for uranium including continued price and demand growth with long term demand exceeding planned supply. This is driven by Chinese growth and an increased focus on the need to reduce carbon emissions.

If there has been one legacy from the Fukushima crisis, it has been an increased focus on safety in an already safety conscious industry. Comprehensive safety reviews have been undertaken globally with positive results from the majority, including Germany. New and existing reactors are being stress tested for extreme events such as multiple natural disasters, air crashes and terrorist attacks. Newer reactor designs have passive safety systems that should eliminate the possibility of a core meltdown such as happened at Fukushima.



# Directors' Outlook

ERA is at a critical stage in its history. 2012 will be the last year of operation of its Ranger Pit 3 open cut mine. In 2013 mining will cease and ERA's production will consist of the processing of stockpiled ore which will progressively reduce output, unless and until new production initiatives are implemented.

The Company's renewed focus on business efficiency, exploration potential, water management and major projects provide ERA with a sound footing for maximising growth opportunities in 2012 and beyond.

ERA is a highly experienced producer, with over three decades of uranium mining experience. This experience in operations, marketing, environmental management and stakeholder relations will stand the Company in good stead as it transitions to a new period in its development. The Company's tenements are located in one of the world's great uranium provinces and previous work has already identified highly prospective and under explored regions within the Ranger Project Area.

An expanded \$40 million surface drilling exploration programme is planned for 2012 to 2014 and will target these areas.

In addition, the \$120 million underground exploration decline, scheduled to begin construction in 2012, will allow close spaced exploration drilling of the Ranger 3 Deeps mineral resource.

This resource comprises an estimated 34,000 tonnes of uranium oxide and is one of the most significant undeveloped uranium deposits recently discovered.

An additional \$55 million has been allocated for preliminary studies into the development of an underground mine targeting the Ranger 3 Deeps resource.

If such a mine proves feasible, and gains necessary stakeholder support and regulatory approval, the existing infrastructure at Ranger mine could process Ranger 3 Deeps ore, providing continuity of production once existing stockpiles are processed.

As 2011 demonstrated, water management is critical to ERA's continued operations. Access to the remaining high grade ore in Pit 3 remains highly dependent on the level of rainfall in the forthcoming wet seasons. Investment in water management in coming years will support ERA's production optimisation and ensure the process water inventory is reduced.

In particular, the deployment of proven, environmentally sound water treatment technology in the Brine Concentrator facility will deliver significant capability to reduce process water volumes and increase ERA's ability to manage extreme wet seasons.

The success of ERA's capital raising with approximately \$500 million raised, not only provides funds to support these development projects, but also underlines the confidence in ERA's strategic initiatives and reputation as a skilled and capable operator, and the potential for the Australian uranium industry.

Should ERA succeed in efforts to maximise the potential of Ranger's world class deposits, production output is likely to continue to find long term buyers, with the outlook for the global uranium market positive in the longer term.

Emerging economies are expected to support uranium demand, with commitment to nuclear energy from China, India, Russia and the United Arab Emirates.

The near term effects of the accident in Fukushima caused a temporary drop in spot prices and an extended reduction in demand from Japan.

In addition, Germany's position has changed from reactor life extension to possible shutdown, and there has been some slowing of reactor builds in the short term as countries assess the important

safety lessons from Fukushima.

In the longer term, any slowing of demand growth is likely to be offset by China's anticipated growth, which may exceed current estimates.

With 432 reactors operating worldwide in 2011, 63 under construction and 152 planned for operation by 2030, nuclear power remains a key element of global energy supplies.

Nuclear power is a low carbon emitting generation technology that has the ability to deliver large volumes of base load power. ERA believes it will still be an important part of the global energy mix for decades to come.

Furthermore, nuclear power is a key component of many nations' energy security goals, particularly for resource-poor countries, because of the high energy intensity of uranium compared to other fuel sources.

ERA's ability to contribute to a lower carbon world depends on its ability to generate benefits for all stakeholders. ERA aims through strong environmental management to minimise its footprint on the region in which it operates, to achieve best practice in water management and to progressively rehabilitate the Ranger Project Area.

ERA also has title to the Jabiluka deposit, which is a world class deposit and will only be developed with the consent of the Mirarr people, the traditional owners.

Respect for traditional culture, support for growing communities, and protection of people and the environment are integral elements of ERA's future success.

ERA's ability to develop resources in a sustainable manner, and manage safety, environment and social risks in the years ahead, will determine the significant long term value that ERA can bring to the town of Jabiru, the Northern Territory and its shareholders.

“ERA’s ability to develop resources in a sustainable manner, and manage safety, environment and social risks in the years ahead, will determine the significant long term value that ERA can bring to the town of Jabiru, The Northern Territory and its shareholders.”







*Rodney Moore, Production Superintendent,  
Frank Jia, Superintendent Plant Operations  
Technical, Shane Reeves, Manager Plant  
Operations*



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# Financial Report 2011





# 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 2011.

## 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 and Remuneration 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 and member of Remuneration 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 the Chair of Delta Electricity, a non-executive Director of Carbon Energy Limited, Director of the Australian Centre for Plant 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, FAICD  
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**

BE (Mining), MAusIMM  
DIRECTOR

Appointed as a Director in July 2009. Member of the Audit Committee and Chair of Remuneration Committee. Mr Pegler is presently Chairman and a Director of the Australian Coal Association Ltd, a Director and Chairman of ACALET Ltd, a Director of WDS Ltd and a Director of Bandanna Energy Limited. 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**

BE (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**

BE(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. Mr Atkinson is Chairman of the Australian Uranium Association. Mr Atkinson has been appointed as a Vincent Fairfax Fellow by the Melbourne Business School, Centre for Ethical Leadership.



# Directors' Report

## EXECUTIVE COMMITTEE



**MR ROB ATKINSON**

BE(Hons) Mining & Petroleum Engineering  
CHIEF EXECUTIVE

Appointed as 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. Mr Atkinson is Chairman of the Australian Uranium Association. Mr Atkinson has been appointed as a Vincent Fairfax Fellow by the Melbourne Business School, Centre for Ethical Leadership.



**MR STEEVE THIBEAULT**

BA (Acc), CMA  
CHIEF FINANCIAL OFFICER  
AND COMPANY SECRETARY

Mr Thibeault was appointed as Chief Financial Officer in July 2009 and Company Secretary in 2009. Mr Thibeault has previously served in diverse finance roles with Rio Tinto Alcan and Alcan Aluminium Limited.



**MR DAN JANNEY**

BS - Metallurgical Engineering,  
MBA  
GENERAL MANAGER,  
OPERATIONS

Mr Janney commenced with Rio Tinto in 1991 and over the last 20 years has held various leadership positions within operations. Mr Janney was the General Manager at Kennecott Utah Copper's Smelting Operations in the US prior to commencing with ERA.



**DR GREG SINCLAIR**

BAppSc (Chemistry), PhD,  
FAusIMM  
GENERAL MANAGER,  
TECHNICAL AND MAJOR  
STUDIES

Dr Sinclair was appointed as General Manager Technical and Major Studies in May 2007. Dr Sinclair has over 27 years experience in the resources sector and has formerly held roles with the Iron Ore Company of Canada, Rio Tinto Technical Services & HSE Groups, North Limited and the Australian Nuclear Science & Technology Organisation.



#### MR CHRIS TZIOLIS

BSc (Chemistry), MA (International Relations), MBA  
CHIEF DEVELOPMENT OFFICER

Mr Tziolis was appointed as Chief Development Officer in October 2010. Mr Tziolis has over 20 years of operational and corporate experience. Mr Tziolis joined Rio Tinto in 2006 and formerly held roles as a consultant with McKinsey & Company and served as an operations officer in the Royal Australian Navy.



#### MR ALAN TIETZEL

BA BCom Dip Ed MBA  
GENERAL MANAGER,  
EXTERNAL RELATIONS

Mr Tietzel was appointed as General Manager External Relations in July 2010. He has a background in Aboriginal land agreements, regional development, government relations, human resources and organisation development. Mr Tietzel joined Rio Tinto in 1990. He has worked in the diamonds, salt, bauxite and alumina sectors, and in various corporate functions.



#### MR DAVID STARK

BE(Hons) Electrical Engineering, MIE Aust  
GENERAL MANAGER MAJOR PROJECTS

Mr Stark was appointed as General Manager Major Projects in September 2011. Mr Stark started with Rio Tinto in 1997 and has held various leadership roles in the engineering and maintenance fields. Prior to starting with ERA, Mr Stark was the Engineering Manager for the Rio Tinto Energy Major Projects Group.



#### MR ROBERT O'TOOLE

LLB, BSc  
COMPANY SECRETARY AND LEGAL COUNSEL

Mr O'Toole was appointed as 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.



# Directors' Report

## 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:

DIRECTOR	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS		OTHER COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
D Klingner	11	11	3	3	4	4
H Garnett	11	11	3	3	4	4
P Taylor	11	11	–	–	–	–
J Pegler	11	10	3	3	1	1
M Coulter	11	11	–	–	–	–
R Atkinson	11	10	–	–	3	3

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 related body corporate as at 31 January 2012 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	–	29,787	–	–
H Garnett	–	–	–	–
P Taylor	–	21,108	15,407	7,273
J Pegler	–	6,331	–	–
M Coulter	–	908	11,268	11,687
R Atkinson	–	888	2,699	8,975

## Remuneration report

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

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

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

### A Board oversight of remuneration

Up to and including 2011, the Board had not established a remuneration committee. The policies and procedures applied by the Company during this time in setting non-executive director and executive remuneration are set out in sections B and C of the remuneration report below.

From 2012, the Board has established a remuneration committee with responsibility to review:

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

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

### B Principles used to determine non-executive Directors' remuneration

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the non-executive Directors. Up to and including 2011, non-executive Directors' fees and payments were reviewed annually by the Board. From 2012, the Remuneration Committee will review and make

recommendations to the Board regarding non-executive Directors' remuneration. These fees are comprised of a base fee and any fees payable to non-executive Directors for their membership on established committees of the Board. 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 2011 Annual General Meeting, shareholders approved the 2010 Remuneration Report. The aggregate amount of non-executive Directors' remuneration paid in 2011 was \$602,920 inclusive of statutory superannuation.

The non-executive Directors' fees were reviewed by the Board in January 2012. The annual fees for non-executive Directors for 2012 (excluding superannuation) are as follows:

	2012	2011
Chairman	\$162,000	\$162,000
Non-executive Director	\$90,000	\$90,000
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.

The Board has resolved that no additional committee fees are payable for membership of the Remuneration Committee.

### 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 for 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.

### C Principles used to determine executive remuneration

The Company's Remuneration Policy can be found in the Remuneration Committee Chart at the Corporate Governance section of the Company's website at [www.energyres.com.au](http://www.energyres.com.au). From 2012, the Remuneration Committee will be responsible for the review of, and where appropriate to make recommendations to the Board in respect of, executive remuneration.

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. For the purposes of assessing the appropriate level of remuneration, the Australian resources sector is considered the most relevant comparator group. Additional references are also made to other relevant supplementary comparator groups comprising companies primarily



# Directors' Report

from the ASX 200. Typically, base salaries will be positioned at the median of these comparator groups, with total remuneration positioned across the full market range according to individual and business performance.

