Energy Resources of Australia Ltd

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A member of the Rio Tinto Group

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13 February 2017

Company Announcements Office
ASX Limited
Level 4, Stock Exchange Centre
20 Bridge Street
Sydney NSW 2000

**BY ELECTRONIC LODGEMENT**

Dear Sir/Madam

**Energy Resources of Australia Ltd (ERA) – 2016 Annual Report**

Please find attached a copy of ERA's 2016 Annual Report.

Copies of the Annual Report are expected to be dispatched to all shareholders who have elected to receive a copy of the Annual Report on or about 6 March 2017.

ERA's Annual General Meeting will be held at 9.30am (ACST) on Wednesday 12 April 2017. A copy of the Notice of Annual General Meeting is expected to be sent to all shareholders on or about 6 March 2017.

Yours faithfully

Thomas Wilcox
**Legal Counsel | Company Secretary**

ERA

# ANNUAL REPORT 2016

CELEBRATING
35
1981 YEARS 2016
IN PRODUCTION

ERA has a diverse workforce consisting of a number of families who are long term residents of Jabiru. Here's some of the faces behind the Ranger mine operations.

**Daughter and Father**

Chloe: Contractor Coordinator, Maintenance

Time with ERA: 9 years

Robert: Long-Term Planner, Mine Planning

Time with ERA: 18 years

**Father and Son**

Dean: Warehouse Officer

Time with ERA: 12 years

Anthony: Emergency Services Officer

Time with ERA: 5 years

Daniel: Chemical Engineer

Superintendent Plant Operations, Production

Time with ERA: 9 years

Lendel: Warehouse Officer

Time with ERA: 1 year

**Mother and Son**

Lesley: Personal Assistant

Time with ERA: 8 years

Ryan: Technical Officer, Water Monitoring

Time with ERA: 8 years

Marie: Electrical Trade Apprentice, Maintenance

Time with ERA: 1 year

**Husband and Wife**

Peter: Planner Asset Management

Time with ERA: 13 years

Sue: Administration Officer

Time with ERA: 4 years

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# YEAR IN REVIEW 2016

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Excellent safety performance – AIFR 0.19

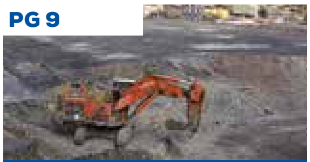
PG 11

Strategic business review completed

PG 12

Produced 2,351 tonnes and sold 2,139 tonnes of uranium oxide

PG 9

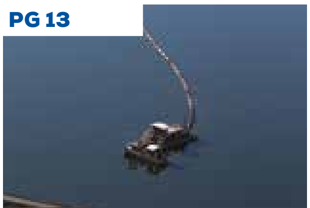


$30 million in positive cash flow, $396 million cash at bank

PG 13

Tailings Storage Facility dredge completes first full year of operations

PG 13



Three million cubic metres of tailings deposited in Pit 3

PG 13

Brine injection system commissioned

PG 13

Mill tailings transferred directly to Pit 3

PG 9

Net loss after tax $271 million

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Ranger 3 Deeps continued in care and maintenance

PG 13

Laterite capping of Pit 1 completed

PG 11

Process Safety Improvement Action Plan implemented

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Female employment participation rate 16 per cent

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Indigenous participation rate 13 per cent

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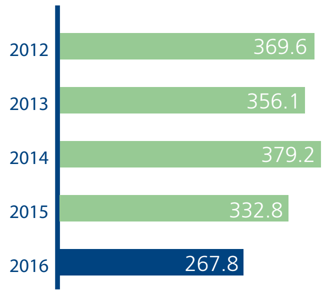
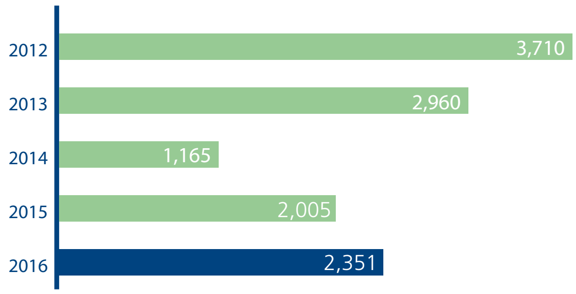
382 Full Time Equivalent employees at 31 December

# 2016 YEAR IN REVIEW

## SALES REVENUE ($M)

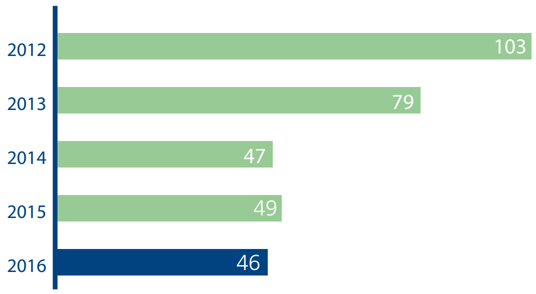



## DRUMMED PRODUCTION TONNES (T)

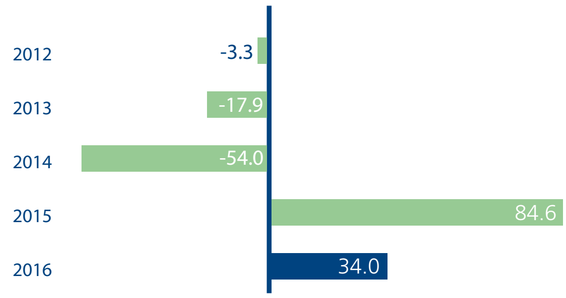



## NET PROFIT AFTER TAX ($M)

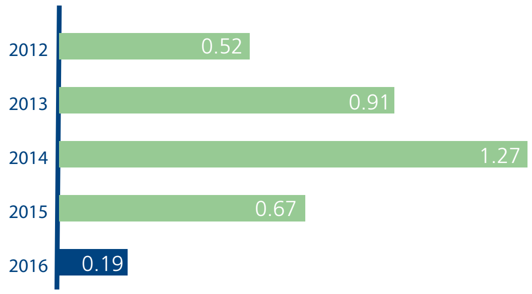

## INDIGENOUS EMPLOYEES (FTE'S)




## OPERATING CASHFLOW ($M)




## ALL INJURY FREQUENCY RATE (PER 200,000 HRS WORKED)



# COMPANY OVERVIEW

Energy Resources of Australia Ltd (ERA) acknowledges the Mirarr people, Traditional Owners of the land on which ERA operates.

ERA operates the Ranger uranium mine, Australia's longest continually operating uranium mine.

ERA has provided international customers with reliable supply of uranium oxide ($U_3O_8$) in the 35 years since production at Ranger began. During that time, Ranger has produced in excess of 120,000 tonnes of uranium.

The Ranger mine's operational infrastructure lies within the 79 square kilometre Ranger Project Area, which is located eight kilometres east of Jabiru and 260 kilometres east of Darwin, in the Northern Territory of Australia. ERA's operations on the Ranger Project Area are undertaken pursuant to an authorisation granted under section 41 of the *Atomic Energy Act 1953* (Cth) (the Ranger Authority).

ERA is currently processing stockpiled ore following the completion of open cut mining in 2012.

The Ranger 3 Deeps ore body contains a Mineral Resource of 43,858 tonnes of contained uranium oxide, comprised of 19.58 million tonnes at an overall grade of 0.244% $U_3O_8$. Following a decision in 2015 not to progress the Ranger 3 Deeps project to full feasibility study, the exploration decline and associated infrastructure remain under care and maintenance. In order to fully develop the Ranger 3 Deeps resource, ERA would require an extension to the Ranger Authority which expires in January 2021.

ERA also holds title to the world-class Jabiluka Mineral Lease. In accordance with the Jabiluka Long Term Care and Maintenance Agreement, the Jabiluka deposit will not be developed by ERA without the consent of the Mirarr Traditional Owners.

The Ranger Project Area and the Jabiluka Mineral Lease are located on Aboriginal land and are surrounded by, but are separate from the World Heritage-listed Kakadu National Park.

