

**ERA****Energy Resources of Australia Ltd**

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A member of the Rio Tinto Group

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# ASX Interim report – 30 June 2014

Lodged with the ASX under Listing Rule 4.2A  
This information should be read in conjunction with the  
31 December 2013 financial report.

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## Directors' Report

for the half-year ended 30 June 2014

The Directors of Energy Resources of Australia Ltd (ERA) present their report together with the financial report of the company, for the half-year ended 30 June 2014.

### Directors

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

| <b>Name</b>              | <b>Period of Directorship</b>                                  |
|--------------------------|--|
| Mr P McMahon<br>Chairman | Appointed November 2012<br>Appointed Chairman February 2013    |
| Ms A Sutton              | Appointed Chief Executive and Managing Director September 2013 |
| Dr H Garnett             | Appointed January 2005   |
| Mr P Taylor              | Appointed February 2007  |
| Mr J Pegler              | Appointed July 2009  |
| Mrs H Newell             | Appointed November 2012<br>Resigned June 2014                  |
| Ms J Farrell             | Appointed June 2014  |

### Results for announcement to the market

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

|  |             |      |    | <b>June 2014<br/>\$000</b> | <b>June 2013<br/>\$000</b> |
|--|-------------|------|----|----------------------------|----------------------------|
| <b>Revenue</b> from sales of uranium oxide                             | <b>Up</b>   | 26%  | to | 171,629                    | 136,222                    |
| <b>Revenue</b> from ordinary activities                                | <b>Up</b>   | 23%  | to | 177,985                    | 144,285                    |
| <b>Loss</b> from ordinary activities after tax attributable to members | <b>Down</b> | 138% | to | (127,201)                  | (53,546)                   |
| <b>Net loss</b> for the period attributable to members                 | <b>Down</b> | 138% | to | (127,201)                  | (53,546)                   |
| <b>Cash flow</b> from operating activities                             | <b>Up</b>   | 66%  | to | (30,221)                   | (89,034)                   |
| <b>Earnings per share</b> (cents)                                      |             |      |    | (24.6)                     | (10.3)                     |

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

### Review of operations

ERA's net loss for the half-year ended 30 June 2014 was \$127.2 million compared with a net loss of \$53.5 million for the same period in 2013.

## Directors' Report

*for the half-year ended 30 June 2014*

No uranium oxide was produced in the period. This compares to 1,847 tonnes for the June 2013 half-year. Production in the period was adversely impacted by the suspension of processing operations following the failure of Leach Tank 1 on 7 December 2013. A progressive restart of the Ranger processing plant commenced on 5 June 2014 following the receipt of written approval to recommence processing operations from the Commonwealth Minister for Industry and the Northern Territory Department of Mines and Energy. Further details are provided below.

Earnings were impacted by a draw down in inventory associated with the plant suspension, the purchase of uranium oxide and increased spend on exploration and evaluation of the Ranger 3 Deeps resource. This was partially offset by reduced non-cash costs and increased sales revenue.

Revenues from sales of uranium oxide increased to \$171.6 million from \$136.2 million in the June 2013 half-year due to higher sales volumes. A decrease in average realised sales price was partially offset by a weaker Australian/US dollar exchange rate.

Sales volume for the period was 1,524 tonnes compared with the June 2013 half-year of 1,147 tonnes. Sales in the first half of 2014 were supplied by existing levels of finished goods inventory on hand. Forecast sales in the second half of 2014 are expected to be broadly in line with the first half.

The average realised sales price of uranium oxide for the June 2014 half-year was US\$46.65 per pound compared with US\$53.63 per pound for the corresponding period in 2013. This change was attributable to the decrease in the long term uranium price indicator and ERA's sales contract mix. For the 2014 half-year, the average long term uranium price indicator was US\$46.75 per pound and the average spot price was US\$31.95 per pound, compared to \$US56.75 per pound and \$US41.46 per pound respectively for the same period in 2013.

As sales of uranium oxide are denominated in US dollars, the weakening of the Australian dollar had a favourable impact on revenue when compared to 2013. The average Australian/US dollar exchange rate for the first half of 2014 was US91.3 cents compared to US99.5 cents in the June 2013 half-year.