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 individual and business performance against goals set at the start of the year, global economic conditions, relevant comparative information and advice from the Rio Tinto Remuneration Committee. 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. From 2012, the Remuneration Committee will assist the Board with this process.

The executive pay and reward framework is designed to provide a total remuneration package which is competitive in the market; aligns total remuneration with delivered individual and short and long term business performance 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, motivation and retention of the high calibre senior executives required to lead the Company.

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), Performance Share Plan (PSP) 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 incentive plans (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, individual 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, PSP and MSP awards. In 2011, awards were made under the PSP 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 2011 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 individual performance and the current blend of share plans.

## Base salary

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

## Short term incentive plan

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

## Short term incentive performance conditions

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

In 2011, the business measures included:

- Financial performance - net earnings and cash flow;
- Safety - All Injury Frequency Rate, Semi Quantitative Risk Assessments and closure rate of Significant Potential Incidents; and
- Business performance - drummed production, quantity of pond water treated, completion of Tailings Storage Facility lift and quantity of total material moved.

## Bonus Deferral Plan

In 2009, 10 per cent of the Chief Executive's short term incentive plan bonus paid for service in 2008 was satisfied partly in cash (50 per cent) and partly through the deferred award of shares in Rio Tinto Limited (50 per cent) under the terms of the Rio Tinto Bonus Deferral Plan (BDP).

In 2011, 10 per cent of the Chief Executive's short term incentive plan bonus paid for service in 2010 was satisfied through the deferred award of shares in Rio Tinto Limited under the terms of the Rio Tinto BDP.

In 2012, 25 per cent of the Chief Executive's short term incentive plan bonus paid for service in 2011 will be satisfied through the deferred award of shares in Rio Tinto Limited under the terms of the Rio Tinto BDP.

## Long term incentive plans

### 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, individual 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 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.

The 2009 award was tested against the performance condition at the end of the performance period, which was 31 December 2011, and will vest to 100 per cent in March 2012.

### Performance Share Plan (PSP)

Rio Tinto's performance share plan, the PSP, 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.

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.

Subject to Rio Tinto Remuneration Committee approval, awards vest 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.

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.



# Directors' Report

## 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.

## 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/](http://www.riotinto.com/).

## D 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	TOTAL
		DIRECTORS FEES (\$000)	CASH BONUS (\$000)	NON- CASH BENEFITS (\$000)	EMPLOYMENT BENEFITS SUPER- ANNUATION (\$000)	
D Klingner	2011	175	–	–	16	191
	2010	162	–	–	14	176
R Carter <sup>2</sup>	2010	30	–	–	3	33
H Garnett	2011	110	–	–	10	120
	2010	102	–	–	9	111
P Taylor <sup>1</sup>	2011	90	–	–	–	90
	2010	82	–	–	–	82
C Salisbury <sup>3</sup>	2010	41	–	–	–	41
J Pegler	2011	103	–	–	9	112
	2010	96	–	–	8	104
M Coulter <sup>1,4</sup>	2011	90	–	–	–	90
	2010	41	–	–	–	41
<b>Total 2011</b>		<b>568</b>	<b>–</b>	<b>–</b>	<b>35</b>	<b>603</b>
Total 2010		554	–	–	34	588

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.



# Directors' Report

## Executive directors & other key management personnel of the consolidated entity

		SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	TOTAL (\$'000)
		CASH SALARY (\$'000)	CASH BONUS (\$'000)	OTHER <sup>10</sup> (\$'000)	SUPER- ANNUATION PENSION (\$'000)	CASH & EQUITY SETTLED (\$'000)	
<b>Executive directors</b>							
R Atkinson <sup>1</sup>	2011	375	208	82	89	232	986
	2010	360	153	80	86	188	867
<b>Other senior executives</b>							
A Milnes <sup>2</sup>	2010	287	74	30	50	73	514
D Paterson <sup>3</sup>	2010	157	65	50	39	38	349
G Sinclair <sup>4</sup>	2011	272	74	107	57	68	578
	2010	253	77	75	45	62	512
D Janney <sup>5</sup>	2011	256	91	71	39	114	571
	2010	265	107	72	55	87	586
S Thibeault <sup>6</sup>	2011	239	75	124	50	80	568
	2010	220	77	116	40	62	515
P Eaglen <sup>7</sup>	2011	246	71	74	68	41	500
	2010	134	–	84	13	6	237
C Tziolis <sup>8</sup>	2011	243	78	108	24	45	498
	2010	58	–	51	6	6	121
A Tietzel <sup>9</sup>	2011	321	120	104	47	108	700
	2010	77	–	21	13	25	136
<b>Total 2011</b>		<b>1,952</b>	<b>717</b>	<b>670</b>	<b>374</b>	<b>688</b>	<b>4,401</b>
<b>Total 2010</b>		<b>1,811</b>	<b>553</b>	<b>579</b>	<b>347</b>	<b>547</b>	<b>3,837</b>

Note 1 Performance related cash bonus: 58% awarded in 2011, 42% forfeited. 62% awarded in 2010, 38% forfeited.

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

Note 3 Resigned as General Manager External Relations on 31 August 2010. Performance related cash bonus: 56% awarded in 2010, 44% forfeited.

Note 4 Performance related cash bonus: 58% awarded in 2011, 42% forfeited; 62% awarded in 2010, 38% forfeited.

Note 5 Performance related cash bonus: 60% awarded in 2011, 40% forfeited; 56% awarded in 2010, 44% forfeited. Tax equalisation costs incurred, but not disclosed as remuneration.

Note 6 Performance related cash bonus: 67% awarded in 2011, 33% forfeited; 53% awarded in 2010, 47% forfeited. Tax equalisation costs incurred, but not disclosed as remuneration.

Note 7 Appointed as General Manager Environmental Strategy on 1 June 2010. Performance related cash bonus: 62% awarded in 2011, 38% forfeited. No cash bonus is disclosed for 2010 as payments made were in respect of services rendered to another Rio Tinto entity in 2009.

Note 8 Appointed as Chief Development Officer on 1 October 2010. Performance related cash bonus: 68% awarded in 2011, 32% forfeited. No cash bonus is disclosed for 2010 as payments made were in respect of services rendered to another Rio Tinto entity in 2009.

Note 9 Appointed as General Manager External Relations on 1 October 2010. Performance related cash bonus: 65% awarded in 2011, 35% forfeited. No cash bonus is disclosed for 2010 as payments made were in respect of services rendered to another Rio Tinto entity in 2009.

Note 10 Other benefits includes relocation, accommodation, travel, vehicle 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 2011. The fair value of awards granted under the PSP has been calculated using a Monte Carlo valuation model based on the market price of shares and their relative TSR performance at 31 December 2011.

## E 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 plans 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.

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 plan payments may be paid based on the proportion of the performance period worked.
- Long term incentive plan benefits may be paid or vest to the extent provided by the relevant plan.
- 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 2011 of \$376,504 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 2011 of \$273,166 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 – 1 April 2009 to 30 September 2012](#)

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2011 of USD \$211,242 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 – 1 December 2011 - 31 March 2015](#)

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2011 of \$300,000 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 2011 of \$245,870 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.



# Directors' Report

## 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 2011 of \$324,360 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.

## P Eaglen – General Manager Environmental Strategy

Commenced 1 June 2010 and resigned 31 January 2012

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2011 of \$247,250 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.

## F 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
<b>RIO TINTO LIMITED</b>		\$	\$	\$	\$	
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
<b>RIO TINTO PLC</b>		£	£	£	£	
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	8.29	17/03/2012



# Directors' Report

## Rio Tinto Performance Share Plan (PSP)

Share awards under the PSP 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	MARKET PRICE AT AWARD	PERFORMANCE PERIOD ENDS	MARKET PRICE AT 31 DECEMBER 2011
<b>RIO TINTO LIMITED</b>			
7 March 2006	\$69.60	31 December 2009	\$60.30
13 March 2007	\$74.50	31 December 2010	\$60.30
22 March 2010	\$75.03	31 December 2013	\$60.30
21 March 2011	\$81.00	31 December 2014	\$60.30
<b>RIO TINTO PLC</b>			
7 March 2006	£26.30	31 December 2009	£31.25
13 March 2007	£26.81	31 December 2010	£31.25
22 March 2010	£37.30	31 December 2013	£31.25
21 March 2011	£40.58	31 December 2014	£31.25

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 PSP in 2009, although adjustments were made to PSP 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	MARKET PRICE AT AWARD	PERFORMANCE PERIOD ENDS	PRICE AT 31 DECEMBER 2011
<b>RIO TINTO LIMITED</b>			
10 March 2008	\$126.48	31 December 2010	\$60.30
17 March 2009	\$47.60	31 December 2011	\$60.30
22 March 2010	\$75.03	31 December 2012	\$60.30
21 March 2011	\$81.00	31 December 2013	\$60.30
<b>RIO TINTO PLC</b>			
10 March 2008	£52.58	31 December 2010	£31.25
17 March 2009	£19.82	31 December 2011	£31.25
22 March 2010	£37.30	31 December 2012	£31.25
21 March 2011	£40.58	31 December 2013	£31.25

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	MARKET PRICE AT AWARD	VESTING DATE*	PRICE AT 31 DECEMBER 2011
<b>RIO TINTO LIMITED BONUS DEFERRAL PLAN</b>			
17 March 2009	\$52.01	50% 31 December 2010 50% 31 December 2011	\$60.30
21 March 2011	\$81.00	100% 31 December 2013	\$60.30
<b>RIO TINTO LIMITED COMPANY CONTRIBUTED AWARD</b>			
17 March 2009	\$52.01	50% 31 December 2010 50% 31 December 2011	\$60.30
21 March 2011	\$81.00	100% 31 December 2013	\$60.30

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 2011 are set out below:

R Atkinson	2011 Rio Tinto Limited scheme commencing 1 January 2012
P Taylor	2009 Rio Tinto Limited scheme commencing 1 January 2010
D Janney	2011 Rio Tinto plc scheme commencing 1 December 2011
	2010 Rio Tinto plc scheme commencing 1 January 2010
	2009 Rio Tinto plc scheme commencing 15 December 2009
C Tziolis	2008 Rio Tinto Limited scheme commencing 1 January 2009
A Tietzel	2008 Rio Tinto Limited scheme commencing 1 January 2009



# Directors' Report

## 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 remuneration 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 <sup>8</sup>	GRANTED AS REMUNERATION	EXERCISED DURING THE YEAR	OTHER CHANGES <sup>7</sup>	BALANCE AT END OF THE YEAR <sup>7</sup>	
						VESTED & EXERCISABLE	UN-VESTED
<b>RIO TINTO PLC</b>							
<b>Key management personnel</b>							
D Janney	2011	2,033	–	–	–	–	2,033
	2010	3,540	–	–	(1,507)	–	2,033
S Thibeault	2011	1,186	–	–	–	–	1,186
	2010	1,186	–	–	–	–	1,186
<b>RIO TINTO LIMITED</b>							
<b>Executive directors</b>							
R Atkinson	2011	3,950	–	(1,782)	–	–	2,168
	2010	5,278	–	–	(1,328)	1,782	2,168
<b>Key management personnel</b>							
A Milnes <sup>1</sup>	2010	10,575	–	–	(992)	8,757	826
D Paterson <sup>2</sup>	2010	10,033	–	–	(866)	8,460	707
G Sinclair	2011	1,998	–	(1,238)	–	–	760
	2010	3,874	–	(1,511)	(365)	1,238	760
P Eaglen <sup>3</sup>	2011	–	–	–	–	–	–
	2010	–	–	–	–	–	–
C Tziolis <sup>4</sup>	2011	396	–	–	–	–	396
	2010	396	–	–	–	–	396
A Tietzel <sup>5</sup>	2011	4,495	–	–	–	3,275	1,220
	2010	4,495	–	–	–	3,275	1,220
<b>Non-executive directors<sup>6</sup></b>							
D Klingner	2011	–	–	–	–	–	–
	2010	4,117	–	(4,117)	–	–	–
P Taylor	2011	18,209	–	(2,802)	–	12,978	2,429
	2010	20,169	–	–	(1,960)	15,780	2,429
C Salisbury	2010	9,416	–	–	(2,749)	3,332	3,335
M Coulter	2011	13,792	–	(2,524)	–	9,473	1,795
	2010	13,792	–	–	–	11,997	1,795

Note 1 Upon resignation as General Manager Environmental Strategy on 31 December 2010, balance at 9,583.