In addition to the Ranger Authority, ERA's uranium mining activities are regulated through Commonwealth and Northern Territory legislation. ERA has also entered into a suite of agreements which govern its operations on the Ranger Project Area with the Gundjeihmi Aboriginal Corporation, on behalf of the Mirarr Traditional Owners, the Northern Land Council and the Commonwealth Government.

ERA has a sales and marketing agreement with Rio Tinto Uranium pursuant to which ERA's product is sold to international power utilities under strict international and Australian Government safeguards which ensure that Australian uranium is only used for peaceful purposes.

ERA is committed to strong environmental management practices. The Ranger Project Area is being progressively rehabilitated in line with regulatory requirements.

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

**ERA IS COMMITTED TO STRONG ENVIRONMENTAL MANAGEMENT PRACTICES. THE RANGER PROJECT AREA IS BEING PROGRESSIVELY REHABILITATED IN LINE WITH REGULATORY REQUIREMENTS.**

**JOESPH QUALTER, CELEBRATING 35 YEARS WITH ERA**

In 2016 Joe Qualter celebrated 35 years with ERA. Joe is ERA's longest serving employee, having started working at Ranger mine just prior to the commencement of production on 13 August 1981.

# CHAIRMAN'S REPORT

The Company reached a very important milestone in 2016 – 35 years of supply of uranium oxide at Ranger. ERA continues to supply uranium to fuel some of the biggest cities in the world, which rely on nuclear power as a clean and reliable source of base load energy.

In 2016, energy security continues to be a global issue, not only in developing countries, but, as we have experienced recently domestically, also in the developed world. While renewable energy sources such as wind and solar power have a place in the energy mix, they are capital intensive and, therefore, costly per unit of output, and lack the reliability and capacity to support large base load supply, as is the case with nuclear, gas and fossil fuels. Nuclear is one of the few energy sources which can provide a continuous, reliable base load supply without environmental damage. We are seeing China and India increasingly turning to nuclear as part of their energy mix to support their growing economies and population, as well as their need to be environmentally supportive and internationally competitive. Currently, nuclear generates only about 11 per cent of the world's electricity and 21 per cent of electricity in the OECD countries.

According to the World Nuclear Association, in late 2016, worldwide, there were 58 reactors under construction and 167 on order or planned, with a further 345 reactors proposed. This is in addition to the 448 nuclear power plants which are currently operating.

India and China have ambitious nuclear development plans, with China having 37 nuclear power reactors in operation and 20 more under construction. Meanwhile India, which aims to supply 25 per cent of its electricity from nuclear power by 2050, has 22 reactors operating, 5 under construction, and further 20 in planning stages.

ERA has traditionally sold its uranium to the established nuclear power generating countries such as Japan, the US and Europe. However, new markets such as China and the UAE are now buying Australian uranium to fuel their reactors.

With the number of reactors to come on line in the next decade in a bid to cut greenhouse emissions and to address climate change, Australia is in the box seat to capitalise on this market growth in Asia.

Australia's known uranium resources are the largest in the world – almost a third of the world total. Australia's 3 operating mines export all of their production under very strict safeguards. None is used domestically.

Just as the Commonwealth's approach to uranium mining has shifted over the decades from the three uranium mines approach to less restrictive limits, so should the approach to energy supply.

It is time to have a mature debate about energy sourcing both on a global and domestic level. There is a need to shift from ideology to a rational scientific and political debate.

**PETER MANSELL**
CHAIRMAN

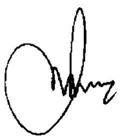
The challenges we are confronting globally are easily identified: cost, security, reliability and international competitiveness. They are all critical issues. We talk a great deal about renewables – and, as I say above, they do have a place in the mix – but, on current technologies, they are both expensive and too unreliable and insecure for base load requirements. Gas also has a place in the mix, but it is not greenhouse emission free. Clearly, in today's 'clean energy' environment, the world cannot rely to the extent that it does on energy generated by fossil fuels, certainly not with the current technologies. It is unsustainable in the long term. It is against that backdrop that we, in Australia, need to debate, in a rational way, the role that uranium can play in our international competitiveness and as a responsible, cheap, reliable and carbon dioxide emission free source of global and domestic energy. Australia is rich in uranium and the cost and competitive advantages are self-evident. There are unquestionably community concerns about uranium and nuclear energy, but they must be understood and addressed in a considered discussion based on fact – not ideology.

Against a backdrop of a low uranium price with expectations of recovery by many market observers being some time away, the ERA Board took the step earlier in the year to conduct a review of the near-term strategic priorities for the business.

We will maintain the progressive rehabilitation of the Ranger Project Area as we process stockpiled ore until 2020, while the Board keeps its options open with regards to Ranger 3 Deeps, which continues to be on care and maintenance. This cautious approach is necessary during times of high economic volatility, low uranium spot prices and ongoing variability of the Australian dollar. We will do whatever is necessary to preserve the value of all of our ore deposits, but only in very close collaboration with all affected stakeholders.

The Board's responsibility is to navigate a path forward with all stakeholders that maximises value for all shareholders.

Lastly, on behalf of the Board, I would like to thank the management team and staff for a year that they can be truly proud of.



**Peter Mansell**
Chairman

# CHIEF EXECUTIVE'S REPORT

In 2016 ERA delivered strong safety and operational performance, generated positive cash flow from remaining ore stockpiles, and made significant progress on rehabilitation.

Our focus on safety for our people, our communities and the environment remains a core value and in 2016 ERA delivered excellent performance in workplace health and safety.

We achieved an all injury frequency rate of 0.19 per 200,000 hours worked, compared with 0.67 for 2015, and 1.27 for 2014.

This improved performance reflects sustained focus from frontline teams supported by safety leadership from team leaders, supervisors and managers.

In addition ERA successfully completed implementation of a comprehensive Process Safety Improvement Action Plan.

The plan's implementation has been conducted with regulatory oversight from external safety consultants Noetic Risk Solutions (Noetic), on behalf of the Australian and Northern Territory Governments.

Noetic's final report determined that ERA has effectively implemented process safety concepts and is now in a leading position as compared to industry peers.

A strategic review of the business was completed in April which determined three near-term strategic priorities for ERA.

We will maximise generation of cash flow from the processing of stockpiled ore, which can potentially be sustained until late 2020.

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

We will also continue to 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.

Our focus on maximising generation of cash flow from the processing of stockpiled ore delivered strong results in 2016.

ERA produced 2,351 tonnes of uranium oxide, which was slightly above the guidance of 1,900 to 2,300 tonnes and with engineered efficiency initiatives achieved above plan performance in milling rates, throughput and production.

Financially ERA continued to generate strong positive cash flow, increasing its cash balance by $30 million.

ERA's contracted long term sales agreements continue to shield the business from the impact of the low spot price for uranium.

**ANDREA SUTTON**
CHIEF EXECUTIVE

ERA realised an average sale price of US$41.87 per pound compared with an average spot price of US$25.64 per pound in 2016.

At 31 December 2016, ERA had $466 million in total cash resources and a rehabilitation provision of $511 million. As a prudent risk management initiative, ERA has entered into a $100 million credit facility with Rio Tinto, should additional rehabilitation funding be required.

In 2016 we achieved further progressive rehabilitation milestones on the Ranger Project Area.

ERA is seeking regulatory approval to proceed with the final land-forming layer of waste rock for Pit 1, after successfully completing the laterite capping layer in 2016.

In Pit 3 the brine injection infrastructure was commissioned, marking a significant turning point in ERA's integrated brine and tailings management system.

The stainless steel dredge achieved its first full year of operations, transferring an estimated 3.0 million cubic metres of tailings from the Tailings Storage Facility to Pit 3. All new tailings are now sent from the processing plant directly to Pit 3.

This has the net effect of progressively lowering the volume of the tailings mass and process water stored in the Tailings Storage Facility.

Finally, as we look to the future it is important for ERA to make appropriate plans and to take all necessary measures to meet our obligations under the current legal framework.

We recognise, however, that as the end of mining approaches, plans need to be made about the future of the township and community of Jabiru.

Our Jabiru Social Impact Assessment began seeking feedback from local people and businesses at the end of 2016 and this information will help develop a transition and rehabilitation strategy for the town.