The initial backfill of Pit 3 continued with 8.3 million tonnes of waste material moved into the pit in the June 2014 half-year. This brings total waste material moved into Pit 3 to 31.1 million tonnes.

Cash costs for the June 2014 half-year were higher than the corresponding period in 2013. Additional expenditure on purchased uranium oxide and contractors and consultants was partially offset by reduced consumables and employee benefits.

During the period ERA purchased uranium oxide to meet committed sales in the second half of 2014, this material remains on hand at 30 June 2014. Additional material will be purchased in July 2014. Spend on contractors increased due to progress on the Ranger 3 Deeps Exploration Decline and Prefeasibility Study along with costs associated with the leach tank recovery works. This was partially offset by reduced operating maintenance costs due to the plant suspension. Raw materials and consumable costs were lower than the corresponding period in 2013 due to the suspension of processing operations. Employee costs decreased due to a reduction in employee headcount in the period.

All operating costs incurred (excluding the purchase of uranium oxide) whilst the plant remained suspended were directly allocated the Statement of Financial Performance rather than absorbed into inventories.

ERA's non-cash costs decreased in the June 2014 half-year. Depreciation, which is largely calculated on a units of production basis, decreased due to the lower production of uranium oxide resulting from the plant suspension.

Capital expenditure for the June 2014 half-year was \$6.0 million compared to \$64.0 million in the corresponding period in 2013. Capital expenditure for the 2013 half-year was largely associated with the Brine Concentrator project, which was completed in September 2013.

# Directors' Report

for the half-year ended 30 June 2014

## Suspension of Processing Operations

On 7 December 2013, Leach Tank 1 at the Ranger Mine failed, causing the release of a slurry mixture of natural ore and acid into a designated on-site catchment system. No material escaped into the surrounding Kakadu National Park. There were no injuries to employees or contractors. Processing operations were suspended pending investigations to be conducted by Northern Territory and Commonwealth regulators into the integrity of the Ranger processing plant and related maintenance and safety systems. ERA has co-operated fully with these investigations and with the Government-appointed taskforce charged with overseeing the regulatory response to the leach tank failure.

In parallel with the regulatory investigations, ERA commissioned independent investigations into the root cause of the failure of Leach Tank 1 and the integrity and maintenance of the Ranger processing plant. The findings of these investigations formed the basis of ERA's restart readiness plan which was approved by the ERA Board and announced on 9 April 2014.

A progressive restart of the Ranger processing plant commenced on 5 June 2014 following the receipt of written approval to recommence processing operations from the Commonwealth Minister for Industry and the Northern Territory Department of Mines and Energy.

## Exploration

ERA is set to resume its surface exploration program on the Ranger Project Area from the third quarter. The program will focus on exploration targets that are yet to be fully tested, including new targets in the northern part of the Ranger Project Area lease.

## Ranger 3 Deeps

Construction of the Ranger 3 Deeps Exploration Decline continued with the decline face reaching 2,221 metres from the surface on 30 June 2014.

Underground exploration drilling of the Ranger 3 Deeps resource continued with a project total of 178 holes drilled by 30 June 2014 totalling 38,578 metres.

In June 2014, the Ranger 3 Deeps Prefeasibility Study reached a stage where the resource model was able to be updated. The updated estimate has shown a reduction to 32,620 tonnes of contained uranium oxide compared to the previously reported Ranger 3 Deeps mineral resource estimate of 33,297 tonnes of contained uranium oxide. The preliminary results of the underground drilling program have so far been consistent with the expected geological understanding and continuity of mineralisation of the mineral resource. However, in undertaking the drilling to date, some geotechnical conditions have been encountered that are less favourable than assumed in the Order of Magnitude Study. These findings are being factored into the mine design in the Prefeasibility Study.<sup>1</sup>

Work on the ventilation shaft for the Ranger 3 Deeps Exploration Decline project was temporarily halted in the June 2014 quarter to address the occurrence of subsidence beneath the top of the vent shaft opening. The plan to recover the upper section of the ventilation shaft is being implemented. The additional costs will be primarily met from savings realised elsewhere in the project.

The project presently remains on schedule with completion of the Exploration Decline and related studies anticipated in late 2014.

