Results for announcement to the market

Appendix 4E
Energy Resources of Australia Ltd

ABN 71 008 550 865
ASX Preliminary final report – 31 December 2016
Lodged with the ASX under Listing Rule 4.3A

Contents

Results for announcement to the market

	Change		2016 $000	2015 $000
Revenue from sales of uranium	-20%	to	267,757	332,669
Revenue from continuing operations	-15%	to	294,839	348,260
Profit/(loss) from continuing operations after tax attributable to members	-2%	to	(271,077)	(275,493)
Net profit/(loss) for the period attributable to members	-2%	to	(271,077)	(275,493)
Net Cash flow from operating activities	-60%	to	34,022	84,594
Earnings before Interest, Tax, Depreciation & Amortisation	-147%	to	(11,204)	23,641
EPS (cents)	2%	to	(52.4)	(53.2)

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

Review of operations

Energy Resources of Australia Ltd (**ERA** or the **Company**) delivered strong safety and operational performance in 2016. The Company achieved an all injury frequency rate of 0.19 per 200,000 hours worked (2015: 0.67). In addition ERA successfully completed implementation of a comprehensive Process Safety Improvement Action Plan. The plan's implementation was conducted with regulatory oversight from external safety consultants on behalf of the Australian and Northern Territory Governments.

ERA generated cash flow from operating activities of $34 million in 2016 (2015: $85 million). In 2016 cash flow was impacted by a weaker average realised sales price and lower sales volume. This has partially been offset by lower expenditure on exploration and evaluation and an increase in other revenue.

ERA increased its cash balance by $30 million during 2016, ending the year with $396 million in cash at bank and no debt. In addition to cash at bank, ERA had $70 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund, bringing total cash resources to $466 million at 31 December 2016.

ERA recorded a net loss after tax of $271 million compared to a net loss after tax of $275 million in 2015. The net loss after tax was impacted by a $231 million non-cash impairment of ERA's property, plant and equipment.

Uranium oxide produced for the year ended 31 December 2016 was 2,351 tonnes, 17 per cent higher than the 2015 production of 2,005 tonnes. Production for the period was favourably impacted by higher milling rates and improved recoveries. Milled ore grade was in line with 2015.

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Revenue from the sale of uranium oxide was $268 million (2015: $333 million). Despite achieving an average realised price in excess of the average spot price in 2016, reduced sales prices and volumes adversely impacted overall revenue.

Sales volume for 2016 was 2,139 tonnes compared with 2,183 tonnes for 2015. The average realised sales price that the Company received for uranium oxide in 2016 was US$41.87 per pound compared to US$51.99 per pound in 2015. This compares favourably against the average spot price for 2016 of US$25.64 per pound.

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar was beneficial to ERA. The average USD/AUD exchange rate during the year was 74 US cents, compared with 75 US cents in 2015.

Cash costs for 2016 were significantly lower than 2015, due to an ongoing focus on cash preservation, reduced exploration and evaluation expenditure and favourable movements in consumable input prices.

The Company's cash generation programme continued to identify further opportunities for savings and efficiency improvements across the business in 2016. Work on additional opportunities will continue in 2017. Favourable input costs were achieved through ongoing negotiation of procurement contracts and productivity improvements.

Depreciation and Amortisation for 2016 was significantly lower than 2015. This was predominately due to the June 2016 impairment to property, plant and equipment of $161.4 million. The asset impairment resulted in substantially lower carrying value of assets, resulting in lower depreciation during the second half of the year.

At 31 December 2016 a further impairment of $69 million was recorded due to continued weakening of the uranium oxide price. The total non-cash impairment charge for 2016 was $231 million.

Total exploration and evaluation spend for 2016 was nil compared to expenditure in 2015 of $9 million.

Capital expenditure for the full year was $3 million compared to $12 million in 2015. All expenditure in 2016 related to sustaining capital expenditure projects.

Outlook
ERA expects that the uranium market will remain challenging in the near term, however, the long term outlook remains encouraging for established producers. Spot prices have continued to weaken throughout 2016 as a result of oversupply in the market. Whilst supply is expected to exceed demand in the near term, China led demand-growth should support a rebalancing of the market over time as the Chinese nuclear power programme continues in accordance with long term energy policy objectives.