In closing I would like to thank our key stakeholders for their support throughout 2016 and to also recognise the skills, commitment and safety focus displayed by ERA's dedicated workforce.

A Sutton

**Andrea Sutton**
Chief Executive

# 2017 OBJECTIVES

The Company's objective is to continue to safely produce uranium oxide, while advancing the progressive rehabilitation of the Ranger Project Area, protecting the environment and contributing to the global energy market and local economy and enhancing shareholder value.

| Area | Objective |
|---|---|
| Health, Safety and Environment | Committed to the goal of zero harm:<br>• focus on strong safety leadership development;<br>• complete the implementation of the Critical Risk Management programme at Ranger;<br>• demonstrate a sound understanding of processing critical risk profiles within the organisation and monitor using the Critical Control Management Plan; and<br>• continue to protect the World Heritage-listed Kakadu National Park through effective risk assessment and environmental management plans. |
| Strategic business review | Implement the near-term strategic priorities identified by the strategic business review:<br>• continue the progressive rehabilitation of the Ranger Project Area and provide assurance to stakeholders that rehabilitation can be fully delivered and funded in a range of business scenarios;<br>• maximise 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<br>• 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. |
| Financial | Maximise cash generation and shareholder value:<br>• continue to identify savings and cash generation opportunities;<br>• maximise operational efficiencies and cost savings; and<br>• continue to maintain optionality of Ranger 3 Deeps and Jabiluka ore deposits. |
| Operations | Economically produce uranium from stockpiled ore while integrating rehabilitation activities:<br>• optimise production of uranium oxide;<br>• optimise availability and throughput of the Brine Concentrator, including injection of brine into Pit 3 backfill; and<br>• monitor and manage the integrity of the processing plant and operating assets. |
| Rehabilitation and closure | Continue progressive rehabilitation of the Ranger Project Area:<br>• dredging of the Tailings Storage Facility;<br>• finalise closure criteria by working with the respective stakeholders and regulators; and<br>• continue revegetation work on disturbed land. |
| Communities and government | Enhance relationships with key stakeholders:<br>• consult residents and stakeholders as part of the Jabiru Town Social Impact Assessment;<br>• actively engage with the representatives of the Mirarr Traditional Owners, the Gundjeihmi Aboriginal Corporation, to achieve mutually beneficial outcomes for the Company, the Traditional Owners and shareholders;<br>• engage with governments and their agencies to ensure timely outcomes on the Company's objectives; and<br>• work with Governments, Traditional Owners and stakeholders to plan for the future of Jabiru. |
| People | Foster a safe, capable, committed and diverse workforce:<br>• continue to support inclusion and diversity within ERA;<br>• continue to grow regional training and development programme; and<br>• provide leadership and development opportunities for the workforce. |

# OPERATING AND FINANCIAL REVIEW

## Financial Performance

In 2016 ERA continued to generate positive cash flow from its operations. ERA generated cash flow from operating activities of $34 million for the period (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.

In 2015, the net loss after tax was impacted by a non-cash charge for the write down of deferred tax assets of $196 million.

At 30 June 2016, ERA identified that the continued decline in the uranium oxide spot price was an indication of impairment. A non-cash impairment charge of $161 million was recorded in the Statement of Comprehensive Income at 30 June 2016.

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.

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

### REVENUE

Revenue from the sale of uranium oxide was $268 million (2015: $333 million). Sales volume for 2016 was 2,139 tonnes (2015: 2,183 tonnes). The average realised sales price that the Company received for uranium oxide in 2016 was US$41.87 per pound (2015: US$51.99 per pound). 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 0.74 US cents, compared with 0.75 US cents in 2015.

**Stockpiled ore is loaded onto a haul truck at Ranger mine, with the processing plant in the background.**

# OPERATING AND FINANCIAL REVIEW

## OPERATING COSTS

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.

Total exploration and evaluation spend for 2016 was nil (2015: $9 million).

## CAPITAL EXPENDITURE

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

## 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.

## CREDIT FACILITY

In April ERA 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.

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 facility. The credit facility can be terminated at any time by ERA. Further details of the credit facility are the subject of an ASX release dated 29 April 2016.

A beach is forming in Pit 3 as tailings are deposited via pipelines from the Tailings Storage Facility and the mill.

# OPERATING AND FINANCIAL REVIEW

Engineers look over the processing area of Ranger mine.

## Operations

In 2016 ERA built on the solid operational delivery of the previous year with another strong performance in terms of optimised production of uranium oxide and process safety implementation.

ERA has continued to successfully implement the Process Safety Improvement Action Plan to the satisfaction of Commonwealth and Northern Territory regulators.

Total production for the 12 months to 31 December 2016 was 2,351 tonnes of uranium oxide (guidance 1,900 to 2,300 tonnes) with throughput, milling rates and production all ahead of plan.

All ore milled was taken from existing stockpiles. Comprehensive maintenance strategies, including scheduled mill maintenance in the June quarter, contributed to improved production rates in the latter half of the year.

Progressive rehabilitation of the Ranger Project Area continued with the dredge operating at capacity to transfer tailings from the Tailings Storage Facility to Pit 3, the commissioning of the brine injection infrastructure and the completion of laterite capping of Pit 1.

In addition, in line with the outcomes of the strategic business review, ERA has preserved the option for the future development of Ranger 3 Deeps, which is now in care and maintenance.

### STRATEGIC BUSINESS REVIEW

ERA initiated a strategic business review in late 2015 with the aim of identifying executable options to maximise shareholder value.

ERA announced the outcomes of the strategic business review in May 2016. The review determined three near-term strategic priorities for the Company, which were to:

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

### PROCESS SAFETY

Over the past 24 months ERA has been implementing the Process Safety Improvement Action Plan to improve the management of process safety risks at Ranger.

Implementation has been overseen on a quarterly basis by the Northern Territory and Commonwealth Governments and their independent consultant Noetic Risk Solutions.

In November, the eighth and final quarterly visit to Ranger to observe progress and implementation of the Process Safety Improvement Action Plan was completed.

## OPERATING AND FINANCIAL REVIEW

The final report concludes that ERA has effectively implemented process safety concepts, and "has put itself in a leading position as compared to industry peers. This is a major achievement."

ERA will continue to embed process safety management at Ranger in 2017. Following successful completion of the scheduled programme of regulatory oversight ERA will engage external consultants to support ongoing governance of process safety management.

### PRODUCTION

Record throughput of 2.7 million tonnes of uranium ore and peak primary milling rates of 318 tonnes per hour were achieved through a consistent and sustained approach to optimised plant performance.

In 2016 ERA produced 2,351 tonnes of uranium oxide, which marginally exceeded market guidance (1,900 to 2,300 tonnes). Average ore head grade for 2016 was 0.10 per cent uranium oxide (2015: 0.10 per cent).

ERA's Primary Maintenance Optimisation Programme and Production Improvement Plans simplified and streamlined preventative maintenance to ensure maximum plant availability and contribute to improved safety.

Strong performance was achieved in both the laterite and the primary crushing plants, with combined availability of 91 per cent against a plan of 86 per cent, and utilisation of 90 per cent against a plan of 86 per cent.

### PROGRESSIVE REHABILITATION

ERA's rehabilitation activities continue to take place in parallel with ongoing operations.

The progressive nature of ERA's rehabilitation activities ensures that work to rehabilitate the environment is completed at the earliest opportunity. It also requires current operational activities be planned and conducted with rehabilitation in mind.

ERA's proposals, activities, costings and outcomes for its progressive rehabilitation plan are derived from the Integrated Tailings, Water and Closure Study and are the result of extensive studies and consultation with stakeholders.

A key element of the Integrated Tailings, Water and Closure Study is the Tailings and Brine Management Project, which coordinates the rehabilitation of Pit 1, Pit 3 and the Tailings Storage Facility and includes provision for managing tailings waste from ongoing milling activities until the end of production in 2020.