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<sup>1</sup> Sourced from a release made by the Company to ASX on 20 June 2014 titled 'Ranger 3 Deeps Resource Update' which can be found at: <http://www.asx.com.au/asxpdf/20140620/pdf/42qb2nbqhnynw1.pdf>. The Competent Persons for the release were geologists Greg Rogers and Stephen Pevely. Neither the resource statement nor the underlying resource model has changed since the above estimated mineral resource was disclosed to ASX. ERA is not aware of any new information or data beyond the updates already provided to ASX that materially affects the mineral resource estimate. All material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. ERA confirms that the form and context in which the Competent Persons findings are presented have not been materially modified.

# Directors' Report

*for the half-year ended 30 June 2014*

## Sales and Marketing Agreement

In April 2014, ERA entered into a new marketing agreement with Rio Tinto Uranium on the basis that it represented superior value to ERA's existing marketing arrangements and the alternative marketing arrangements considered.

ERA's entry into the new marketing agreement followed an extensive process of negotiation with Rio Tinto Uranium. Formal discussions in relation to the new marketing agreement commenced in January 2013. Responsibility for the evaluation, negotiation and approval of the new arrangement was delegated by the ERA Board to a Subcommittee of the Board comprised only of independent Directors. As part of this process, ERA obtained a waiver from Australian Securities Exchange in relation to Listing Rule 10.1 (which applies to related party transactions).

Under the new marketing agreement, uranium oxide produced by ERA will be sold to Rio Tinto Uranium and pooled with uranium oxide produced from the Namibian operations of Rössing Uranium Limited (Rössing), a related party of Rio Tinto plc.

For the purposes of establishing the combined pool, Rio Tinto Uranium has entered into a sales and marketing agreement with Rössing on the same commercial terms as the new marketing agreement with ERA. Rio Tinto Uranium will market the combined pool of uranium oxide as principal to global uranium customers.

The new arrangement came into effect on 1 July 2014 following the satisfaction of conditions precedent by all parties. From 1 July 2014, all of ERA's sales (including sales under existing contracts) have been made through the new arrangement. The price received by ERA for sales into the combined pool will reflect the price received from customers by Rio Tinto Uranium, less an arm's length marketing fee.

The new marketing agreement will provide ERA's customers with multi-sourced supply. In addition to the benefits to be derived from providing multi-sourced supply to customers, the new marketing agreement will provide a number of other benefits to ERA. These include working capital benefits and optimised logistics, the latter to be achieved by ERA and Rössing delivering to customers that are geographically closer to their respective operations. ERA has the right to audit the performance of the agreement against the delivery of these benefits.

There is no fixed term for the new marketing agreement, although ERA may terminate for convenience at any time.

## Dividends

In light of the financial results and the forecast cash flow requirements for the implementation of ERA's strategic initiatives, the ERA directors have decided not to declare an interim dividend in respect of the 2014 half-year. No final dividend was paid in respect to the 2013 financial year.

## Outlook

In the short term, the uranium oxide market remains challenging for producers. All Japanese reactors remain offline three years after the Fukushima accident and the market continues to be oversupplied. The spot price for uranium oxide has now fallen below \$US30 per pound, the lowest level since 2005. Activity in the long term market remains slow compared to historical trends. The published long-term price of approximately US\$45 per pound represents a decrease of approximately 20 per cent over the past year.

Demand may begin to outstrip supply within the next three to five years and ERA remains well positioned for a stronger market in the second half of this decade should the Ranger 3 Deeps mine be developed.

As previously communicated, production of uranium oxide for 2014 is expected to remain in the range of 1,100 tonnes to 1,500 tonnes. Sales volumes in the second half are expected to be broadly similar to the first half.

## **Directors' Report**

*for the half-year ended 30 June 2014*

### **Rounding of Amounts**

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

### **Auditors' independence declaration**

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 7.

Signed at Darwin this 31<sup>st</sup> day of July 2014 in accordance with a resolution of the directors.

A handwritten signature in black ink that reads "Peter McMahon". The signature is written in a cursive style with a large initial 'P'.

Mr P McMahon  
**Chairman**



## Auditor's Independence Declaration

As lead auditor for the review of Energy Resources of Australia for the half-year ended 30 June 2014, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'JOD', is written over the text of item (b) in the list above.