ERA expects uranium production for 2017 to be within the range of 2,000 tonnes to 2,400 tonnes. ERA expects sales of uranium oxide in 2017 to be broadly in line with production.

Strategic review
Following advice received from Gundjeihmi Aboriginal Corporation in the second half of 2015 that the Mirarr Traditional Owners did not support an extension to the Ranger Authority, ERA conducted a strategic review of its business.

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The review outcomes were announced in May 2016 and comprised three near-term strategic priorities for the Company:

- continue the progressive rehabilitation of the Ranger Project Area and provide additional assurance to stakeholders that rehabilitation can be fully delivered and funded in a range of business scenarios;

- maximise the generation of cash flow from the processing of stockpiled ore, which can potentially be sustained until late 2020 (the current Ranger Authority expires in January 2021); and

- preserve the option for the future development of Ranger 3 Deeps via ongoing care and maintenance of the Ranger 3 Deeps exploration decline and related infrastructure.

Credit facility

In April 2016 the Company entered into a $100 million credit facility agreement with Rio Tinto. The credit facility agreement provides additional assurance to stakeholders that rehabilitation of the Ranger Project Area can be fully funded in a range of business scenarios.

At 31 December 2016, ERA had $466 million in total cash resources and a rehabilitation provision of $511 million. In the event that ERA is unable to fully fund the Ranger rehabilitation programme from its cash reserves, and in the absence of any other successful developments or asset sales, the Company may draw on the credit facility. The credit facility can be terminated at any time by ERA. Further information on the credit facility is detailed in the ASX release dated 29 April 2016.

Rehabilitation

Progressive rehabilitation continued with expenditure of $20 million incurred during 2016. Expenditure was primarily associated with the completion of a layer of laterite capping to Pit 1 and commissioning and operation of dredging infrastructure to transfer tailings from the Tailings Storage Facility to Pit 3.

ERA continually reviews its rehabilitation estimate along with the discount rate used in determining the provision. ERA intends to commence a feasibility study in 2017. The feasibility study will increase the level of certainty regarding forecast rehabilitation expenditure.

A periodic review conducted in late 2016 resulted in the overall estimate of the rehabilitation provision increasing by $5.6 million at 31 December 2016 (including change in discount rate of $6.6 million). At 31 December 2016, ERA reduced the real discount rate from 2.25 per cent to 2.00 per cent, further to its annual review and update of the discount rate calculation.

Dividends

In light of the challenging market conditions, the ERA directors have decided not to declare a final dividend for the 2016 financial year (2015: nil).

Competent Person

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by geologist Stephen Pevely (a full time employee of ERA). Stephen Pevely is a Member of the Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Stephen Pevely consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Preliminary statement of comprehensive income

	2016 $000	2015 $000
Revenue from continuing operations	294,839	348,260
Changes in inventories	(44,763)	(46,800)
Materials and consumables used	(75,150)	(74,449)
Employee benefits and contractor expenses	(122,852)	(135,768)
Government and other royalties	(14,286)	(17,908)
Commission and shipping expenses	(5,526)	(5,130)
Depreciation and amortisation expenses	(37,853)	(111,933)
Non-cash Impairment charge	(230,724)	-
Financing costs	(19,654)	(22,031)
Statutory and corporate expense	(12,736)	(12,787)
Other expenses	(2,372)	(1,252)
Profit/(Loss) before income tax	**(271,077)**	**(79,798)**
Income tax benefit/(expense)	**-**	**(195,695)**
Profit/(Loss) for the year	**(271,077)**	**(275,493)**
Other comprehensive income for the year, net of tax	**-**	**-**
Total comprehensive income for the year	**(271,077)**	**(275,493)**
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	**(271,077)**	**(275,493)**
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	**(271,077)**	**(275,493)**

Preliminary balance sheet

	2016 $000	2015 $000
Current assets		
Cash and cash equivalents	395,598	365,326
Trade and other receivables	12,348	20,440
Inventories	127,274	132,950
Other	-	480
Total current assets	**535,220**	**519,196**
Non-current assets		
Inventories	9,791	49,673
Undeveloped properties	203,632	203,632
Property, plant and equipment	-	259,990
Investment in trust fund	70,789	68,324
Total non-current assets	**284,212**	**581,619**
Total assets	**819,432**	**1,100,815**
Current liabilities		
Payables	34,357	50,139
Provisions	58,572	39,958
Income received in advance	40,416	38,930
Total current liabilities	**133,345**	**129,027**
Non-current liabilities		
Provisions	466,460	480,750
Deferred tax liabilities	21,068	21,091
Total non-current liabilities	**487,528**	**501,841**
Total liabilities	**620,873**	**630,868**
Net assets	**198,559**	**469,947**
Equity		
Contributed equity	706,485	706,485
Reserves	389,440	389,751
Accumulated losses	(897,366)	(626,289)
Total equity	**198,559**	**469,947**