**The Brine Concentrator is a key facility in the water management and rehabilitation activities at Ranger.**

## OPERATING AND FINANCIAL REVIEW

This significant project provides an integrated operational pathway for:

- converting the Pit 1 catchment area from process water to pond water;
- redirecting tailings from the processing mill away from the Tailings Storage Facility and directly into Pit 3;
- returning water from Pit 3 to the Tailings Storage Facility;
- directing the brine waste stream from the Brine Concentrator to Pit 3; and
- rehabilitation of the exhausted Pits 1 and 3.

The Tailings and Brine Management Project continued to achieve significant progress in 2016 building on the gains of 2015.

The dredge was commissioned in the first half of the year with performance testing commencing in May. Since performance testing, the dredge has performed well which has resulted in a forecast compression of the overall dredging schedule.

In the 12 months to 31 December 2016 the dredge transferred 3.0 million cubic metres of tailings from the Tailing Storage Facility to Pit 3.

The slurry which is pumped from the Tailings Storage Facility and the mill via primary and secondary pipelines has formed a beach in the base of Pit 3. This is designed to enhance consolidation of the tailings in the Pit and express process water. Pumping infrastructure then transfers process water from Pit 3 back to the Tailings Storage Facility. This process water is then directed to the Brine Concentrator for treatment.

The associated brine transfer pumping and injection infrastructure was commissioned in March 2016 enabling the concentrated brine waste stream from the Brine Concentrator to be injected into the base of Pit 3.

Total brine injected during the year was 95 megalitres.

### REHABILITATION OF PIT 3

Mining of Pit 3 was completed in late 2012 and in 2013 more than 33 million tonnes of waste rock were placed into the base of the pit along with five brine injection wells designed to enable injection of waste brine from the Brine Concentrator into the base of the pit.

In 2016 tailings from both the Tailings Storage Facility and from milling operations was transferred into the pit, while a water recovery drain and extraction pump system transfers excess water back to the Tailings Storage Facility.

The transfer of tailings to Pit 3 will continue until 2020 after which final rehabilitation of Pit 3 will continue.

### REHABILITATION OF PIT 1

ERA's progressive rehabilitation programme includes significant work on ERA's original Pit 1 mining operation.

ERA has stored mill tailings in Pit 1 as required by the Ranger Authority. In 2012, Pit 1 closure works saw the installation of over 7,700 dewatering wicks, a geotextile fabric layer and a pre-load rock layer to compress the tailings mass.

The rock pre-load activated the drainage wicks, forcing the water beneath the pit to travel to the surface where it was collected and pumped to the Tailings Storage Facility.

In 2016 work to cap the pre-load rock layer with an impervious layer of laterite was completed. ERA has sought permission from regulators to place the final bulk rock fill on top of the laterite layer in preparation for land forming and revegetation of the 39.3 hectare site.

### BRINE CONCENTRATOR

The Brine Concentrator treats process water which is stored in the Tailings Storage Facility and Pit 3.

Process water is heated to high temperatures and evaporated before being cooled, condensed and discharged to the environment as high quality, clean distilled water.

The Brine Concentrator produces high quality water suitable for release to ERA's constructed wetlands and then offsite, as well as concentrated brine.

During 2016 works to improve the reliability of the diesel power generators delivered an increased security of power supply to the Brine Concentrator resulting in more stable operations.

ERA continues to work with the Brine Concentrator equipment manufacturer HPD, a subsidiary of Veolia, to increase plant availability and address various technical issues. Significant improvement was made during the year to achieve improved availability and increase production rates of the Brine Concentrator.

During the year, the Brine Concentrator produced 1,306 megalitres of distillate and 95 megalitres of brine concentrate which was transferred to Pit 3 via the brine injection system.

### CLOSURE PLAN

ERA reviewed and updated the Ranger Closure Plan and submitted a draft for review by relevant stakeholders at the end of 2016.

This Closure Plan includes a works programme that meets with the closure objectives as stated in the Ranger Authority and associated Environmental Requirements. The plan also includes proposed closure criteria for the Ranger mine which have been developed in consultation with the Supervising Scientist Branch, the Northern Territory Department of Primary Industry and Resources, the Northern Land Council, the Gundjeihmi Aboriginal Corporation and the Commonwealth Department of Industry, Innovation and Science over several years.

The closure criteria address the key themes of closure which are landform, radiation, water, flora and fauna, soils and cultural.

# OPERATING AND FINANCIAL REVIEW

## Business Strategy

ERA's vision is to be a world-class uranium supplier that contributes to environmental sustainability and is trusted by Traditional Owners and the community.

ERA holds two undeveloped uranium resources of international significance at Ranger 3 Deeps and Jabiluka.

In addition, ERA has stockpile Ore Reserves at Ranger that, in the absence of development of other resources, are expected to sustain operations until late 2020 under current economic assumptions.

ERA's near term strategic priorities are:

- continue the progressive rehabilitation of the Ranger Project Area and provide 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.

ERA considers that the implementation of these objectives will maximise shareholder value and benefit its stakeholders.

### CURRENT OPERATIONS

Current operations rely on the processing of uranium ore stockpiles following the cessation of open pit mining in Pit 3.

In January 2016, ERA announced that it had reclassified 6,003 tonnes of uranium oxide contained within surface stockpiles from Mineral Resources to Ore Reserves. The increase in Ore Reserves resulted from lowering the cut-off grade from 0.08% $U_3O_8$ to 0.06% $U_3O_8$.

The Company's estimate of Ore Reserves for the Ranger stockpiles at 31 December 2016 was 8,081 tonnes of contained uranium oxide.

The Company has generated positive cash flow from the processing of stockpiled ore in each year since the cessation of open pit mining operations in 2012. The Company has initiatives in place to reduce costs and improve productivity to offset the adverse impact of declining ore grades over time.

Subject to market conditions, and in the absence of further mine development, the mine plan which supports the Ore Reserves Statement assumes that stockpiled ore can continue to be economically processed at Ranger until late 2020.

### RANGER 3 DEEPS

The Ranger 3 Deeps project involved the construction of a 2,710 metre exploration decline and an associated underground exploration drilling programme designed to pave the way to a potential underground mine.

A haul truck stops under the ore discriminator at Ranger. The tray of the truck was painted pink to raise awareness of breast cancer research.

## OPERATING AND FINANCIAL REVIEW

The exploration decline and associated infrastructure remain under care and maintenance.

The Ranger 3 Deeps Mineral Resource remains unchanged for 2016 at 19.58 million tonnes at an overall grade of 0.224% $U_3O_8$, representing 43,858 tonnes of contained uranium oxide.

### JABILUKA

In addition to Ranger 3 Deeps, the Jabiluka Mineral Lease remains one of ERA's key assets. Jabiluka is a large, high-quality uranium ore body of international significance.

ERA has entered into a Long Term Care and Maintenance Agreement with the Mirarr Traditional Owners in relation to the Jabiluka resource.

Future mining developments at Jabiluka will not occur without the consent of the Mirarr Traditional Owners.

### BUSINESS RISKS

The business risks that could adversely affect the achievement of the financial performance or financial outcomes of the Company are described below.

#### Undeveloped resources

The Company has significant undeveloped uranium resources at Ranger 3 Deeps and Jabiluka.

In 2015 the ERA Board determined that development of the Ranger 3 Deeps project would not proceed to final feasibility study in the current operating environment. This was, in part, due to the Board's assessment that the economics of the project required operations beyond the current Ranger Authority, which permits processing operations until January 2021. An extension of the Ranger Authority would enable the Company to revisit the project's economics over time.

Support from the Mirarr Traditional Owners is a key factor in the Company's ability to secure an extension to the Ranger Authority. In the second half of 2015, representatives of the Mirarr Traditional Owners withdrew from negotiations with the Company on the possibility of an Authority extension.

In relation to Jabiluka, ERA has agreed that future mining development will not occur 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.

#### Rehabilitation

ERA currently has authority to produce uranium oxide at the Ranger Project Area until January 2021 and must fully rehabilitate the site by January 2026.

The ultimate cost of rehabilitation is uncertain and while ERA has used its best estimate, costs may vary in response to factors such as legal requirements, technological change and market conditions. 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 require an additional source of funding to fully fund the rehabilitation of the Ranger Project Area. The Company has entered into a $100 million credit facility agreement with Rio Tinto for this purpose.