Note 2 Upon resignation as General Manager External Relations on 31 August 2010, balance of 9,167.

Note 3 Upon appointment as General Manager Environmental Strategy on 1 June 2010, no balance was held.

Note 4 Upon appointment as Chief Development Officer on 1 October 2010, balance at 396.

Note 5 Upon appointment as General Manager External Relations on 1 October 2010, balance at 4,495.

Note 6 Changes to balances for non-executive Directors do not relate to remuneration for services provided to the Company.

Note 7 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 8 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 70, the percentage of the available grant that was paid, or that vested, in 2011, 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 61). No options will vest if the conditions are not satisfied hence the 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		MAXIMUM TOTAL VALUE OF UNVESTED GRANT \$
<b>RIO TINTO PLC</b>						
D Janney	2011	–	–	N/A		–
	2010	–	–	N/A		–
S Thibeault	2011	–	–	N/A		–
	2010	–	–	N/A		–
<b>RIO TINTO LIMITED</b>						
R Atkinson	2011	–	–	N/A		–
	2010	–	–	N/A		–
A Milnes	2010	–	–	N/A		–
D Paterson	2010	–	–	N/A		–
G Sinclair	2011	–	–	N/A		–
	2010	–	–	N/A		–
P Eaglen	2011	–	–	N/A		–
	2010	–	–	N/A		–
C Tziolis	2011	–	–	N/A		–
	2010	–	–	N/A		–
A Tietzel	2011	–	–	N/A		–
	2010	–	–	N/A		–

# Directors' Report

## Conditional awards provided as remuneration

### Performance Share 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.

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 <sup>7</sup>	GRANTED AS REMUN- ERATION	CRYSTALLISATION OF PRIOR AWARD		AWARDS CANCELLED	OTHER CHANGES <sup>8</sup>	BALANCE AT END OF THE YEAR <sup>8</sup>
				VESTED	LAPSED			
<b>RIO TINTO PLC</b>								
<b>Key management personnel</b>								
D Janney	2011	7,829	2,047	(1,316)	(670)	–	–	7,890
	2010	5,837	3,035	–	(1,043)	–	–	7,829
S Thibeault	2011	4,740	1,486	(786)	–	–	–	5,440
	2010	2,682	2,058	–	–	–	–	4,740
<b>RIO TINTO LIMITED</b>								
<b>Executive directors</b>								
R Atkinson	2011	12,016	3,493	(3,087)	(714)	–	–	11,708
	2010	11,196	5,615	(3,869)	(926)	–	–	12,016
<b>Key management personnel</b>								
A Milnes <sup>1</sup>	2010	5,174	1,958	(1,780)	(722)	–	–	4,630
D Paterson <sup>2</sup>	2010	4,578	1,275	(1,650)	(625)	–	–	3,578
G Sinclair	2011	3,794	987	(1,040)	(482)	–	–	3,259
	2010	4,616	1,362	(1,540)	(644)	–	–	3,794
P Eaglen <sup>3</sup>	2011	986	883	–	–	–	–	1,869
		638	–	–	–	–	348	986
C Tziolis <sup>4</sup>	2011	1,587	884	(201)	–	–	–	2,270
		1,587	–	–	–	–	–	1,587
A Tietzel <sup>5</sup>	2011	6,115	1,565	(1,685)	(781)	–	–	5,214
		6,115	–	–	–	–	–	6,115
<b>Non-executive directors<sup>6</sup></b>								
P Taylor	2011	12,268	–	(4,474)	(1,281)	–	3,289	9,802
	2010	15,248	–	(5,420)	(1,717)	–	4,157	12,268
C Salisbury	2010	16,939	–	(3,088)	(1,132)	–	6,831	19,550
M Coulter	2011	9,250	–	(1,686)	(778)	–	6,449	13,235
	2010	9,250	–	–	–	–	–	9,250

Note 1 Upon resignation as General Manager Environmental Strategy on 31 December 2010, balance was 4,630.

Note 2 Upon resignation as General Manager External Relations on 31 August 2010, balance was 3,578.

Note 3 Upon appointment as General Manager Environmental Strategy on 1 June 2010, balance at 638.

Note 4 Upon appointment as Chief Development Officer on 1 October 2010, balance at 1,587.

Note 5 Upon appointment as General Manager External Relations on 1 October 2010, balance at 6,115.

Note 6 Changes to balances for non-executive Directors do not relate to remuneration for services provided to the Company.

Note 7 Where a KMP joined during the year, balance at start of the year reflects holdings at time of commencement with the Company.

Note 8 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.



## Shareholdings

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 <sup>1</sup>	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT END OF THE YEAR <sup>2</sup>
<b>ENERGY RESOURCES OF AUSTRALIA LTD</b>					
R Carter <sup>3</sup>	2010	25,000	–	–	25,000
<b>RIO TINTO LIMITED</b>					
R Carter <sup>3</sup>	2010	4,613	–	–	4,613
D Klingner	2011	36,787	–	(7,000)	29,787
	2010	51,787	4,117	(19,117)	36,787
C Salisbury <sup>4</sup>	2010	7,571	–	–	7,571
P Taylor	2011	11,773	2,802	3,916	18,491
	2010	6,353	–	5,420	11,773
R Atkinson	2011	888	2,201	(2,201)	888
	2010	2,041	888	(2,041)	888
J Pegler	2011	6,331	–	–	6,331
	2010	6,331	–	–	6,331
M Coulter <sup>5</sup>	2011	908	2,524	(2,524)	908
	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.

Note 3 Resigned as a Director on 21 April 2010.

Note 4 Resigned as a Director on 15 June 2010.

Note 5 Appointed as a Director on 15 June 2010.

## G Additional information

### Further details relating to options

	VALUE OF OPTIONS EXERCISED DURING 2011	MARKET PRICE AT DATE OF EXERCISE
<b>VALUE OF OPTIONS EXERCISED DURING THE YEAR</b>		
R Atkinson	59,145	88.14
G Sinclair	40,345	87.54

### Loans and other transactions with Directors and other key management personnel

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

# Directors' Report

## Principal activities

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

## Dividends

No dividends have been paid by ERA to members in respect of the 2011 financial year.

## 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 8 and the "Financial performance" and "Production" sections at pages 10 and 12, 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 2011.

## Matters subsequent to the end of the financial year

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

- (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 2011.

## 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 2012 Annual General Meeting will be held on 11 April 2012 in Darwin, in the Northern Territory of Australia. Notices of the 2012 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 2011, 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 2011.

Further details of ERA's environmental performance are included in the "Environment" section of the Annual Report on page 32.

## 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 77.

## 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. During the period PricewaterhouseCoopers were engaged to perform services in relation to the accelerated renounceable entitlement offer conducted by ERA in 2011.

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.

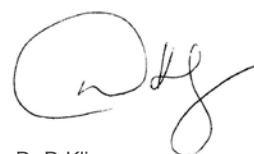
	2011 \$000	2010 \$000
<b>AUDIT SERVICES</b>		
PricewaterhouseCoopers		
Audit and review of financial reports	350	250
<b>Total Remuneration for audit services</b>	<b>350</b>	<b>250</b>
Taxation services	–	–
Non-audit services	285	–
<b>Total Remuneration</b>	<b>635</b>	<b>250</b>

## 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 76.

Signed at Melbourne this 10 February 2012 in accordance with a resolution of the Directors.

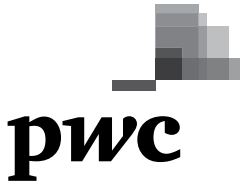


Dr D Klingner

**Director**  
**Melbourne**  
**10 February 2012**



# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Energy Resources of Australia Ltd for the year ended 31 December 2011, 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 Ltd and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'D. G. Smith', written in a cursive style.

Debbie Smith  
Partner  
PricewaterhouseCoopers

Melbourne  
10 February 2012

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# Corporate Governance Statement

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

The corporate governance structures and practices in place at ERA are substantially in compliance with the 2nd Edition of the Corporate Governance Principles and Recommendations with 2010 Amendments ("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:

- Recommendation 2.1 – there is not a majority of independent Directors; and
- Recommendation 2.4 – there is no established nominations 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.

The Corporate Governance section of the Company's website ([www.energyres.com.au](http://www.energyres.com.au)) sets out the further information required by the Council's Principles.

## 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 ERA's shareholders and employees and the community.

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

The Board approves strategy and business plans and monitors the performance of ERA against these plans. The Board also monitors compliance with policies prescribed by the Board in areas such as health and safety, environment, business ethics, internal control and risk management. These policies

are designed to ensure that ERA meets or exceeds the regulatory requirements governing its operations.

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

- (a) confirming the appointment of a Chief Executive proposed by Rio Tinto and the terms and conditions of the Chief Executive's employment;
- (b) appointment of the Chair of the Board and members of Board Committees;
- (c) any matters in excess of the discretions that it may have delegated to the Chief Executive and set out in the Schedule of Matters Reserved for Decision of Consideration by the Board; and
- (d) approval, subject to the Constitution, the Corporations Act and the ASX Listing Rules, of each of the following:
  - (i) the issue of new shares or other securities in the company;
  - (ii) incurring of debt (other than trade creditors incurred in the normal course of business)
  - (iii) capital expenditure in excess of \$5,000,000;
  - (iv) the acquisition, divestment or establishment of any significant business assets;
  - (v) changes to the discretions delegated from the Board;
  - (vi) the annual operating plan;
  - (vii) changes to the capital and operating approval limits of senior management; and
  - (viii) the annual report and full-year/half-year results.

### Composition

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

The Board strives to achieve a diversity of skills, experience and perspective among its directors. Details of the Directors, their experience, qualifications and other appointments are set out on pages 54 to 55. Details of the independent status of Directors is outlined in the Independence section below.

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

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 ERA and all shareholders. Where contracts in the ordinary course of business exist between ERA and a company in which a Director has declared an interest, these are reviewed for materiality to both ERA and the other party to the contract.