Preliminary statement of changes in equity

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2015	**706,485**	**389,918**	**(350,796)**	**745,607**
Loss for the year	-	-	(275,493)	(275,493)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(275,493)**	**(275,493)**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(167)	-	(167)
	-	(167)	-	(167)
Balance at 31 December 2015	**706,485**	**389,751**	**(626,289)**	**469,947**
Loss for the year	-	-	(271,077)	(271,077)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(271,077)**	**(271,077)**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(311)	-	(311)
	-	(311)	-	(311)
Balance at 31 December 2016	**706,485**	**389,440**	**(897,366)**	**198,559**

Preliminary statement of cash flows

	2016 $000 inflows/ (outflows)	2015 $000 inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	317,514	375,701
Payments to suppliers and employees (inclusive of goods and services tax)	(267,373)	(261,400)
	50,141	114,301
Payments for exploration and evaluation	-	(8,749)
Payments for rehabilitation	(20,454)	(26,538)
Interest received	6,240	6,920
Financing costs paid	(1,905)	(1,340)
Net cash inflow/(outflow) from operating activities	**34,022**	**84,594**
Cash flows from investing activities		
Payments for property, plant and equipment	(2,988)	(11,906)
Proceeds from sale of property, plant and equipment	93	247
Net cash inflow/(outflow) from investing activities	**(2,895)**	**(11,659)**
Cash flows from financing activities		
Employee share option payments	(853)	(904)
Net cash inflow/(outflow) from financing activities	**(853)**	**(904)**
Net increase/(decrease) in cash held	30,274	72,031
Cash at the beginning of the financial year	365,326	293,318
Effects of exchange rate changes on cash	(2)	(23)
Cash at the end of the financial year	**395,598**	**365,326**

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Inventories	2016 $'000	2015 $'000
Inventories - current		
Stores & spares	16,128	16,923
Ore stockpile at cost	37,340	36,337
Work in progress at cost	2,424	6,879
Finished product U_3O_8 at cost	71,382	-
Finished product U_3O_8 at net realisable value	-	72,811
Total current inventory	127,274	132,950
Inventories – non-current		
Ore stockpiles at cost	9,791	49,673

Inventories are carried at the lower of cost or net realisable value in accordance with AASB 102.

The calculation of net realisable value is sensitive to key assumptions 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 Australian/US dollar exchange rate will affect the proceeds received from sales and consequently the recoverable amount.

Total net realisable value adjustments recorded periodically through the year was $24.8 million (pre-tax) (2015: $31.2 million). The net realisable value adjustment has been included in 'Changes in inventories' in the statement of comprehensive income.

At 31 December 2016, following reduced depreciation in the second half of 2016 finished goods inventory was below its net realisable value and so remains recorded at cost (2015 year end NRV adjustment: $11.3 million).

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Provisions	2016 $'000	2015 $'000
Provisions – current		
Employee benefits	9,861	9,012
Rehabilitation	48,711	30,946
Total current provisions	58,572	39,958
Movement in current provisions		
Carrying value at the start of the year	30,946	31,207
Payments	(20,454)	(26,538)
Transfers from non-current provisions	38,219	26,277
Carrying amount at the end of the year	48,711	30,946
Provisions – non-current		
Employee benefits	3,740	3,175
Rehabilitation	462,720	477,575
Total non-current provisions	466,460	480,750
Movement in non-current provisions		
Carrying value at the start of the year	477,575	480,845
Unwind of discount	17,750	20,690
Change in estimate	5,614	2,317
Transfers to current provisions	(38,219)	(26,277)
Carrying amount at the end of the year	462,720	477,575

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

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 provision for rehabilitation represents the net present cost at 31 December, based on current disturbance, of the preferred plan within the requirements of the Ranger Authority. The Ranger Authority requires ERA to cease mining and processing activities by January 2021 and complete rehabilitation of the Ranger Project Area by January 2026.