John O'Donoghue  
Partner  
PricewaterhouseCoopers

Melbourne  
31 July 2014

**Energy Resources of Australia Ltd**  
**Consolidated Statement of Comprehensive Income**  
**For the half-year ended 30 June 2014**

|   | Notes | Half-year ended           |                           |
|---|-------|---------------------------|---------------------------|
|   |       | 30 June<br>2014<br>\$'000 | 30 June<br>2013<br>\$'000 |
| <b>Revenue from continuing operations</b>   | 3     | <b>177,985</b>            | 144,285                   |
| Changes in inventories  |       | <b>(145,885)</b>          | 70,943                    |
| Purchased materials (uranium oxide)   |       | <b>(26,211)</b>           | -                         |
| Materials and consumables used  |       | <b>(24,005)</b>           | (48,060)                  |
| Employee benefits and contractor expense  |       | <b>(106,700)</b>          | (78,492)                  |
| Government and other royalties  |       | <b>(10,746)</b>           | (8,749)                   |
| Commission and shipping expenses  |       | <b>(1,548)</b>            | (1,986)                   |
| Depreciation and amortisation expenses  |       | <b>(29,878)</b>           | (129,034)                 |
| Financing costs   |       | <b>(15,787)</b>           | (13,572)                  |
| Statutory and corporate expenses  |       | <b>(5,481)</b>            | (4,885)                   |
| Other expenses  |       | <b>(2,471)</b>            | (2,461)                   |
| <b>Profit/(loss) before income tax</b>  |       | <b>(190,727)</b>          | (72,011)                  |
| Income tax benefit/(expense)  |       | <b>63,526</b>             | 18,465                    |
| <b>Profit/(loss) for the half-year</b>  |       | <b>(127,201)</b>          | (53,546)                  |
| <br>  |       |                           |                           |
| <b>Other comprehensive income for the half-year, net of tax</b>   |       | -                         | -                         |
| <br>  |       |                           |                           |
| <b>Total comprehensive income for the half-year</b>   |       | <b>(127,201)</b>          | (53,546)                  |
| <br>  |       |                           |                           |
| Profit/(loss) is attributable to:   |       |                           |                           |
| Owners of Energy Resources of Australia Ltd   |       | <b>(127,201)</b>          | (53,546)                  |
|   |       | <b>(127,201)</b>          | (53,546)                  |
| <br>  |       |                           |                           |
| Total comprehensive income for the half-year is attributable to:  |       |                           |                           |
| Owners of Energy Resources of Australia Ltd   |       | <b>(127,201)</b>          | (53,546)                  |
|   |       | <b>(127,201)</b>          | (53,546)                  |
|   |       | <b>Cents</b>              | Cents                     |
| <br>  |       |                           |                           |
| <b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:</b> |       |                           |                           |
| Basic earnings per share  | 7     | <b>(24.6)</b>             | (10.3)                    |
| Diluted earnings per share  | 7     | <b>(24.6)</b>             | (10.3)                    |