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

- whether within the last three years the Director or a close family member has been a member of executive management of ERA, employed in a senior position with a member of the Rio Tinto Group or has received additional remuneration from the company or a member of the Rio Tinto Group;
- whether the Director or a close family member is, or is associated with, a substantial shareholder (more than 5 per cent of the voting shares) in the company or in a member of the Rio Tinto Group;

# Corporate Governance Statement

- 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 ERA or with a member of the Rio Tinto Group, whether as an auditor, professional adviser, supplier, or customer ("material" being more than five per cent of ERA's or the counterparty's consolidated gross revenue per annum).

Professor Garnett and Mr Pegler are independent non-executive Directors. Dr Klingner was nominated to the Board by Rio Tinto in 2004. Dr Klingner was previously an executive of Rio Tinto, however, a significant period of time (over seven years) has elapsed since Dr Klingner ceased employment with Rio Tinto. The Board is satisfied that Dr Klingner has no continuing relationship with Rio Tinto that would interfere with his independent exercise of judgment and that he is an independent director.

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 Klingner, is an independent non-executive director. Dr Klingner's other appointments are set out on page 54. The Board considers that none of his other commitments interfere with the discharge of his duties to ERA.

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 2011, and five unscheduled meetings to deal with urgent and other issues. In addition, there were four meetings held in 2011 of subcommittees established by the Board. The Board meeting attendance details for Directors in 2011 are set out on page 58.

## Performance self assessment

In 2011 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 by an external consultant, the results and the adequacy and appropriateness of the self assessment process were compiled. A report outlining the results was circulated to all Directors and discussed at the next Board meeting, where 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

ERA's Constitution provides that the aggregate remuneration paid to non-executive Directors of ERA in any one year will not exceed \$800,000 or such other amount as may be approved by shareholders from time to time. At the 2011 Annual General Meeting, shareholders approved the 2010 Remuneration Report.

During 2011, the Board had not established a remuneration committee. The Board recognises that this did 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, were satisfactory and 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 2011 when setting non-executive director and executive remuneration, and reviewing and evaluating executive performance, are summarised on pages 59 to 62 of the Remuneration Report. Executive performance was reviewed in accordance with these policies and procedures.

In 2012, the Board established a Remuneration Committee. The Remuneration Committee currently comprises three non-executive independent directors, being Mr Pegler (Chair), Dr Klingner and Professor Garnett. A majority of members constitutes a quorum for a meeting. The Chief Executive may be invited to attend Remuneration Committee meetings. Other executives may also be invited to discuss or report on particular agenda items. A standing invitation was issued to all non-executive directors to attend meetings of the Remuneration Committee.

The Remuneration Committee Charter sets out the role and objectives of the Remuneration Committee. A summary of the objectives of the Remuneration Committee is set out on page 59 of the Remuneration Report. The complete Remuneration Committee Charter is available at the Corporate Governance section of ERA's website.

## Audit committee

The Audit Committee is appointed by the Board and currently comprises three non-executive independent Directors. Two Directors constitute a quorum. The present members of the Audit Committee are Professor Garnett (Chair), Dr Klingner and Mr Pegler. The Company's Chief Financial Officer, Chief Executive, Legal Counsel and Company Secretary, the external auditor and the internal auditors are 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. 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 2011. Attendance details of the 2011 meetings of the Audit Committee, and the qualifications and experience of the members, are set out in the Directors' Report on pages 58 and 54-55 respectively.

Each year the external auditor submits a schedule of audit services and fee estimate to the Audit Committee for consideration and approval. PricewaterhouseCoopers have been ERA's external auditor for a number of years. Each year, the Audit Committee reviews the effectiveness of the external audit process and the independence of the auditor. Based on its 2011 review, the Audit Committee was satisfied with the external audit process and that the external auditor remained independent. Any work to be conducted by the external auditor other than the audit is approved by the Audit Committee.

Details of the fees paid to PricewaterhouseCoopers during 2011 are outlined on page 75.

## Diversity

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

Diversity in the context of the company primarily refers to groups which are under represented in its workforce. ERA has a particular focus on the representation of women and Indigenous people in its workforce.

ERA's policy on diversity can be found on the company's website at [www.energyres.com.au](http://www.energyres.com.au).

In accordance with the company's diversity policy, ERA has set measurable objectives to achieve diversity. The objectives for 2011 and the company's progress in achieving each objective is set out below:

Objective	Outcome
Develop and implement a Flexible Work Arrangements Policy to support employees personal or family commitments whilst continuing in the workplace.	Policy implemented in 2011.
90% of employees to undertake workplace harassment training.	99.6% of employees completed this training.
20% Indigenous employees in the workforce.	As at 31 December 2011, 17% of the company's workforce were indigenous employees.
Create and implement an Indigenous Employment Strategy.	Designed and implemented in 2011.
Develop a Leader Coaching programme that includes information for leaders on the parental leave and flexible work arrangements policies.	Introduced in 2011 and ongoing.

As at 31 December 2011, the proportion of women employed by ERA was as follows.

Board of directors	17%
Executive committee and managers	18%
Company	22%

## 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](http://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](http://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](http://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 Chairperson 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.

Particulars of the interests held by Directors are outlined on page 58 of the Remuneration Report.

# Corporate Governance Statement

## 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 and a detailed internal control questionnaire process covering all of ERA'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; water management; 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](http://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 external auditor, attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. ERA shareholders are also able to submit written questions regarding the statutory audit report to the auditor via the company. Any questions received and answers provided will be made available to members at ERA Annual General Meetings. Shareholders who are unable to attend meetings are encouraged to appoint a proxy to vote either as they direct or at their discretion.

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

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>Revenue from continuing operations</b>	3	667,849	585,957
Changes in inventories	4	(110,430)	31,529
Purchased materials (uranium oxide)		(244,064)	(100,408)
Materials and consumables used		(111,192)	(109,786)
Employee benefits and contractor expense		(211,353)	(211,148)
Government and other royalties	4	(16,153)	(25,873)
Commission and shipping expenses		(5,611)	(10,778)
Depreciation and amortisation expenses	4	(125,925)	(60,748)
Financing costs	4	(27,132)	(15,709)
Statutory and corporate expenses		(13,675)	(11,972)
Other expenses	4	(8,654)	(11,637)
<b>Profit (loss) before income tax</b>		<b>(206,340)</b>	59,427
Income tax (expense)/benefit	5	52,741	(12,423)
<b>Profit (loss) for the year</b>		<b>(153,599)</b>	47,004
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year</b>		<b>(153,599)</b>	47,004
<b>Profit is attributable to:</b>			
Owners of Energy Resources of Australia Ltd		(153,599)	47,004
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of Energy Resources of Australia Ltd		(153,599)	47,004
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents)	28	(48.4)	16.8
Diluted earnings per share (cents)	28	(48.4)	16.8
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents)	28	(48.4)	16.8
Diluted earnings per share (cents)	28	(48.4)	16.8

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



# Consolidated Balance Sheet

As at 31 December 2011

	NOTES	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	632,584	187,670
Trade and other receivables	8	67,200	72,850
Current tax assets		3,698	12,704
Inventories	9	126,049	138,552
Other	10	381	579
<b>Total current assets</b>		<b>829,912</b>	<b>412,355</b>
<b>Non-current assets</b>			
Inventories	11	112,801	212,118
Undeveloped properties	12	203,632	203,632
Property, plant and equipment	13	741,254	539,477
Deferred tax assets	18	2,154	–
Investment in trust fund	14	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>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	80,238	94,072
Provisions	16	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	18	–	50,926
Provisions	17	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>			
Contributed equity	19	706,485	214,585
Reserves	20	390,459	391,300
Retained profits	20	191,592	345,191
<b>Total equity</b>		<b>1,288,536</b>	<b>951,076</b>

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 2011

CONSOLIDATED	NOTES	CONTRIBUTED EQUITY \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL \$'000
<b>Balance at 1 January 2010</b>		214,585	390,859	361,130	966,574
Profit/(loss) for the year		–	–	47,004	47,004
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	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	(15,939)	(15,498)
<b>Balance at 31 December 2010</b>		214,585	391,300	345,191	951,076
Profit/(loss) for the year		–	–	(153,599)	(153,599)
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	(153,599)	(153,599)
Transactions with owners in their capacity as owners:					
Contributions of equity	19	491,900	–	–	491,900
Dividends provided for or paid	6	–	–	–	–
Employee share options – value of employee services	20	–	(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>

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 2011

	NOTES	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of goods and services tax)		687,817	589,890
Payments to suppliers and employees (inclusive of goods and services tax)		(645,447)	(476,085)
Payments for exploration		(9,368)	(4,449)
		33,002	109,356
Interest received		12,127	9,386
Financing costs paid		(2,110)	(1,742)
Income taxes (paid)/refunded		11,897	(74,877)
<b>Net cash inflow from operating activities</b>	27	<b>54,916</b>	<b>42,123</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for deferred stripping and 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>(97,404)</b>	<b>(44,877)</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	6	–	(62,943)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>487,402</b>	<b>(63,229)</b>
Net increase/(decrease) in cash and cash equivalents		444,914	(65,983)
Cash and cash equivalents at the beginning of the financial year		187,670	253,672
Effects of exchange rate changes on cash and cash equivalents		–	(19)
<b>Cash and cash equivalents at end of year</b>	7	<b>632,584</b>	<b>187,670</b>

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 2011

## 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, 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 2011 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.

# Notes to the Consolidated Financial Statements

## (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. When it is deemed only one option is available it is assigned a 100% probability. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to regular reviews.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the 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 guarantees. The cash portion is shown as an investment on the balance sheet (note 14), and interest received by the trust fund is shown as interest income.

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.

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

If the ore will not be processed within 12 months after the balance sheet date it is included within non-current assets and net realisable value is calculated on a discounted cash flow basis.

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

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.

## (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 cost to sell and

value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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



# Notes to the Consolidated Financial Statements

\*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 Board and 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.

# Notes to the Consolidated Financial Statements

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 guarantees 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 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. There will be no impact on the group's accounting for financial assets or liabilities.

(ii) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduces 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 the entity.

(iii) *AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable

presumption that investment property which is measured at fair value is recovered entirely by sale. This is unlikely to have any effect on the 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 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 of the technical closure options available to meet ERA's obligations. The cost estimates are reviewed annually during the life of the operation to reflect known developments.

A detailed desktop review was conducted prior to 30 June 2011 and has resulted in some modifications to the preferred closure plan. The provision for rehabilitation costs 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.



## (b) Taxation

The Group has recognised certain deferred tax assets for deductible temporary differences and recoverable losses carried forward. 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. A full statement of ERA Ore Reserves and Mineral Resources as at 31 December 2011 is on page 18 and 19.

## (d) Impairment

ERA's balance sheet contains items that have been subject to impairment testing during the year, as a result of ERA identifying specific trigger events. These trigger events include record rainfall in December 2011 and continued volatility in ERA's share price, resulting in market capitalisation (Australian Securities Exchange) being below net assets at year end. ERA has identified that there are two cash generating units (CGU), being the Ranger CGU and Jabiluka CGU. The carrying amount of the Ranger CGU and Jabiluka CGU at the end of the year were

\$417 million and \$180 million respectively. Further details on the recoverability of the Jabiluka CGU are provided at note 12. Following the completion of testing ERA has concluded that the recoverable amounts exceed the carrying values and that there is no impairment.

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.

ERA 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.