The closure model is based on a prefeasibility study that was conducted in 2011 and has been reviewed and updated annually since. Material packages of work have had studies progressed and work subsequently executed as required. Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping and design and construction and commissioning of tailings dredging system. Completion of these activities was conducted in line with the prefeasibility study cost estimate.

ERA intends to commence a feasibility study in 2017. The feasibility study will increase the level of certainty regarding forecast rehabilitation expenditure.

Major activities to complete the rehabilitation plan include: material movements, water treatment, tailings transfer, demolition and revegetation. Major cost sensitivities include: material movements and water treatment costs. Material movement costs are sensitive to the forecast volume of material to be moved and the estimated cost that it can be moved for. Water treatment costs are sensitive to the volume of process water to be treated which is impacted by rainfall, water inflows and the performance of water treatment infrastructure. The current cost estimate may require material adjustment should the assumptions used change or not be realised.

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The ultimate cost of rehabilitation is uncertain and can vary in response to many factors including legal requirements, technological change and market conditions as well as the sensitivities referred to above. It is reasonably possible that outcomes within the next financial year that are different from the current cost estimate could require material adjustment (increase or decrease) to the rehabilitation provision for the Ranger Project Area.

In estimating the rehabilitation provision a risk-free discount rate is applied to the underlying cash flows. At 31 December 2016, ERA reduced the real discount rate from 2.25 per cent to 2.00 per cent, due to the enduring period of low interest rates being experienced. This resulted in an increase to the provision of $6.6 million.

The overall change in estimate (including the change in discount rate) to the rehabilitation provision is an increase of $5.6 million at 31 December 2016. The change in estimate considered updated technology and learnings from work conducted to date, both on the Ranger Project Area and other operations. The overall rehabilitation strategy remains unchanged.

Deferred tax	2016 $'000	2015 $'000
Deferred tax asset/(liability)	(21,068)	(21,091)

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.

ERA recognises certain deferred tax assets for temporary differences. ERA has approximately $178 million tax losses (at 30 per cent) that are not recognised as deferred tax assets due to uncertainty regarding ERA's ability to generate adequate levels of future taxable profits, this treatment is reviewed periodically. Should future taxable profits eventuate this treatment will not impact ERA's ability to utilise available tax losses in future periods.

Share capital	2016 $'000	2015 $'000
Share capital at the end of the financial year	517,725	517,725

Retained earnings	2016 $'000	2015 $'000
Retained earnings at the beginning of the financial year	(626,289)	(350,796)
Net profit/(loss) attributable to members of Energy Resources of Australia	(271,077)	(275,493)
Retained profits at the end of the financial year	(897,366)	(626,289)

Asset Carrying Values

At the end of each reporting period, ERA assesses whether there are any indications that ERA's Cash Generating Units (**CGU**) may be impaired. This requires judgment in analysing possible impacts caused by factors such as the price of uranium oxide, foreign exchange movements, operating and capital estimates, project progression, Traditional Owner relationships and weather impacts on process water inventories.

At 30 June 2016, ERA identified that continued decline in the uranium oxide spot price was an indication of impairment. Impairment testing was performed on the Ranger CGU and

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concluded the asset carrying value exceeded the CGU fair value. ERA also determined that external and business-specific factors that had occurred in the six months to 30 June 2016 warranted a revision to the valuation technique that is used to determine the fair value of the Ranger CGU.

A non-cash impairment charge of $161.4 million was recorded in the Statement of Comprehensive Income at 30 June 2016.

Uranium prices continued to weaken in the second half of 2016 resulting in a further non-cash impairment charge of $69.3 million being recognised at 31 December 2016. The total non-cash impairment charge for the year is $231 million.

ERA has assessed the recoverable amount using a fair value less costs of disposal (**FVLCD**) method. ERA conducts impairment testing using a probability-weighted discounted cash flow model. The Ranger CGU comprises all assets and liabilities of ERA excluding the asset and deferred tax liability related to the Jabiluka Undeveloped Property as well as revenue received in advance. The Ranger CGU carrying value at 31 December 2016 is $(408) million, post impairment charge.