#### Water management

Management of water on the Ranger Project Area is critical to the ongoing operation of ERA's processing and rehabilitation activities. ERA has a number of procedures and initiatives underway in respect to water management, including the Brine Concentrator. To the extent that these initiatives cost more than expected or ERA is required to implement further initiatives, ERA's financial and operational performance and position may be impacted.

#### Uranium market demand, price and foreign exchange risks

ERA's business relates primarily to the production and subsequent sale of uranium oxide to a variety of customers. Demand for, and pricing of, uranium oxide remains sensitive to external economic and political factors, many of which are beyond ERA's control. Global uranium and foreign exchange market fluctuations may materially affect ERA's financial performance.

#### General regulatory risks

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

In particular, the approval processes for uranium mining are more onerous, and therefore more costly, than for the mining of other minerals. Government actions in Australia and other jurisdictions in which ERA has interests, including new or amended legislation, guidelines and regulations in relation to the environment, uranium or nuclear power sectors, competition policy, native title and cultural heritage could impact ERA's operations.

Operational aspects that may be affected include, among other things, land access rights, the granting or renewal of licences and other tenements, the extension of mine life and the approval of developments.

## OPERATING AND FINANCIAL REVIEW

### Capital and liquidity risks

The future liquidity and capital requirements of the Company will depend on many factors. Should current forecasts for foreign exchange rate, prices, costs, resource and mining techniques not be realised, and in the absence of any other successful developments, the Company may require an additional source of funding to fully fund the rehabilitation of the Ranger Project Area.

The Company has entered into a $100 million credit facility agreement with Rio Tinto for this purpose.

Each year, the Company 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 the Company into the Ranger Rehabilitation Trust Fund (Trust Fund) is then determined. The Trust Fund includes both cash and financial guarantees.

The Company's ability to continue to access financial guarantees can be influenced by many factors including future cash balance, cash flows and shareholder support. Should one or more of the financial guarantees be withdrawn at any time and the Company is unable to access replacement guarantees, substantial additional cash would be required to be deposited into the Trust Fund. In a scenario where this occurs the Company's cash resources available to fund operations would reduce. The Company has plans in place to address these risks, including the credit facility agreement with Rio Tinto.

### Regulators and stakeholders

Regulatory approvals would be required to commence any production from the proposed Ranger 3 Deeps mine or on any other parts of the Ranger Project Area and the Jabiluka Mineral Lease. If regulatory approvals are not obtained or are obtained on unsatisfactory conditions, ERA will not be able to proceed with those developments.

The capping of Pit 1 was completed in January 2016, the next stage of the rehabilitation process will be to commence bulk backfilling.

# FUTURE SUPPLY

## EVALUATION AND EXPLORATION

There was no evaluation or exploration expenditure for 2016. ERA suspended the final stage of the surface exploration programme on the Ranger Project Area in 2015 to preserve cash following the deferral of the Ranger 3 Deeps project.

The Ranger 3 Deeps exploration decline and associated infrastructure remains under care and maintenance.

## RANGER 3 DEEPS RESERVES AND RESOURCES

The economic assumptions for the Ranger 3 Deeps Mineral Resource use a cut-off grade of 0.11% $U_3O_8$. The Ranger 3 Deeps estimated Mineral Resource is 19.58 million tonnes with an overall grade of 0.224% $U_3O_8$, equating to 43,858 tonnes of contained uranium oxide.

## RANGER RESERVES AND RESOURCES

During 2016 ERA processed 2,696 tonnes of uranium oxide.

Probable Ore Reserves of uranium oxide for Ranger decreased by 2,302 tonnes in 2016 to 8,081 tonnes at 31 December 2016 (31 December 2015: 10,383 tonnes). This included the impact of depletion by processing in 2016 of 2,696 tonnes.

During the reporting period, all processed ore was sourced from either run of mine stocks or low grade stockpiles.

For the same period, Ranger Mineral Resources decreased by 178 tonnes of uranium oxide, from 56,149 tonnes to 55,971 tonnes.

The decrease was mainly due to the mining depletion of low grade stocks below the reserve cut-off.

## JABILUKA RESERVES AND RESOURCES

The Jabiluka Mineral Lease remains under long term care and maintenance. 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 Jabiluka estimated Mineral Resource is 137,107 tonnes of uranium oxide at a cut-off grade of 0.2% $U_3O_8$.

## GOVERNANCE

ERA's Competent Person is a full time employee of ERA. The ERA Board oversees the governance of Resources and Reserves. This includes the annual review and approval of the publicly reported Ore Reserves and Mineral Resources Statement.

Internal approval of Ore Reserves and Mineral Resources for ERA is the responsibility of the Chief Executive and estimates are carried out by a Competent Person as defined by the JORC Code 2012.

As part of its internal controls, ERA applies the standards of the Rio Tinto Ore Reserves Steering Committee (ORSC) in the generation and publication of Mineral Resources and Ore Reserves.

The ORSC comprises senior representatives from technical, financial and business fields within the Rio Tinto Group and meets on a quarterly basis.

The ORSC's role includes setting the standards and qualifications for Competent Persons in accordance with the JORC Code 2012 which form the basis of Competent Person appointment by ERA.

Rio Tinto's Resource and Reserve internal audit programme is conducted by independent external consulting personnel in a programme managed by Rio Tinto Group Audit and Assurance with the assistance of the ORSC.

Rio Tinto has continued the development of internal systems and controls to ensure compliance with the JORC Code 2012 in all external reporting including the preparation of reported data by ERA's Competent Person.

Other improvements introduced by the ORSC include a web-based reporting and sign-off database, annual internal Competent Person reports and Competent Person development and training.

## FUTURE SUPPLY

# ERA 2016 Ore Reserves & Mineral Resources

| | CUT-OFF GRADE – STOCKPILE ORE 0.06% $U_3O_8$ As at 31 December 2016 | | | CUT-OFF GRADE – STOCKPILE ORE 0.06% $U_3O_8$ As at 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | Ore (MT) | % $U_3O_8$ | t $U_3O_8$ | Ore (MT) | % $U_3O_8$ | t $U_3O_8$ |
| **RANGER ORE RESERVES** | | | | | | |
| Current Stockpiles | 10.00 | 0.081 | 8,081 | 12.08 | 0.086 | 10,383 |
| In situ | | | | | | |
| Proved | – | – | – | – | – | – |
| Probable | – | – | – | – | – | – |
| Sub-total Proved and Probable Reserves | 10.00 | 0.081 | 8,081 | 12.08 | 0.086 | 10,383 |
| **Total Ranger No. 3 Stockpiles, Proved and Probable Reserves** | **10.00** | **0.081** | **8,081** | **12.08** | **0.086** | **10,383** |

| **RANGER MINERAL RESOURCES** *IN ADDITION TO THE ABOVE RESERVE* | CUT-OFF GRADE – STOCKPILE RESOURCE 0.02% $U_3O_8$ UNDERGROUND INSITU RESOURCE 0.11% $U_3O_8$ As at 31 December 2016 | | | CUT-OFF GRADE – STOCKPILE RESOURCE 0.02% $U_3O_8$ UNDERGROUND INSITU RESOURCE 0.11% $U_3O_8$ As at 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | Ore (MT) | % $U_3O_8$ | t $U_3O_8$ | Ore (MT) | % $U_3O_8$ | t $U_3O_8$ |
| *Current Mineralised Stockpiles* | 30.61 | 0.04 | 12,113 | 31.17 | 0.04 | 12,291 |
| In situ resource (R3 Deeps) | | | | | | |
| Measured | 3.72 | 0.27 | 10,134 | 3.72 | 0.27 | 10,134 |
| Indicated | 10.41 | 0.22 | 22,636 | 10.41 | 0.22 | 22,636 |
| Sub-total Measured and Indicated Resources | 44.74 | 0.10 | 44,883 | 45.31 | 0.10 | 45,062 |
| Inferred Resources | 5.44 | 0.20 | 11,087 | 5.44 | 0.20 | 11,087 |
| **Total Resources** | **50.18** | **0.11** | **55,971** | **50.75** | **0.11** | **56,149** |