ERA assesses the recoverable amount of CGUs based on the greater of fair value less costs to sell or value in use. The fair value less costs to sell for the Ranger Project Area has been determined based on discounted cash flow modelling of a set of probability weighed strategic outcomes.

The recoverable amount is particularly sensitive to key assumptions including: uranium oxide prices (long term and spot), Australian / US dollar exchange rate, discount rate and exploration and development potential.

ERA has conducted a range of sensitivities on the recoverable amount. These relate to movements in the long term economic assumptions that ERA consider reasonably possible to occur within the next financial year:

- A 5% strengthening in the long term Australian/US dollar exchange rate (applied from 2016) would decrease the recoverable amount by around \$80 million and would not likely result in impairment.
- A 5% decline in the long term uranium price (applied from 2016) would decrease the recoverable amount by around \$88 million and would not likely result in impairment.

ERA has announced that it will progress with the Ranger 3 Deeps exploration decline and has assigned a high probability that it will progress into production phase at the successful completion of the exploration programme. Should this not occur it is likely that the Ranger CGU would face impairment.

There are several variables in ERA's assessment of the most likely development programme and its assessment of recoverable amount.

This includes assumptions around regulatory or stakeholder approvals for further development potential. Should this not occur, it is likely that the Ranger CGU would face impairment.

If the carrying values of the assets are assessed to be impaired, the impairment would be charged against the income statement.

## Notes to the Consolidated Financial Statements

### 3 Revenue

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	2011 \$'000	2010 \$'000
<b>REVENUE FROM CONTINUING OPERATIONS</b>		
<b>Sales revenue</b>		
Sale of goods	649,213	572,036
Rendering of services	2,168	247
<b>Total sales revenue</b>	<b>651,381</b>	<b>572,283</b>
<b>Other revenue</b>		
Interest received/receivable, other parties	15,533	12,699
Rent received	935	975
<b>Total other revenue</b>	<b>16,468</b>	<b>13,674</b>
<b>Total revenue from continuing operations</b>	<b>667,849</b>	<b>585,957</b>

## 4 Expenses

	NOTES	2011 \$'000	2010 \$'000
<b>PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:</b>			
<b>Cost of sales</b>			
Produced product (uranium oxide)		268,014	330,590
Purchased product (uranium oxide)		216,659	70,659
<b>Total cost of sales</b>		<b>484,673</b>	<b>401,249</b>
<b>Depreciation</b>			
Mine land and buildings		3,974	3,328
Plant and equipment		56,219	44,193
<b>Total depreciation</b>		<b>60,193</b>	<b>47,521</b>
<b>Amortisation</b>			
Mine properties		14,420	10,398
Rehabilitation asset		51,312	2,829
<b>Total amortisation</b>		<b>65,732</b>	<b>13,227</b>
<b>Total depreciation and amortisation expenses</b>		<b>125,925</b>	<b>60,748</b>
<b>Government and other royalties</b>			
Royalty payments		3,671	5,880
Payments to Aboriginal interests	22	12,482	19,993
<b>Total Government and other royalties</b>		<b>16,153</b>	<b>25,873</b>
<b>Financing costs</b>			
Related parties		–	5
Other parties		2,110	1,737
Unwinding of discount (rehabilitation provision)		25,022	13,967
<b>Total Financing Costs</b>		<b>27,132</b>	<b>15,709</b>
Doubtful debts expense		(2,736)	218
Net loss on disposal of property, plant & equipment		713	8,277
Net exchange loss		855	301
Rental expense relating to operating leases		10,027	3,480
Research and development expenditure		52,364	64,775
Defined contribution superannuation expense		6,186	5,754



## Notes to the Consolidated Financial Statements

### 5 Income tax expense (benefit)

	2011 \$'000	2010 \$'000
<b>INCOME TAX EXPENSE (BENEFIT)</b>		
Current tax	–	12,806
Deferred tax	(52,042)	(47)
Under/(over) provided in prior years	(699)	(336)
<b>Income tax expense (benefit)</b>	<b>(52,741)</b>	<b>12,423</b>

Deferred income tax (revenue)/expense included in income tax expense comprises:

Decrease/(increase) in deferred tax assets (Note 18b)	(30,659)	(5,017)
(Decrease)/increase in deferred tax liabilities (Note 18a)	(21,383)	4,970
<b>Deferred tax</b>	<b>(52,042)</b>	<b>(47)</b>

#### RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

Operating profit before income tax	(206,340)	59,427
Tax at the Australian tax rate of 30% (2010 – 30%)	(61,902)	17,828
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
R&D tax concession	(3,927)	(4,858)
Amortisation	15,394	849
Other items	(1,607)	(1,060)
Income tax under/(over) provided in prior years	(699)	(336)
<b>Income tax expense (benefit)</b>	<b>(52,741)</b>	<b>12,423</b>

#### 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)	(3,229)	(128)
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#### Tax consolidation legislation

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

## 6 Dividends

	2011 \$'000	2010 \$'000
<b>ORDINARY SHARES</b>		
<b>Final dividend:</b>		
The directors did not declare a final dividend for the year ended 31 December 2010 (2009 - 25 cents per fully paid share paid on 5 March 2010, fully franked based on tax paid @ 30% – 7.5 cents.)	–	47,684
<b>Interim dividend:</b>		
The directors have not declared an interim dividend for the year ended 31 December 2011 (2010 – 8 cents fully franked per fully paid share paid on 13 August 2010)	–	15,259
<b>Total dividends provided for or paid</b>	<b>–</b>	<b>62,943</b>

### DIVIDENDS NOT RECOGNISED AT YEAR END

The directors have not declared a final dividend for the year ended 31 December 2011 (2010 – nil).		
The aggregate amount of the final dividend payable out of retained profits at 31 December 2011 but not recognised as a liability is	–	–

### DIVIDEND FRANKING ACCOUNT

	2011 \$'000	2010 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 – 30%)	<b>234,086</b>	<b>236,976</b>

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 sufficient available profits to declare dividends.

## Notes to the Consolidated Financial Statements

### 7 Cash and cash equivalents

	2011 \$'000	2010 \$'000
<b>CURRENT</b>		
Cash at bank and in hand	3,627	1,095
Deposits at call	628,957	186,575
<b>Cash and cash equivalents</b>	<b>632,584</b>	<b>187,670</b>

#### Cash at bank/Deposits at call

Cash assets and deposits bear floating interest rates between 0.00% and 4.7% (2010 – 0.00% and 5.28%).

#### 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

	2011 \$'000	2010 \$'000
<b>CURRENT</b>		
Trade debtors	60,038	69,164
Other debtors	7,190	6,388
Provision for impairment	(28)	(2,702)
<b>Net other debtors</b>	<b>7,162</b>	<b>3,686</b>
<b>Trade and other receivables</b>	<b>67,200</b>	<b>72,850</b>

#### 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

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	2011 \$'000	2010 \$'000
Stores and spares	23,783	25,174
Ore stockpiles at cost	34,993	24,629
Work in progress at cost	3,213	5,383
Finished product U <sub>3</sub> O <sub>8</sub> at cost	64,060	83,366
<b>Total current Inventory</b>	<b>126,049</b>	<b>138,552</b>

### Inventory expense

Obsolescence of inventory provided for and recognised as an expense during the year ended 31 December 2011 amounted to \$190,294 (2010: \$1,412,043).

## 10 Other assets

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	2011 \$'000	2010 \$'000
Prepayments	381	579

## 11 Inventories – non-current

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	2011 \$'000	2010 \$'000
Ore stockpiles at cost	112,801	212,118

### Inventory expense

During the year some low grade stockpiled ore was recognised as an expense of \$142,060,800 (\$99,442,560 post tax). This related to the reclassification of some low grade stockpiled ore from Reserves to Resources as a result of the decision of the ERA Board to not progress with the Ranger Heap Leach Facility. This is shown in the change in inventories line of the Statement of Comprehensive Income.

## 12 Undeveloped properties

	2011 \$'000	2010 \$'000
<b>Jabiluka: Long-term care and maintenance development project</b>		
Balance brought forward	203,632	203,632
Amount capitalised during the year	–	–
<b>Total undeveloped properties</b>	<b>203,632</b>	<b>203,632</b>

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.

## 13 Property, plant and equipment

CONSOLIDATED	MINE LAND AND BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	MINE PROPERTIES \$'000	REHABILITATION \$'000	TOTAL \$'000
<b>YEAR ENDED 31 DECEMBER 2011</b>					
Opening net book amount	24,508	336,782	69,736	108,451	539,477
Additions	–	97,426	–	–	97,426
Disposals	–	(735)	–	–	(735)
Change in estimate	–	–	–	231,011	231,011
Transfers	50	(50)	–	–	–
Depreciation/amortisation charge	(3,974)	(56,219)	(14,420)	(51,312)	(125,925)
<b>Closing net book amount</b>	<b>20,584</b>	<b>377,204</b>	<b>55,316</b>	<b>288,150</b>	<b>741,254</b>
Cost	111,084	888,782	421,700	382,348	1,803,914
Accumulated depreciation/amortisation	(90,500)	(511,578)	(366,384)	(94,198)	(1,062,660)
<b>Net book amount</b>	<b>20,584</b>	<b>377,204</b>	<b>55,316</b>	<b>288,150</b>	<b>741,254</b>
<b>YEAR ENDED 31 DECEMBER 2010</b>					
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)
<b>Closing net book amount</b>	<b>24,508</b>	<b>336,782</b>	<b>69,736</b>	<b>108,451</b>	<b>539,477</b>
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)
<b>Net book amount</b>	<b>24,508</b>	<b>336,782</b>	<b>69,736</b>	<b>108,451</b>	<b>539,477</b>

### 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:

	2011 \$'000	2010 \$'000
Plant and equipment	35,460	19,204



## Notes to the Consolidated Financial Statements

### 14 Investment in trust fund

	2011 \$'000	2010 \$'000
<b>NON-CURRENT</b>		
Trust Fund	59,219	55,814

#### 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 2011 was 5.47% (2010: 5.31%).

### 15 Payables

	2011 \$'000	2010 \$'000
<b>CURRENT</b>		
Trade payables	59,480	83,744
Amounts due to related parties	18,854	8,566
Other payables	1,904	1,762
<b>Total payables</b>	<b>80,238</b>	<b>94,072</b>

### 16 Provisions – current

	2011 \$'000	2010 \$'000
<b>CURRENT</b>		
Employee benefits	11,891	8,922
Rehabilitation	25,128	18,750
<b>Total current provisions</b>	<b>37,019</b>	<b>27,672</b>

### Movements in provisions

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

	REHABILITATION \$'000
<b>CONSOLIDATED – 2011</b>	
Carrying amount at the start of the year	18,750
Payments	(5,382)
Transfer from non-current provision	11,760
<b>Carrying amount at the end of the year</b>	<b>25,128</b>

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

## 17 Provisions – non-current

	2011 \$'000	2010 \$'000
<b>NON-CURRENT</b>		
Employee benefits	3,022	3,768
Rehabilitation	540,157	295,882
<b>Total non-current provisions</b>	<b>543,179</b>	<b>299,650</b>