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

**Energy Resources of Australia Ltd**  
**Consolidated Balance Sheet**  
**As at 30 June 2014**

|                                      | Notes | 30 June<br>2014<br>\$'000 | 31 Dec<br>2013<br>\$'000 |
|--------------------------------------|-------|---------------------------|--------------------------|
| <b>ASSETS</b>                        |       |                           |                          |
| <b>Current assets</b>                |       |                           |                          |
| Cash and cash equivalents            |       | 321,057                   | 357,208                  |
| Trade and other receivables          |       | 16,797                    | 20,107                   |
| Inventories                          | 4(a)  | 114,993                   | 248,522                  |
| Other                                |       | 3,656                     | 2,305                    |
| <b>Total current assets</b>          |       | <b>456,503</b>            | 628,142                  |
| <b>Non-current assets</b>            |       |                           |                          |
| Inventories                          | 4(b)  | 102,270                   | 112,584                  |
| Undeveloped properties               |       | 203,632                   | 203,632                  |
| Property, plant and equipment        |       | 505,831                   | 530,346                  |
| Deferred tax assets                  |       | 152,423                   | 88,897                   |
| Investment in trust fund             |       | 65,121                    | 63,960                   |
| <b>Total non-current assets</b>      |       | <b>1,029,277</b>          | 999,419                  |
| <b>Total assets</b>                  |       | <b>1,485,780</b>          | 1,627,561                |
| <b>LIABILITIES</b>                   |       |                           |                          |
| <b>Current liabilities</b>           |       |                           |                          |
| Payables                             |       | 72,312                    | 72,512                   |
| Provisions                           | 5(a)  | 91,779                    | 91,223                   |
| <b>Total current liabilities</b>     |       | <b>164,091</b>            | 163,735                  |
| <b>Non-current liabilities</b>       |       |                           |                          |
| Provisions                           | 5(b)  | 514,868                   | 529,804                  |
| <b>Total non-current liabilities</b> |       | <b>514,868</b>            | 529,804                  |
| <b>Total liabilities</b>             |       | <b>678,959</b>            | 693,539                  |
| <b>Net assets</b>                    |       | <b>806,821</b>            | 934,022                  |
| <b>EQUITY</b>                        |       |                           |                          |
| Contributed equity                   |       | 706,485                   | 706,485                  |
| Reserves                             |       | 390,533                   | 390,533                  |
| Retained profits                     |       | (290,197)                 | (162,996)                |
| <b>Total equity</b>                  |       | <b>806,821</b>            | 934,022                  |

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

Energy Resources of Australia Ltd  
Consolidated Statement of Changes in Equity  
For the half-year ended 30 June 2014

|  | Contributed<br>equity<br>\$'000 | Reserves<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000  |
|--|---------------------------------|--------------------|--------------------------------|------------------|
| <b>Balance at 1 January 2014</b>                                 | <b>706,485</b>                  | <b>390,533</b>     | <b>(162,996)</b>               | <b>934,022</b>   |
| Loss for the half-year   | -                               | -                  | (127,201)                      | (127,201)        |
| Other comprehensive income                                       | -                               | -                  | -                              | -                |
| <b>Total comprehensive income for<br/>the half-year</b>          | <b>-</b>                        | <b>-</b>           | <b>(127,201)</b>               | <b>(127,201)</b> |
| <b>Transactions with owners in their<br/>capacity as owners:</b> |                                 |                    |                                |                  |
| Dividends provided for or paid                                   | -                               | -                  | -                              | -                |
|  | -                               | -                  | -                              | -                |
| <b>Balance at 30 June 2014</b>                                   | <b>706,485</b>                  | <b>390,533</b>     | <b>(290,197)</b>               | <b>806,821</b>   |
| <b>Balance at 1 January 2013</b>                                 | <b>706,485</b>                  | <b>390,301</b>     | <b>(27,167)</b>                | <b>1,069,619</b> |
| Loss for the half-year   | -                               | -                  | (53,546)                       | (53,546)         |
| Other comprehensive income                                       | -                               | -                  | -                              | -                |
| <b>Total comprehensive income for<br/>the half-year</b>          | <b>-</b>                        | <b>-</b>           | <b>(53,546)</b>                | <b>(53,546)</b>  |
| <b>Transactions with owners in their<br/>capacity as owners:</b> |                                 |                    |                                |                  |
| Dividends provided for or paid                                   | -                               | -                  | -                              | -                |
|  | -                               | -                  | -                              | -                |
| <b>Balance at 30 June 2013</b>                                   | <b>706,485</b>                  | <b>390,301</b>     | <b>(80,713)</b>                | <b>1,016,073</b> |

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

**Energy Resources of Australia Ltd**  
**Consolidated Statement of Cash Flows**  
**For the half-year ended 30 June 2014**