| | CUT-OFF GRADE 0.20% $U_3O_8$ As at 31 December 2016 | | | CUT-OFF GRADE 0.20% $U_3O_8$ As at 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | Ore (MT) | % $U_3O_8$ | t $U_3O_8$ | Ore (MT) | % $U_3O_8$ | t $U_3O_8$ |
| **JABILUKA ORE RESERVES (all written back to Mineral Resources)** | | | | | | |
| Proved | – | – | – | – | – | – |
| Probable | – | – | – | – | – | – |
| **Total Proved and Probable Reserves** | **–** | **–** | **–** | **–** | **–** | **–** |
| **JABILUKA MINERAL RESOURCES** | | | | | | |
| Measured | 1.21 | 0.89 | 10,769 | 1.21 | 0.89 | 10,769 |
| Indicated | 13.88 | 0.52 | 72,176 | 13.88 | 0.52 | 72,176 |
| Sub-total Measured and Indicated | 15.09 | 0.55 | 82,945 | 15.09 | 0.55 | 82,945 |
| Inferred Resources | 10.03 | 0.54 | 54,162 | 10.03 | 0.54 | 54,162 |
| **Total Resources** | **25.12** | **0.55** | **137,107** | **25.12** | **0.55** | **137,107** |

* Rounding differences may occur.

## FUTURE SUPPLY

### Ranger Ore Reserves Reconciliation

| ORE RESERVES | URANIUM OXIDE ($U_3O_8$ TONNES)* |
|---|---|
| Ranger Ore Reserves as at 31 December 2015 | 10,383 |
| Stage design and block model improvements | 216 |
| Presentation of subgrade material for processing | 178 |
| Depletion by processing (primary and laterite ores) | (2,696) |
| **Ranger Ore Reserves as at 31 December 2016** | **8,081** |

*Rounding differences may occur

#### Competent person

Ranger and Jabiluka Ore Reserves and Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code 2012).

The JORC Code 2012 envisages the use of reasonable investment assumptions, including the use of projected long term commodity prices, in calculating reserve estimates.

As required by the Australian Securities Exchange (ASX), the above tables also contain details of other mineralisation that has a reasonable prospect of being economically extracted in the future but which is not yet classified as Proven or Probable Reserves.

This material is defined as Mineral Resources under the JORC Code 2012. 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 Proven 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 the above tables is sourced from the ERA 2016 Annual Statement of Reserves and Resources which was released to ASX on 31 January 2017 and can be found at: http://www.asx.com.au/asxpdf/20170131/pdf/43fncy6lg71253.pdf

Neither the information that relates to Ranger and Jabiluka Mineral Resources or Ore Reserves, nor the underlying resource models, have changed since the ERA 2016 Annual Statement of Reserves and Resources was disclosed to ASX.

ERA is not aware of any new information or data beyond the updates already provided to the market that materially affects the Ore Reserves and Mineral Resources estimate.

All assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The information in this report that relates to Ranger and Jabiluka Ore Reserves and Mineral Resources 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 and Metallurgy and has sufficient experience which 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 JORC Code 2012. Stephen Pevely consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Summary data for year end 2015 are shown for comparison. Metric units are used throughout. The figures used to calculate reserves and resources are often more precise than the rounded numbers shown in the tables, hence small differences may result if the calculations are repeated using the tabulated figures.


Supervisor Scott Revie leads a processing crew tool box session before the start of night shift at Ranger.

# SALES AND MARKETING

ERA's uranium is delivered to a variety of end customers in the United States of America, Europe, China, Japan, South Korea and Taiwan.

These customers seek reliable supply of high quality product sourced from Australia, a stable, democratic country and member of the Organisation for Economic Co-operation and Development (OECD).

The mechanism for the sale of ERA's uranium is a sales and marketing agreement with Rio Tinto Uranium.

Under this agreement all production from ERA and the Rössing uranium mine in Namibia (also majority-owned by Rio Tinto) is purchased by Rio Tinto Uranium and sold to nuclear utility customers around the world.

ERA's success in securing long term contracts with key customers has helped shield ERA from the current prolonged decline in the spot market for uranium.

The average realised price achieved in 2016 was US$41.87 per pound (2015: US$51.99 per pound) compared with the average spot price of US$25.64 per pound.

In addition, ERA's uranium sales are contracted in US dollars and a favourable movement in the exchange rate has helped to offset weak market conditions.

The global uranium market continued to present significant challenges for producers in 2016, with spot prices below the cost of production for all but the lowest cost mines.

Continued global oversupply is occurring at a time when near-term demand remains subdued. A recent decision from Kazakhstan to cut its production by 10 per cent has had a positive effect on the spot price.

Meanwhile, demand has been significantly lower due to the slower than expected restart of Japanese reactors following the failure at Fukushima.

Some older reactors in Europe and the USA have been shut prematurely due to lower power prices in those markets. In the USA, the emergence of shale gas is having a negative impact on the reactor fleet. Heavy subsidies offered to renewable energy sources in the USA and Europe are also impacting the nuclear energy industry.

The longer-term outlook for uranium is more positive.

The signing of the Paris agreement on climate change increases pressure on signatory countries to find low-carbon solutions to electricity generation; many countries searching for low emissions energy security are including nuclear power as part of the electricity generation mix.

India and China have ambitious nuclear development plans, with China having 37 nuclear power reactors in operation and 20 more under construction. Meanwhile India, which aims to supply 25 per cent of its electricity from nuclear power by 2050, has 22 reactors operating, five under construction, and further 20 in planning stages.

Australia has secured a long-term bilateral civil nuclear agreement with India to export uranium for nuclear power generation. This means Australia can export uranium to India for use in that country's safeguarded nuclear units.

New nuclear builds are also underway in the USA, France, South Korea, Russia, Finland and the United Arab Emirates. It is expected that the supply-demand imbalance will correct itself over time and drive a uranium price recovery.

**Drums of uranium oxide ready for transportation from Ranger.**

# HEATH AND SAFETY

Safety is a core value for ERA. The team at ERA is committed to zero harm.

ERA continued to build on its strong safety performance in 2015 with one recordable injury in 2016.

The ERA Board introduced a Health, Safety and Environment Committee to further support governance and initiatives for improvement in health, safety and the environmental management of ERA's operations.

One of the key safety performance measures used by ERA is the All Injury Frequency Rate (AIFR) which measures the frequency of recordable injuries – lost time injuries, restricted work injuries and medical treatment cases – per 200,000 hours worked.

In 2016 ERA achieved an AIFR of 0.19 (2015: 0.67; 2014: 1.27).

## CRITICAL RISK MANAGEMENT

In 2016 ERA progressed the implementation of Critical Risk Management (CRM). CRM is designed to ensure that each work area has a clear understanding of what potentially fatal risks are associated with work activities, and prior to commencing a task to ensure there are effective controls in place and that these have been verified as being in place. All levels of the business now participate in CRM through the completion of critical control checklists, critical control field verifications or critical control verification standards.

## MANAGING HEAT AND HUMIDITY

During the hotter months of the year, hydration and thermal stress are critical issues for ERA's workforce, especially for employees and contractors required to work outdoors while wearing protective clothing and equipment.

Each year ERA implements programmes designed to encourage behaviours which can help to manage thermal stress and maintain hydration.

## AUDITS

ERA's integrated Health, Safety and Environment Management System provides certification to both ISO 14001 (the international standard for environmental management systems) and AS4801 (the Australian standard for occupational health and safety management systems).

During February, independent surveillance audits of the integrated Health, Safety and Environment Management System were completed. The surveillance audits ensure the system remains on track for successful re-certification in 2017 by identifying opportunities for improvement.

The 2016 surveillance review had no major findings for ERA, which confirms the health, safety and environment governance and procedures are meeting objectives.

The 2017 re-certification audit took place in November 2016, to allow for any non-conformances to be addressed by ERA's re-certification date in the first quarter of 2017.

In addition ERA participated in a Rio Tinto audit of its Health, Safety, Environment and Communities standards against the Rio Tinto Performance Standards in July 2016.