### Movements in provisions

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

	REHABILITATION \$'000
<b>CONSOLIDATED – 2011</b>	
Carrying amount at the start of the year	295,882
Change in estimate	220,217
Unwinding of discount	25,022
Additional provisions recognised	10,796
Transfer to current provision	(11,760)
<b>Carrying amount at the end of the year</b>	<b>540,157</b>

	REHABILITATION \$'000
<b>CONSOLIDATED – 2010</b>	
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)
<b>Carrying amount at the end of the year</b>	<b>295,882</b>

## 18 Deferred tax liabilities

	2011 \$'000	2010 \$'000
<b>(A) DEFERRED TAX LIABILITY</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<b>Amounts recognised in profit and loss</b>		
Property, plant and equipment	29,811	34,945
Investment in trust fund	17,766	16,744
Undeveloped properties	23,405	23,405
Inventories	18,728	33,054
Receivables	4,012	4,420
<b>Total deferred tax liabilities</b>	<b>93,722</b>	<b>112,568</b>
Off-set of deferred tax asset pursuant to set-off provisions (Note 18b)	<b>(93,722)</b>	<b>(61,642)</b>
<b>Net deferred tax liabilities</b>	<b>–</b>	<b>50,926</b>
<b>Movements</b>		
Opening balance at 1 January	112,568	104,078
(Credited)/debited to the income statement (Note 5)	<b>(21,383)</b>	4,970
Under provided in prior years credited to the income statement	<b>2,537</b>	3,520
<b>Closing balance at 31 December</b>	<b>93,722</b>	<b>112,568</b>
<b>(B) DEFERRED TAX ASSETS</b>		
<b>The balance comprises temporary differences attributable to:</b>		
<b>Amounts recognised in profit and loss</b>		
Tax losses	23,437	–
Rehabilitation	60,924	53,417
Employee provisions	3,765	3,336
Other payables	4,521	4,761
	<b>92,647</b>	<b>61,514</b>
<b>Amount recognised directly in equity</b>		
Transaction costs	3,596	–
Share benefits	<b>(367)</b>	128
<b>Total deferred tax assets</b>	<b>95,876</b>	<b>61,642</b>
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18a)	<b>(93,722)</b>	<b>(61,642)</b>
<b>Net deferred tax assets</b>	<b>2,154</b>	<b>–</b>
<b>Movements</b>		
Opening balance at 1 January	61,642	55,649
Credited to the income statement (Note 5)	<b>30,659</b>	5,017
Over provided in prior years credited to the income statement	<b>346</b>	848
Credited to equity	<b>3,229</b>	128
<b>Closing balance at 31 December</b>	<b>95,876</b>	<b>61,642</b>



## 19 Share capital

	2011 SHARES	2010 SHARES	2011 \$'000	2010 \$'000
<b>SHARE CAPITAL</b>				
A Class shares fully paid	517,725,062	190,737,934	706,485	214,585
Total contributed equity			706,485	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.

### Movement in ordinary share capital

		ISSUE PRICE	NUMBER OF SHARES	\$'000
<b>CONSOLIDATED 2011</b>				
	Opening balance		190,737,934	214,585
25 October 2011	Rights issue - Institutional entitlement offer	1.53	248,796,293	380,658
21 November 2011	Rights issue - Retail entitlement offer	1.53	78,190,835	119,632
	Transaction costs			(11,986)
	Deferred tax on transaction costs			3,596
31 December 2011	Balance		517,725,062	706,485

### Rights issue

On 12 October 2011 the company invited its shareholders to subscribe to a rights issue of 326,987,128 ordinary shares at an issue price of \$1.53 per share on the basis of 12 shares for every 7 fully paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 25 October 2011 for the institutional entitlement and 21 November 2011 for the retail entitlement. The issue was fully subscribed.

## Notes to the Consolidated Financial Statements

### 20 Reserves and retained profits

	2011 \$'000	2010 \$'000
<b>RESERVES</b>		
Share-based payments reserve	959	1,800
Capital reconstruction	389,500	389,500
<b>Total Reserves</b>	<b>390,459</b>	<b>391,300</b>
<b>Movements</b>		
<b>Share-based payments reserve</b>		
Balance 1 January	1,800	1,359
Option expense	(841)	441
<b>Balance 31 December</b>	<b>959</b>	<b>1,800</b>
<b>Capital reconstruction</b>		
Balance 1 January	389,500	389,500
Movements	–	–
<b>Balance 31 December</b>	<b>389,500</b>	<b>389,500</b>
<b>RETAINED PROFITS</b>		
<b>Movements in retained profits were as follows:</b>		
Opening retained earnings – 1 January	345,191	361,130
Net profit for the year	(153,599)	47,004
Dividends paid	–	(62,943)
<b>Closing retained earnings – 31 December</b>	<b>191,592</b>	<b>345,191</b>

### Nature and purpose of reserves

#### Share-based payments reserve

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

#### Capital reconstruction reserve

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

## 21 Contingencies

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### 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

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### Capital commitments

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

	2011 \$'000	2010 \$'000
Within one year	64,664	35,643

### 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 date but not recognised as liabilities, payable

Within one year	3,899	3,017
Later than one year but not later than five years	7,059	936
<b>Total operating leases</b>	<b>10,958</b>	<b>3,953</b>

The consolidated entity leases property, plant and equipment under operating leases expiring from two to four years. Some leases 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	558	631
<b>Total mineral tenement leases</b>	<b>922</b>	<b>995</b>

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 2012 in respect of tenement lease rentals.



## Notes to the Consolidated Financial Statements

### 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 2011: \$12,481,746. 2010: \$19,992,479);
- (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 2011: \$3,671,102; 2010 \$5,880,141);

### 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:

	2011 \$'000	2010 \$'000
<b>AUDIT SERVICES</b>		
<b>PricewaterhouseCoopers Australian firm</b>		
Audit and review of financial reports	350	250
Other services	285	–
<b>Total remuneration of PricewaterhouseCooper Australia</b>	<b>635</b>	<b>250</b>

## 24 Related parties

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### Directors

The names of persons who were Directors of ERA at any time during the financial period are as follows:  
H Garnett, D Klingner, R Atkinson, P Taylor, J Pegler and M Coulter.

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

	2011 \$'000	2010 \$'000
Short-term employee benefits	3,907	3,497
Post-employment benefits	409	381
Share-based payments	688	547
	<b>5,004</b>	<b>4,425</b>

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 59 to 73.

### Loans with Directors and key management personnel

There are no loans with Directors or key management personnel during 2011 (2010: nil).

### Transactions with Directors and Director-related entities

There were no transactions with Director related entities other than Rio Tinto Limited during 2011 (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.

### Transactions with related parties

The following transactions occurred with related parties:

## Notes to the Consolidated Financial Statements

	2011 \$'000	2010 \$'000
<b>Other transactions</b>		
Management services fees paid to ultimate parent entity:		
Rio Tinto Group Companies	1,600	1,600
<b>Consulting fees paid to:</b>		
Rio Tinto Group Companies	10,007	9,081
<b>Other re-imburements for commercial services:</b>		
Rio Tinto Group Companies	103,571	43,040
<b>Amounts received from related parties:</b>		
Rio Tinto Group Companies – other	41,223	11,237
Rio Tinto Group Companies – interest	9,721	8,338
<b>Dividends paid to:</b>		
Related parties – North Ltd	–	21,464
Related parties – Peko Wallsend Ltd	–	21,585

Consulting fees paid to Rio Tinto Group Companies relate to technical services for major projects.

Other reimbursements for commercial services include the purchase of uranium oxide at market price.

Amounts received from related parties include sales of uranium oxide at market price.

## 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:

#### Current assets – cash assets

Related parties – Rio Tinto Finance Ltd	420,938	186,575
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#### Current assets – receivables

Related parties – Rio Tinto Group Companies	81	508
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#### Current liabilities – creditors

Related parties – Rio Tinto Group Companies	18,854	8,470
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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	
			2011 %	2010 %
EWL Sciences Pty Ltd	Australia	Ordinary	100	100

The above controlled entity is wholly-owned and no dividends were paid to the parent entity (2010: \$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 2011, being the mining, processing and selling of uranium. There are no other unallocated operations.

### Primary reporting – business segments

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

	URANIUM	
	2011 \$'000	2010 \$'000
Total segment revenue	667,849	585,957
Revenue from external customers	651,381	572,283
Other revenue	16,468	13,674
<b>Total segment revenue</b>	<b>667,849</b>	<b>585,957</b>
<b>Segment result</b>	<b>(206,340)</b>	<b>59,427</b>
Income tax expense	52,741	(12,423)
<b>Profit for the year</b>	<b>(153,599)</b>	<b>47,004</b>
Segment assets	1,948,972	1,423,396
<b>Total assets</b>	<b>1,948,972</b>	<b>1,423,396</b>
Segment liabilities	660,436	472,320
<b>Total liabilities</b>	<b>660,436</b>	<b>472,320</b>
Acquisitions of non-current assets	97,426	44,951
Depreciation and amortisation expense	125,925	60,748
Loss on disposal of trial plant and equipment	–	8,277
Net loss on sale of property, plant and equipment	713	–

# Notes to the Consolidated Financial Statements

## Other segment information

### Segment revenue

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

Revenues from external customers are derived from the sale of uranium. A breakdown of revenue and results is provided in the tables 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	
	2011 \$'000	2010 \$'000
Asia	165,714	198,234
United States	396,860	287,316
Europe	86,639	86,486
	<b>649,213</b>	<b>572,036</b>

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 2011 are in Australia with the exception of inventories in transit or at converters of \$28,334,413 (2010 – \$59,486,699). 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 2011.

## 27 Reconciliation of profit after income tax to net cash inflow from operating activities

	2011 \$'000	2010 \$'000
Profit for the year	(153,599)	47,004
Add/(less) items classified as investing/financing activities:		
Net (gain) loss on sale of non-current assets	713	8,277
Add/(less) non-cash items:		
Depreciation and amortisation	125,925	60,748
Rehabilitation provision: unwinding of discount	25,022	13,967
Employee benefits: share based payments	61	727
Net exchange differences	–	19
Deferred tax on share issue costs	3,596	–
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	5,650	(12,801)
(Increase)/decrease in inventories	111,820	(33,508)
(Increase)/decrease in other assets	198	342
(Increase)/decrease in investment in trust fund	(3,406)	(2,544)
(Decrease)/increase in payables	(13,834)	25,184
(Decrease)/increase in current tax liabilities	9,006	(64,951)
(Decrease)/increase in net provision for deferred tax liabilities	(53,080)	2,497
(Decrease)/increase in provisions	(3,156)	(2,838)
<b>Net cash inflow provided from operating activities</b>	<b>54,916</b>	<b>42,123</b>



# Notes to the Consolidated Financial Statements

## 28 Earnings per share

	2011 CENTS	2010 CENTS
Basic earnings per share	(48.4)	16.8
Diluted earnings per share	(48.4)	16.8

Earnings used in the calculation of basic and diluted earnings per share: 2011: \$(153,598,511) (2010: \$47,004,351)

Weighted average number of ordinary shares on issue used in calculation of basic earnings per share: 2011: 317,534,781 shares (2010: 279,609,962) ERA has retrospectively adjusted the prior year earnings per share to reflect the rights issue.