|   | <b>Half-year ended</b>             |                                    |
|---|------------------------------------|------------------------------------|
|   | <b>30 June<br/>2014<br/>\$'000</b> | <b>30 June<br/>2013<br/>\$'000</b> |
| <b>Cash flows from operating activities</b>                               |                                    |                                    |
| Receipts from customers (inclusive of goods and services tax)             | <b>189,801</b>                     | 138,520                            |
| Payments to suppliers and employees (inclusive of goods and services tax) | <b>(152,413)</b>                   | (176,922)                          |
| Payments for exploration and evaluation                                   | <b>(41,685)</b>                    | (21,766)                           |
| Payments for rehabilitation   | <b>(30,061)</b>                    | (34,012)                           |
|   | <b>(34,358)</b>                    | (94,180)                           |
| Interest received   | <b>4,424</b>                       | 5,625                              |
| Financing costs paid  | <b>(287)</b>                       | (479)                              |
| <b>Net cash inflow/(outflow) from operating activities</b>                | <b>(30,221)</b>                    | (89,034)                           |
| <b>Cash flows from investing activities</b>                               |                                    |                                    |
| Payments for property, plant and equipment                                | <b>(5,931)</b>                     | (63,962)                           |
| Proceeds from sale of property, plant and equipment                       | -                                  | 19                                 |
| <b>Net cash outflow from investing activities</b>                         | <b>(5,931)</b>                     | (63,943)                           |
| <b>Cash flows from financing activities</b>                               |                                    |                                    |
| Dividend payments   | -                                  | -                                  |
| <b>Net cash outflow from financing activities</b>                         | <b>-</b>                           | -                                  |
| <b>Net decrease in cash and cash equivalents</b>                          | <b>(36,152)</b>                    | (152,977)                          |
| Cash and cash equivalents at the beginning of the half-year               | <b>357,208</b>                     | 467,345                            |
| Effects of exchange rate changes on cash and cash equivalents             | <b>1</b>                           | (10)                               |
| <b>Cash and cash equivalents at end of the half-year</b>                  | <b>321,057</b>                     | 314,358                            |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Energy Resources of Australia Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

## 2 Critical accounting estimates and judgments

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

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

### Rehabilitation provision

The calculation of the rehabilitation provision relies on estimates of cost 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 considerations 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.

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 operations. 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.

### Taxation

ERA 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 ERA's ability to generate future taxable profits from the development of Ranger 3 Deeps. Should the development of Ranger 3 Deeps not occur, it is unlikely these deferred tax assets would remain recoverable.

Judgment is required in regard to the application of income tax legislation. There is an inherent risk and uncertainty in applying these judgments 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.

### Asset carrying values

At the end of each reporting period, ERA assesses whether there are any indications that the company's cash generating units ('CGU') may be impaired. This requires judgment in analysing possible impacts caused by factors such as weather, traditional owner relationships, operating and capital estimates, project progression, price of uranium oxide and foreign exchange movements and forecasts. At 30 June 2014, ERA assessed possible causes of impairment and concluded that there were no factors that indicated that the company's CGUs may be impaired.

When assessing recoverable amounts, ERA makes estimates and assumptions which are subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. Historically, ERA has assessed the recoverable amount based on the greater of fair value less costs to sell or value in use. The fair value less costs to sell is determined based on discounted cash flow modelling of a set of probability weighted strategic outcomes.

The recoverable amount is sensitive to key assumptions including: uranium price, Australian/US dollar exchange rate, discount rate and exploration and development potential.

Historically, ERA has assigned a high degree of probability to the development of Ranger 3 Deeps following successful completion of the Exploration Decline, with estimates based on order of magnitude level studies.

However, should development of Ranger 3 Deeps not occur, 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.

#### **Inventory net realisable value**

The calculation of net realisable value is sensitive to key assumptions about the future including: uranium price, Australia/US dollar exchange rate and where applicable costs to complete. The sales price of uranium oxide is denominated in US dollars, so fluctuations in the Australia/US dollar exchange rate will affect the proceeds received from sales and consequently the recoverable amount.

At 30 June 2014, a \$0.8 million (pre-tax) net realisable value reversal was made to finished goods inventory and a \$2.5 million (pre-tax) negative adjustment to work in progress inventory to record it at its net realisable value. The net realisable value adjustment has been included in 'Changes in inventory' in the statement of comprehensive income.

### **3 Segment information**

#### **Description of Segment**

Management has determined the operating segment based on the reports reviewed by the Chief Executive that are used to make strategic decisions.

The Chief Executive considers the business from a product perspective and has identified only one reportable segment in the half-year ended 30 June 2014, being the mining, processing and selling of uranium. There are no other unallocated operations.