This audit occurs bi-annually and involves personnel from Rio Tinto travelling to ERA to complete the audit. There were no major non-conformances and 19 minor non-conformances. A number of improvement opportunities were identified through the audit, particularly in the health area, which will enable continued compliance with the standards to be achieved more efficiently.


**Members of ERA's health and safety team carrying out a safety inspection in the Ranger Warehouse.**

# RADIATION MONITORING

ERA maintains a comprehensive radiation monitoring programme at Ranger, in accordance with the Company's Radiation Policy and Radiation Management Plan.

This enables the Company to achieve the performance outcomes described in ERA's Health, Safety and Environment Management System, which is certified to Australian (AS4801) and international (ISO14001) standards.

These performance outcomes require that radiation exposure to workers, the public and the environment are as low as reasonably achievable.

A variety of mobile and fixed monitoring stations are used to monitor radiation. There are also personal monitoring systems that are used to capture individual worker radiation doses.

Monitoring results are subject to review prior to being finalised. Preliminary results from the first three quarters of 2016 for workers, the public and the environment were well below regulatory dose limits. Results for the fourth quarter will be finalised and released in early 2017.

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

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.

These radiation exposure limits (above natural background and medical exposures) are:

- Members of the public: 1 millisievert (mSv) per annum; and
- Radiation workers: 20 mSv per annum over a five year period 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.

Examples of activities at Ranger that require a designated worker status include mine production, process production, process maintenance and electrical maintenance.

Doses are calculated using the methodology required by the Code of Practice on Radiation Protection and Radioactive Waste Management in Mining and Mineral Processing.

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.

ERA provides occupational radiation dose data for workers at Ranger mine to the Australian Government's Australian National Radiation Dose Register (ANRDR).

The ANRDR is managed by the Australian Government to collect, store, manage and distribute the radiation dose records received by individuals working at uranium mining and milling sites.

Designated workers are able to access the ANRDR, and ERA also provides a copy of personal dose records to all designated workers.

## RADIATION MONITORING RESULTS

To ensure the highest possible quality control on radiation doses, the results are reviewed internally by ERA and externally by the Company's regulators.

The maximum and mean annual radiation doses received by designated workers and the maximum radiation doses received by non-designated workers during 2016 will be reported in the 2016 Annual Radiation Protection and Atmospheric Monitoring Report.

The 2016 report will be submitted to stakeholders in March 2017.

Preliminary analysis of the available dose results for 2016 indicates that all occupational and public radiation doses remain well below the national and international dose limits.

The table on this page provides a summary of the maximum and mean annual radiation doses received by designated and non-designated workers for the first three quarters of the year.

The doses are in line with the ICRP principles of Justification, Optimisation and Limitation and remain at the lower end of the spectrum for uranium workers.

The potential exposures to Jabiru residents from the Ranger mine activities are also monitored throughout the year and are calculated annually.

The resulting contribution from Ranger mine remains very low in comparison to both the public dose limit and the natural background radiation level.

Historically the contribution from Ranger mine has been, on average, approximately 0.02 mSv (or two per cent of the 1mSv member of public dose limit) and less than one per cent of the natural background radiation level in Australia of between 2 and 3 mSv (which varies according to location).

| RADIATION DOSE | DESIGNATED WORKERS | NON-DESIGNATED WORKERS |
|---|---|---|
| Q1 – Maximum (mSv) | 0.96 | 0.21 |
| Q1 – Mean (mSv) | 0.35 | 0.12 |
| Q2 – Maximum (mSv) | 1.18 | 0.27 |
| Q2 – Mean (mSv) | 0.37 | 0.13 |
| Q3 – Maximum (mSv) | 1.22 | 0.28 |
| Q3 – Mean (mSv) | 0.43 | 0.17 |

# REGULATORY FRAMEWORK

Uranium mining activities in Australia are strictly regulated by the Commonwealth and State or Territory Governments.

The purpose of these regulations is to ensure uranium mining performance and compliance in a range of critical areas, including health and safety, mine safety, safe management of toxic and radioactive substances, waste disposal, transport safety, export controls, protection and rehabilitation of the environment, native title, exploration, development, taxes and royalties, labour standards and mine reclamation.

International agreements designed to prevent nuclear proliferation also govern the mining and export of uranium.

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

## REGULATION OF ERA'S OPERATIONS

Commonwealth and Northern Territory legislation provides the regulatory framework for ERA's uranium mining activities.

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

- Commonwealth Department of Industry, Innovation and Science;
- Northern Territory Department of Primary Industry and Resources;
- Commonwealth Government's Supervising Scientist Branch;
- Northern Land Council;
- 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 are the key forums for consideration of environmental matters relating to Ranger and Jabiluka.

Committee members include representatives of the Gundjeihmi Aboriginal Corporation, the Northern Land Council, the Northern Territory Department of Primary Industry and Resources, the Commonwealth Department of Industry, Innovation and Science and the Commonwealth Supervising Scientist Branch.

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 Regional Council, 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/science/supervising-scientist/communication/committees/arrac

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 14 ARRTC members include seven independent scientists nominated by the Federation of Australian Scientists Branch and Technological Societies with the remaining representatives being from the Commonwealth Supervising Scientist Branch, Northern Territory Government, ERA, Uranium Equities Ltd, Northern Land Council, Parks Australia and a non-government environment organisation.

Further information on ARRTC can be contained at: http://www.environment.gov.au/science/supervising-scientist/communication/committees/arrtc

## INTERNATIONAL AND AUSTRALIAN CERTIFICATION

ERA maintains international certification (ISO 14001) of its Health, Safety and Environment Management System which includes the Company's Water Management System.

ERA also maintains Australian certification (AS4801) of its Health, Safety and Environment Management System including the Ranger Radiation Management System.

# Sustainability Report

# CONTENTS




DUE TO THE SENSITIVE NATURE OF THE SURROUNDING ENVIRONMENT, ERA STRIVES FOR SAFETY LEADERSHIP, ENVIRONMENTAL PROTECTION AND STRONG AND ENDURING RELATIONSHIPS WITH ALL STAKEHOLDERS.

# OVERVIEW

The area surrounding ERA's operations is internationally recognised for unique ecosystems and biodiversity, significant environmental and cultural heritage value and a long tradition of human habitation.

Due to the sensitive nature of the surrounding environment, ERA strives for safety leadership, environmental protection and strong and enduring relationships with all stakeholders.

ERA's commitment to protect the environment in 2016 was overseen by the Commonwealth Government's Supervising Scientist Branch, which conducts extensive monitoring and research programmes on the Ranger Project Area and Jabiluka Mineral Lease.

ERA will continue to engage with the Mirarr Traditional Owners, local communities and all levels of government to protect the natural environment in which it operates.

## THE MIRARR

The Mirarr are Traditional Owners of the lands on which ERA operates.

Mirarr country encompasses the Ranger Project Area and the Jabiluka Mineral 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.

The Mirarr hold beneficial freehold title to traditional country via the Kakadu and Jabiluka Land Trusts and in accordance with the *Aboriginal Land Rights (Northern Territory) Act* 1976.

In 1995, the Mirarr established the Gundjeihmi Aboriginal Corporation, 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 across a wide range of fields and activities that cover heritage, economic and community development, education, training and employment.

ERA recognises that the support of Traditional Owners is critically important to its current operations, future projects and successful rehabilitation.

# ENVIRONMENT

ERA is committed to protecting the environment in which it operates. Measures to protect the environment include a wide range of preventative monitoring activities. ERA has a particular focus on water management and monitoring which reflects the potential for extreme rainfall associated with the top end climate. ERA has a strong history of engagement and co-operation with its regulators and other stakeholders to ensure that the environment remains protected.

The Commonwealth's Supervising Scientist Branch monitors the impact of uranium mining on the environment and people in the Alligator Rivers Region, including water quality and aquatic biology indicators in Magela Creek and other waterways adjacent to the Ranger mine.

The Supervising Scientist Branch uses a structured programme of audits and inspections, in conjunction with the Northern Territory Department of Primary Industry and Resources to supervise regional uranium mining operations.

ERA's monitoring results and the results from the Supervising Scientist Branch are made available to the public.