The FVLCD method under Australian Accounting Standard 136 – *Impairment of Assets* requires a determination of the fair value of ERA's CGUs, being the price that would be received to sell a CGU in an orderly transaction between market participants at measurement date. In this context, ERA considers that the fair value that a willing buyer would place on the Ranger CGU includes some option value for the Ranger 3 Deeps project on the basis that it is possible that the Ranger 3 Deeps mine is able to be developed in the future, subject to achieving an extension to the Ranger Authority.

In determining the fair value of the Ranger CGU, ERA assumes that a market participant would characterise the Ranger CGU as an inseparable bundle of assets and liabilities. This incorporates processing of ore from existing stockpiles (until late 2020), the option to develop the Ranger 3 Deeps underground mine (subject to achieving an Authority extension) and the obligation to complete rehabilitation of the Ranger Project Area (by January 2026 in the absence of an Authority extension).

Multiple approaches are available to determine fair value and a high degree of judgment is required in determining the most appropriate method.

In determining the fair value of the Ranger CGU at 31 December 2015, ERA applied a conventional discounted cash flow valuation technique incorporating the use of a single discount rate. The single discount rate was based on an estimate of ERA's weighted average cost of capital. In conducting the impairment assessment at 31 December 2016, ERA has assessed that the likelihood that a market participant would use a conventional discounted cash flow technique to determine the fair value less costs of disposal of the Ranger CGU is decreasing. This is principally due to the sustained weakness in the uranium market and the impact of the passage of time on the expected remaining life of current operations which is now less than five years (in the absence of an Authority extension). In light of these factors, the probability that a market participant would seek to utilise a more sophisticated valuation method than the conventional single rate discounted cash flow technique is increasing.

As a result of the review, ERA has continued to use a probability-weighted discounted cash flow valuation technique but determined separate discount rates for the constituent parts of the Ranger CGU. The constituent parts of the Ranger CGU are current operations (stockpiled ore processing), rehabilitation cash flows and the Ranger 3 Deeps development option. This is a more complex valuation approach than using a single discount rate approach and reflects an assumption that a market participant is more likely to perform a

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more detailed evaluation of the risk characteristics of the Ranger CGU's cash flows in response to the factors outlined above. The discount rates adopted have been determined in consultation with a third party valuation expert. The impairment calculation is sensitive to the discount rates adopted, and changes to the discount rate assumptions may materially impact the FVLCD of the Ranger CGU and the resulting impairment charge.

The valuation methodology used to determine the fair value of the Ranger CGU may be subject to continued revision in future reporting periods if there is a material change to ERA's circumstances.

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. The recoverable amount is sensitive to key assumptions including: uranium oxide price, Australian/US dollar exchange rate, ERA's ability to secure an extension to the Ranger Authority and other approvals. Uranium oxide price and exchange rate assumptions used in determining the recoverable amount are based on market consensus forecasts.

At 31 December 2016 the property, plant and equipment in the Ranger CGU has been fully impaired.

Undeveloped Properties

Undeveloped properties are considered assets not yet ready for use. In reporting periods where impairment testing is required, the recoverable amount of the undeveloped properties is determined using the fair value less costs of disposal method. Undeveloped properties consist of the Jabiluka Mineral Lease. The carrying value of the Jabiluka Undeveloped Property, net of deferred tax liability is $181 million.

The Jabiluka Mineral Lease is currently subject to a Long Term Care and Maintenance Agreement with Traditional Owners. This agreement ensures the Jabiluka deposit will not be developed without the consent of the Mirarr Traditional Owners. It is uncertain that this consent will be forthcoming and, by extension, that the Jabiluka deposit will be developed. Should this consent not eventuate in the future, the Jabiluka Undeveloped Property would face full impairment.

The valuation of the Jabiluka Mineral Lease requires a high degree of judgment. To determine the fair value ERA uses a probability weighted discounted cash flow model. Results are cross checked against market valuation of other undeveloped mining projects in the uranium industry and the broader mining sector, including market valuations of mining assets subject to long-term approval constraints. The approach has been reviewed in the current reporting period with support from an external valuation expert.

Key assumptions to which the Jabiluka model is sensitive include: the probability of future development, uranium oxide prices, foreign exchange rates, production and capital costs, discount rate, ore reserves and mineral resources and lease tenure renewal.

Net Tangible Asset Backing	2016	2015
Net tangible asset backing per ordinary share	0.4	0.9

Audit

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