### 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 options 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:

	2011 USD \$'000	2010 USD \$'000
Trade receivables	60,842	63,613

### Group sensitivity

At 31 December 2011, 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 \$5,458,042 higher/\$6,003,846 lower (2010: \$5,503,613 higher/\$3,221,964 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.

	2011 \$'000	2010 \$'000
<b>TRADE RECEIVABLES</b>		
AA	32,507	24,752
A	10,836	9,108
BBB	16,695	–
Other	–	35,304

## 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.

## Notes to the Consolidated Financial Statements

### 30 Parent entity financial information

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(i) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 \$'000	2010 \$'000
<b>Balance sheet</b>		
<b>Current assets</b>	830,580	400,167
<b>Total assets</b>	1,949,740	1,411,100
<b>Current liabilities</b>	117,257	108,664
<b>Total liabilities</b>	660,436	459,255
<b>Shareholders' equity</b>		
<b>Issued capital</b>	706,485	214,585
<b>Reserves</b>		
Capital reconstruction	389,500	389,500
Share-based payments	959	1,800
<b>Retained earnings</b>	192,360	345,959
Profit or loss for the year	(153,599)	46,990
<b>Total comprehensive income</b>	(153,599)	46,990

(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

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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.



## 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.

### Performance Share Plan ("PSP")

With effect from 2010, the policy for settling awards granted under the Performance Share Plan (PSP) formerly known as 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 2011, 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
<b>CONSOLIDATED – 2011</b>							
<b>Rio Tinto Limited</b>	<b>12,011</b>	<b>3,607</b>	<b>–</b>	<b>(3,177)</b>	<b>(2,469)</b>	<b>9,972</b>	<b>–</b>
Weighted average exercise price	<b>74.92</b>	<b>\$81.00</b>	<b>–</b>	<b>\$74.79</b>	<b>\$74.79</b>	<b>\$77.19</b>	<b>–</b>
<b>Rio Tinto plc</b>	<b>3,242</b>	<b>1,164</b>	<b>–</b>	<b>(837)</b>	<b>(670)</b>	<b>2,899</b>	<b>–</b>
Weighted average exercise price	<b>£32.77</b>	<b>£40.58</b>	<b>–</b>	<b>£26.81</b>	<b>£26.81</b>	<b>£22.32</b>	<b>–</b>
<b>CONSOLIDATED – 2010</b>							
<b>Rio Tinto Limited</b>	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
<b>Rio Tinto plc</b>	1,507	1,735	–	–	–	3,242	1,507
Weighted average exercise price	£27.55	£37.30	–	–	–	£32.77	£27.55

The weighted average share price at the date of exercise of rights to shares exercised regularly during the year ended 31 December 2011 was \$76.21 (2010: \$71.85).

The weighted average remaining contractual life of rights to shares outstanding at the end of the period was 3 years (2010: 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 2011, 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
<b>CONSOLIDATED – 2011</b>							
<b>Rio Tinto Limited</b>	<b>20,422</b>	–	–	<b>(3,020)</b>	–	<b>17,402</b>	<b>12,032</b>
Weighted average exercise price	<b>\$35.75</b>	–	–	<b>\$54.95</b>	–	<b>\$32.42</b>	<b>\$31.96</b>
<b>Rio Tinto plc</b>	<b>3,219</b>	–	–	–	–	<b>3,219</b>	–
Weighted average exercise price	<b>£16.53</b>	–	–	–	–	<b>£16.53</b>	–
<b>CONSOLIDATED – 2010</b>							
<b>Rio Tinto Limited</b>	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
<b>Rio Tinto plc</b>	4,726	–	–	–	(1,507)	3,219	–
Weighted average exercise price	£18.37	–	–	–	£22.32	£16.53	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2011 was \$87.89 (2010: \$73.00).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1 years (2010: 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 2011, 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
<b>CONSOLIDATED – 2011</b>							
<b>Rio Tinto Limited</b>	<b>47,124</b>	<b>16,927</b>	<b>(2,425)</b>	<b>(6,654)</b>	<b>(3,717)</b>	<b>51,255</b>	<b>2,476</b>
Weighted average exercise price	<b>\$54.69</b>	<b>\$59.26</b>	<b>\$56.00</b>	<b>\$60.07</b>	<b>\$58.59</b>	<b>\$55.08</b>	<b>\$62.26</b>
<b>CONSOLIDATED – 2010</b>							
<b>Rio Tinto Limited</b>	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

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2011 was \$85.15 (2010: \$72.23).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3 years (2010: 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

### 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 2011, 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
<b>CONSOLIDATED – 2011</b>							
<b>Rio Tinto Limited</b>	<b>15,633</b>	<b>3,864</b>	<b>–</b>	<b>(2,478)</b>	<b>–</b>	<b>17,019</b>	<b>–</b>
Weighted average fair value at grant date	<b>\$73.04</b>	<b>\$81.62</b>	<b>–</b>	<b>\$126.48</b>	<b>–</b>	<b>\$67.21</b>	<b>–</b>
<b>Rio Tinto plc</b>	<b>9,327</b>	<b>2,369</b>	<b>–</b>	<b>(1,265)</b>	<b>–</b>	<b>10,431</b>	<b>–</b>
Weighted average fair value at grant date	<b>£30.36</b>	<b>£40.75</b>	<b>–</b>	<b>£52.58</b>	<b>–</b>	<b>£30.02</b>	<b>–</b>
<b>CONSOLIDATED – 2010</b>							
<b>Rio Tinto Limited</b>	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	–
<b>Rio Tinto plc</b>	7,012	3,358	–	(1,043)	–	9,327	–
Weighted average fair value at grant date	£26.11	£37.16	–	£26.81	–	£30.36	–

The weighted average share price at the date of exercise of conditional grants of shares exercised regularly during the year ended 31 December 2011 was \$84.75 (2010: \$78.08).

The weighted average remaining contractual life of conditional grants of shares outstanding at the end of the period was 3 years (2010: 2 years).

The model inputs for conditional rights granted during the year ended 31 December 2011 included:

- (a) rights are granted for no consideration and have a three year life
- (b) exercise price: – (2010: –)
- (c) grant date: 21 March 2011 (2010: 22 March 2010)
- (d) expiry date: 21 March 2014 (2010: 22 March 2013)
- (e) share price at grant date: \$81.00 (2010: \$75.03)

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 ("BDP")

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
<b>CONSOLIDATED – 2011</b>							
Rio Tinto Limited	1,484	341	–	(1,533)	–	292	–
Weighted average fair value at grant date	\$51.24	76.73		\$51.24	–	\$81.00	–
<b>CONSOLIDATED – 2010</b>							
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	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2011 was \$86.36 (2010: 70.58).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1 years (2010: 1 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:

	2011 \$'000	2010 \$'000
Share based payment expense	61	727

# Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on page 81 to 119 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 Consolidated Entity's financial position as at 31 December 2011 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

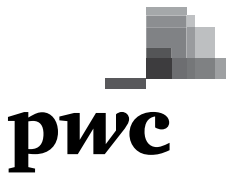


**Dr D Klingner**  
**Director**

**Melbourne**

**10 February 2012**

# Independent Auditor's Report



## **Independent auditor's report to the members of Energy Resources of Australia Ltd**

### **Report on the financial report**

We have audited the accompanying financial report of Energy Resources of Australia Ltd (the company), which comprises the balance sheet as at 31 December 2011, 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 Energy Resources of Australia Ltd (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.

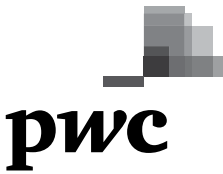
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Blvd, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001  
T +61 3 8603 1000, F +61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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# Independent Auditor's Report



## **Independent auditor's report to the members of Energy Resources of Australia Ltd (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 Ltd 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 2011 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 59 to 73 of the directors' report for the year ended 31 December 2011. 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 Ltd for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to read 'D.G. Smith'.

Debbie Smith  
Partner

Melbourne  
10 February 2012



# Shareholder Information

The shareholder information set out below was applicable as at 31 January 2012

## Distribution of equity securities

Analysis of numbers of registered 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	9,022	51.20	3,352,864	0.65
1,001 – 5,000	5,208	29.55	13,123,728	2.53
5,001 – 10,000	1,680	9.54	12,039,122	2.33
10,001 – 100,000	1,622	9.20	39,151,865	7.56
100,001 and over	90	0.51	450,057,483	86.93
	17,622	100.00	517,725,062	100.00

There were 1,366 holders of less than a marketable parcel of ordinary shares.

## Equity security holders

The names of the twenty largest registered holders of quoted equity securities are listed below:

	NUMBER OF SHARES	% OF ISSUED SHARES
Peko Wallsend Ltd	177,535,718	34.29
North Limited	176,543,136	34.10
National Nominees Limited	20,746,132	4.01
HSBC Custody Nominees (Australia) Limited	13,370,125	2.58
Citicorp Nominees Pty Limited	11,183,232	2.16
JP Morgan Nominees Australia Limited	9,105,091	1.76
JP Morgan Nominees Australia Limited <Cash Income A/C>	6,457,161	1.25
HSBC Custody Nominees (Australia) Limited	6,322,008	1.22
HSBC Custody Nominees (Australia) Limited	2,334,423	0.45
Citicorp Nominees Pty Limited	2,137,401	0.41
CS Fourth Nominees Pty Ltd	2,134,221	0.41
Ariki Investments Pty Limited	1,250,000	0.24
UBS Wealth Management Australia Nominees Pty Ltd	1,028,148	0.20
Queensland Investment Corporation	989,242	0.19
HSBC Custody Nominees (Australia) Limited	972,153	0.19
Boda Investments Pty Ltd	868,572	0.17
Mr Ignazio Gaetano Lo Castro	855,621	0.17
AMP Life Limited	703,018	0.14
Ganra Pty Ltd	651,429	0.13
Mrs Tracey Lyn Nielsen	564,286	0.11

# Shareholder Information

## Entitlements to vote

Subject to any rights or restrictions for the time being attached to any shares on a show of hands, every member present in person or by proxy or by attorney or by representative and entitled to vote 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 11 April 2012 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.

# 2011 Announcements

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28 Dec 2011	Operational update following Tropical Cyclone Grant
30 Nov 2011	Completion of entitlement offer and operations update
21 Nov 2011	Appendix 3B - Complete Copy
21 Nov 2011	Appendix 3B
15 Nov 2011	Successful completion of retail shortfall bookbuild
14 Nov 2011	Completion of retail component of entitlement offer
21 Oct 2011	Appendix 3B
19 Oct 2011	Retail Entitlement Offer Booklet
17 Oct 2011	Successful Completion of Institutional Entitlement Offer
12 Oct 2011	ASX Circular - Accelerated Renounceable Rights issue
12 Oct 2011	Appendix 3B
12 Oct 2011	Cleansing Statement
12 Oct 2011	ERA Capital Raising Presentation
12 Oct 2011	ERA Capital Raising
12 Oct 2011	Quarterly operations review (Q3 2011)
12 Oct 2011	Trading Halt
25 Aug 2011	Ranger 3 Deeps Exploration Decline
04 Aug 2011	Half Year Results 2011 (H1 2011)
04 Aug 2011	Half Year Results 2011 - Financial Community Presentation
04 Aug 2011	ASX Interim Report 30 June 2011
13 Jul 2011	Quarterly operations review (Q2 2011)
14 Jun 2011	ERA recommences processing plant operations
31 May 2011	Presentation to financial community May 2011
29 Apr 2011	Significant investment in process water management and treatment at Ranger
14 Apr 2011	Presentation to financial community - Extension of temporary suspension of processing plant operations
13 Apr 2011	Constitution
13 Apr 2011	2011 AGM - Chairman's address
13 Apr 2011	2011 AGM - Chief Executive's address
13 Apr 2011	2011 AGM - Results of meeting
12 Apr 2011	Quarterly operations review (Q1 2011)
12 Apr 2011	Extension of temporary suspension of processing plant until late July 2011
11 Mar 2011	Annual General Meeting Proxy Form
11 Mar 2011	Annual Report to Shareholders
11 Mar 2011	Notice of Annual General Meeting
28 Jan 2011	Annual statement of reserves and resources 2010
28 Jan 2011	ASX Preliminary final report 31 December 2010 - Appendix 4E
28 Jan 2011	Full year results 2010
28 Jan 2011	Temporary suspension of processing plant for 12 weeks
28 Jan 2011	Presentation to financial community - full year results 2010
13 Jan 2011	Quarterly operations review (Q4 2010)

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Details of these announcements are available at [www.energyres.com.au](http://www.energyres.com.au).