#### **Segment Revenue**

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

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

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

|  | Half-year ended |         |
|--|-----------------|---------|
|  | 30 June         | 30 June |
|  | 2014            | 2013    |
|  | \$'000          | \$'000  |
| <b>Sales to external customers</b>       |                 |         |
| Asia                                     | 89,374          | 23,037  |
| Africa                                   | 1,787           | -       |
| United States                            | 71,800          | 103,558 |
| Europe                                   | 8,668           | 9,627   |
| Total Sale of Goods                      | 171,629         | 136,222 |
| Other revenue                            | 6,356           | 8,063   |
| Total revenue from continuing operations | 177,985         | 144,285 |

|  | Period ended |        |
|--|--------------|--------|
|  | 30 June      | 31 Dec |
|  | 2014         | 2013   |
|  | \$'000       | \$'000 |

#### 4 Inventories

##### (a) Inventories – current

|   |         |         |
|---|---------|---------|
| Stores & spares                                       | 25,772  | 23,730  |
| Ore stockpiles at cost                                | 37,229  | 27,721  |
| Work in progress at cost                              | -       | 2,602   |
| Work in progress at NRV                               | 2,010   | -       |
| Finished product U <sub>3</sub> O <sub>8</sub> at NRV | 49,982  | 194,469 |
| Total current Inventory                               | 114,993 | 248,522 |

##### (b) Inventories – non-current

|                        |         |         |
|------------------------|---------|---------|
| Ore stockpiles at cost | 102,270 | 112,584 |
|------------------------|---------|---------|

#### 5 Provisions

##### (a) Provisions - current

|                          |        |        |
|--------------------------|--------|--------|
| Employee benefits        | 12,872 | 11,535 |
| Leach tank remediation   | -      | 1,300  |
| Rehabilitation           | 78,907 | 78,388 |
| Total current provisions | 91,779 | 91,223 |

##### Movement in rehabilitation provisions

|   |          |
|---|----------|
| Carrying value at the start of the year     | 78,388   |
| Payments                                    | (30,061) |
| Transfers from non-current provisions       | 30,580   |
| Carrying amount at the end of the half-year | 78,907   |

##### (b) Provisions – non-current

|                              |         |         |
|------------------------------|---------|---------|
| Employee benefits            | 4,872   | 4,728   |
| Rehabilitation               | 509,996 | 525,076 |
| Total non-current provisions | 514,868 | 529,804 |

|   | 30 June<br>2014<br>\$'000 |
|---|---------------------------|
| <b>Movement in rehabilitation provision</b> |                           |
| Carrying value at the start of the year     | 525,076                   |
| Change in estimate                          | -                         |
| Unwind of discount                          | 15,500                    |
| Additional provision recognised             | -                         |
| Transfers to current provision              | <u>(30,580)</u>           |
| Carrying amount at the end of the half-year | <u>509,996</u>            |

## 6. Contingencies

### Legal actions against ERA

Unresolved legal action commenced (in 1999) by the Mirarr Traditional Owners in the Federal Court against the former Federal Minister for Resources and ERA, claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative, is dormant. Should ERA proceed with the Jabiluka Mill Alternative, notice will be given to the applicant who may or may not wish to pursue the argument further.

No material losses are anticipated in respect of this legal dispute.

## 7. Earnings per share

|                            | Half-year ended          |                          |
|----------------------------|--------------------------|--------------------------|
|                            | 30 June<br>2014<br>Cents | 30 June<br>2013<br>Cents |
| Basic earnings per share   | (24.6)                   | (10.3)                   |
| Diluted earnings per share | (24.6)                   | (10.3)                   |

Weighted average number of ordinary shares on issue used in the calculation basic earnings per share. 2014: 517,725,062 (2013: 517,725,062).

## 8. Events occurring after the reporting period

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 15 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 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Energy Resources of Australia Ltd will be able to pay its debts as and when they become due and payable.

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



Mr P McMahon  
**Chairman**  
Darwin  
31 July 2014



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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Energy Resources of Australia Ltd (the company), which comprises the balance sheet as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Energy Resources of Australia Ltd.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of company's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Energy Resources of Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Energy Resources of Australia Ltd is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink, appearing to read 'John O'Donoghue', written over the PricewaterhouseCoopers logo.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'John O'Donoghue', written below the printed name.

John O'Donoghue  
Partner

Melbourne  
31 July 2014