# Ten Year Performance

YEAR ENDED 31 DECEMBER	2011	2010	2009	2008	2007	2006	2005	2004 <sup>1</sup>	2003	2002
Sales Revenue (\$000)	<b>651,381</b>	572,283	768,297	496,359	357,080	312,698	262,036	236,270	196,216	198,703
Earnings Before Interest and Tax (\$000)	<b>(220,633)</b>	47,726	374,737	317,957	108,012	68,745	65,452	42,773	35,298	39,214
Profit Before Tax (\$000)	<b>(206,340)</b>	59,427	382,053	312,569	98,366	62,247	59,620	39,239	35,546	36,675
Income Tax Expense (\$000)	<b>(52,741)</b>	12,423	109,479	90,784	22,277	18,640	18,554	2,193	15,674	15,490
Profit After Tax (\$000)	<b>(153,599)</b>	47,004	272,574	221,785	76,089	43,607	41,066	37,046	19,872	21,185
Total Assets (\$000)	<b>1,948,972</b>	1,423,396	1,359,131	1,170,409	985,353	869,350	864,162	862,875	756,327	830,260
Shareholders' Equity (\$000)	<b>1,288,536</b>	951,076	966,574	758,926	606,021	552,491	539,764	509,819	614,345	605,917
Long Term Debt (\$000)	–	–	–	–	–	–	–	–	–	–
Current Ratio	<b>7.1</b>	3.4	3.1	1.5	1.8	3.6	3.8	5.2	4.0	2.2
Liquid Ratio	<b>6.0</b>	2.1	2.2	0.8	1.0	2.1	2.3	3.1	1.9	1.1
Gearing Ratio (%)	–	–	–	–	–	–	–	–	–	–
Interest Cover (times)	<b>(177.9)</b>	47.8	33.5	5.6	7.79	6.3	6.5	4.7	48.0	14.0
Return on Shareholders' Equity (%)	<b>(11.9)</b>	4.9	31.6	29.2	13.1	8.0	7.6	7.3	3.2	3.5
Earnings Per Share (cents)	<b>(48.4)<sup>2</sup></b>	24.6	142.9	116.3	39.9	22.9	21.5	19	10	11
Dividends Per Share (cents)	–	8.0	39.0	28.0	20.0	17.0	17.0	17.0	11.0	11.0
Payout Ratio (%)	–	32	27	24	28	74	80	88	106	99
Share Price (\$) closing	<b>1.23</b>	11.13	23.89	19.00	19.50	20.80	10.02	6.59	3.40	1.71
Price-Earning Ratio	<b>(2.54)</b>	45.24	16.72	16.34	48.88	90.98	47.70	34.7	30.9	15.4
Dividend Yield (%)	–	2.96	1.42	1.47	1.03	0.82	1.70	2.58	3.24	6.4
Net Tangible Assets per Share (\$)	<b>2.49</b>	4.99	5.07	3.98	3.20	2.90	2.80	2.67	3.22	3.18
No. of Employees	<b>567</b>	523	521	519	419	385	354	273	238	184
Profit After Tax per Employee (\$000)	<b>(270.9)</b>	89.87	523.17	427.33	181.6	113.3	116.0	143.7	83.5	115.1
Ore Mined (million tonnes)	<b>1.2</b>	1.4	2.2	3.5	2.9	3.3	2.2	0.8	1.8	0.8
Ore Milled (million tonnes)	<b>1.6</b>	2.4	2.3	2.0	1.9	2.0	2.3	2.1	2.1	1.8
Mill Head Grade (% U <sub>3</sub> O <sub>8</sub> )	<b>0.18</b>	0.19	0.26	0.30	0.31	0.26	0.29	0.28	0.28	0.28
Mill Recovery (%)	<b>87.9</b>	87.2	88.3	88.2	88.2	87.5	88.3	88.8	88.3	89.7
Production (tonnes U <sub>3</sub> O <sub>8</sub> ) – Drummed	<b>2,641</b>	3,793	5,240	5,339	5,412	4,748	5,910	5,137	5,065	4,470
Sales – Ranger Concentrates (tonnes U <sub>3</sub> O <sub>8</sub> )	<b>3,258</b>	4,373	5,497	5,272	5,324	5,760	5,552	5,024	5,241	4,517
Sales – Other Concentrates (tonnes U <sub>3</sub> O <sub>8</sub> )	<b>1,908</b>	653	–	–	–	–	136	581	18	628
Sales – Total (tonnes U <sub>3</sub> O <sub>8</sub> )	<b>5,167</b>	5,026	5,497	5,272	5,324	5,760	5,688	5,605	5,259	5,145

Note 1 Restated to comply with IFRS

Note 2 Post rights issue

## 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



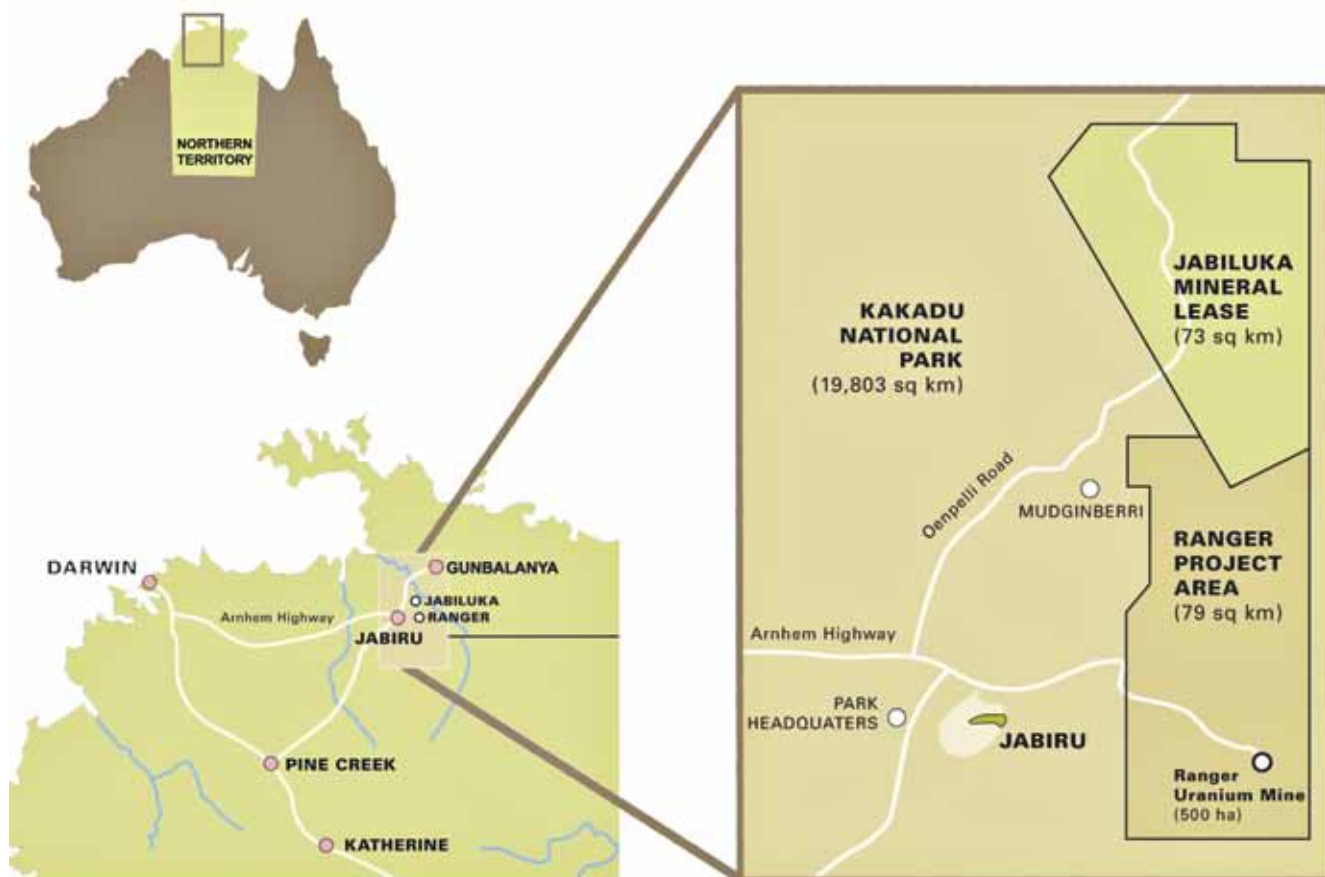
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# Glossary

AIFR	All Injury Frequency Rate
ANRDR	Australian National Radiation Dose Register
ARRAC	Alligator Rivers Regional Advisory Committee
ARRTC	Alligator Rivers Region Technical Committee
AS4081	Australian Standard - Safety Management System Certification
AUA	Australian Uranium Association
BOLT	Building Our Local Talent
EBIT	Earnings Before Interest and Tax
EC	Electrical Conductivity (a measure of dissolved salts)
CO <sup>2</sup>	Carbon Dioxide (greenhouse gas emission)
GAC	Gundjehmi Aboriginal Corporation
gigalitre	1 billion litres
HAZOP	Hazard and Operability
hrs	hours
HSEQ	Health Safety Environment Quality
HWS	Hanging wall sequence
ICRP	International Commission on Radiological Protection
ISO14001	International Organisation for Standardisation - Environmental Management System Certification
km	kilometre
LCA	Life Cycle Assessment
LTIFR	Lost Time Injury Frequency Rate
megalitre	1 million litres
mm	millimetre
MOU	Memorandum of Understanding
MSv	Millisievert
MTC	Minesite Technical Committee
NLC	Northern Land Council
Pit 1	Pit in preparation for rehabilitation
Pit 3	Current mining pit, closure expected end of 2012
SLDP	Safety Leadership Development Programme
SSD	Australian Government's Supervising Scientist Division
SQRA	Semi-Quantitative Risk Assessment
U <sub>3</sub> O <sub>8</sub>	Uranium Oxide
WAC	West Arnhem College

# Corporate Directory



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## Ranger Mine

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This report is printed with the environment in mind.



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