During 2016, results from statutory monitoring programmes showed that ERA continued to maintain environmental values and objectives in regards to water management. A variety of improvements occurred onsite to increase surface and groundwater knowledge, whilst continuing to protect the surrounding environment.

**The Trial Landform and Tailings Storage Facility at Ranger mine.**

# WATER

## MANAGING WATER BY QUALITY

There are a number of different classes of water within the Ranger mine site: process water, pond water, release water, potable water and water including treatment plant permeate or Brine Concentrator distillate.

Each class of water requires a different management approach:

- process water has been in contact with uranium ore during processing operations and must be managed within a closed system, and stored in the Tailings Storage Facility or Pit 3 prior to treatment via the Brine Concentrator;
- pond water has been in contact with stockpiled mineralised material and operational areas of the site, other than those contained within the process water system. Pond water is held in the pond water system comprising a series of sumps and retention ponds prior to being put through reverse osmosis treatment plants;
- release water comprises clean site run-off water collected in purpose built storages, and water that has been treated by the Brine Concentrator or water treatment plants to a quality suitable for release;
- potable water is high quality bore water used for drinking and ablution. Water used in ablutions is treated via septic tanks and disposed of via conventional transpiration trenches;
- water treatment plant permeate is pond water that has been treated via ERA's micro filtration and reverse osmosis treatment plants. Permeate is release quality water and is either irrigated on designated land application areas during the dry season, or released during the wet season; and
- Brine Concentrator distillate is process water which has been treated by the Brine Concentrator. This distillate is of extremely high quality and like water treatment plant permeate is considered release quality water.

Effective water management is a fundamental element of ERA's business and environmental protection activities.

The Kakadu region's extended dry periods, potential for extreme storms, and highly variable annual rainfall requires flexibility and innovation in ERA's approach to water management.

The 2015-16 wet season was one of the lowest on record in terms of rainfall. A total of 984.2 millimetres was recorded at Jabiru Airport to 31 August 2016 (annual average: 1,566 millimetres).

Drier conditions resulted in a further reduction from the 2014-15 wet season in the volume of pond water treated through ERA's microfiltration and reverse osmosis treatment facilities during the 2015-16 wet season.

ERA's operational and planning activities are built on a comprehensive water management strategy that is based on industry-leading monitoring systems and significant investment in infrastructure for the storage, transfer and treatment of water.

## WATER MANAGEMENT PLAN

ERA's Health, Safety and Environment Management System provides the governance framework for all water management operations and planning activities at Ranger.

Water management performance objectives and outcomes set out in the Health, Safety and Environment Management System are delivered through ERA's Water Management Plan.

The Water Management Plan is updated every year and submitted to regulatory authorities for approval, with advice and input from the Minesite Technical Committee.

The 2015-2016 Water Management Plan was approved in March 2016 and the updated 2016-17 Water Management Plan was submitted to the Minesite Technical Committee in October 2016.

The Water Management Plan covers water capture, storage, supply, distribution, sampling, use, treatment and disposal across the Ranger mine site, and describes the systems for routine and contingency management of process, pond and release water.

## WATER MANAGEMENT INFRASTRUCTURE

A key aspect of ERA's approach to water management is having the flexibility and operational capability to store and treat large volumes of differing types of water based on the quality of that water.

ERA achieves that operational flexibility through a range of water management facilities, systems and infrastructure, including:

- a process water transfer pumping system connecting the Tailings Storage Facility with Pit 3;
- tailings dredging to Pit 3;
- brine injection into Pit 3 backfill;
- plant tailings to Pit 3;
- surface water and seepage interception trench around stockpiles;
- GCT2 interception system;
- use of continuous real-time water quality monitoring stations;
- an expanded network of ground water monitoring bores (approximately 240 actively monitored);
- successful diversion of approximately 90 per cent of Pit 1 catchment away from the process water system to the pond water system;
- water treatment plants; and
- Brine Concentrator.

# WATER

The dredge was commissioned during the year to transfer tailings from the Tailings Storage Facility to Pit 3. Tailings generated by production operations also continued to be transferred directly to Pit 3.

Process water from the Tailings Storage Facility is treated by the Brine Concentrator, which has the capacity to treat up to 1.83 gigalitres of process water per year.

The pure distillate from the Brine Concentrator is released via irrigation or to local waterways. This year ERA began injecting the concentrated brine waste stream from the Brine Concentrator into the base of Pit 3 via a series of injection wells.

Placement of the waste rock capping layer and an impermeable laterite seal over the tailings mass in Pit 1 has enabled the conversion of the majority of the Pit 1 catchment area from process water to pond water, significantly reducing the volume of process water being sent to the Tailings Storage Facility.

These actions will continue in future years with the aim of achieving a continual reduction in both the tailings mass and the volume of process water being stored in Tailings Storage Facility.

## GULUNGUL CREEK

Gulungul Creek is an ephemeral waterway that flows during the wet season along the western side of the Ranger mine site, and joins Magela Creek downstream of the mine.

In response to elevated levels of electrical conductivity in Gulungul Creek in the 2014-15 wet season, ERA further improved the existing interception trench network. A clay interception barrier and a series of dewatering bores were installed to limit groundwater expression into Gulungul Creek. This complements the installation of approximately 1,000 metres of interception trenches during the 2014 dry season.

## NEW MONITORING POINTS

ERA's water monitoring system comprises of approximately 240 groundwater bores across the Ranger operational area.

During 2016 ERA extended its comprehensive groundwater monitoring network with the installation of 13 new wells based on recommendations from the 2014-15 Ranger Annual Groundwater Report prepared by consultants ERM.

In addition, ERA operates 14 continuous real-time water quality sensing stations located within the Magela and Gulungul creek systems, upstream and downstream of the Ranger mine. Monitoring stations are equipped with auto samplers that collect water samples triggered by in-stream events.

The water monitoring system helps ensure that water is managed in accordance with ERA's Water Management Plan, meets regulatory requirements and provides assurance to stakeholders through the provision of accurate and timely data.

This data is shared with members of the Minesite Technical Committee, including the Supervising Scientist Branch. The Supervising Scientist Branch also conducts independent monitoring of waters upstream and downstream of the Ranger mine site.

## INDEPENDENT SURFACE WATER WORKING GROUP

The Independent Surface Water Working Group (ISWWG) undertakes an independent expert review of the surface water management, monitoring, and compliance systems associated with release of water from the Ranger mine site.

It consists of representatives from ERA, the Gundjeihmi Aboriginal Corporation, the Supervising Scientist Branch and the Northern Land Council.

During 2016 sediment monitoring of on and off-site Billabongs took place, addressing one of the two outstanding recommendations from the ISWWG's 2013 review report. The results of the sediment monitoring will be reported to the MTC members in 2017. Increased monitoring of aquatic bushfoods, the last outstanding recommendation, from the 2013 ISWWG review report, will be addressed in 2017.

# LAND

## REVEGETATION

Revegetation is a key component of the progressive rehabilitation activities which have been taking place at Ranger and Jabiluka.

Significant progress was made during the year in rehabilitation management at both sites, including the trials carried out to determine the best path forward for revegetation of the Ranger site.

## RANGER

Closure studies and revegetation trials at Ranger progressed during the year. A key part of the revegetation programme at Ranger is the eight-hectare trial landform. The landform is divided into four sections for the purpose of comparing different revegetation methods.

The optimum method for revegetation at Ranger involves the use of tube stock seedlings grown on waste rock. Annual monitoring results found that the height, trunk diameter and density of the tube stocks which were planted on the waste rock far exceeded those planted on a mix of laterite and waste rock and direct seeding methods. Weeds were also less prevalent on the waste rock section of the landform and there was no problem with waterlogging.

During the year, a four-hectare section of the landform was burnt to test the native plant species resistance to fire. Studies three months later found that a majority of species survived the burn and that some species (mainly acacias and non-eucalypts) are more vulnerable to fire than eucalypts. Six months after the burn, the vegetation had recovered. Preliminary results from the vegetation survey showed that more than 95 per cent of individual trees survived the trial burn and most local native species showed fire resilience.

## POPULATION OF FLORA AND FAUNA

The Ecology team continued to monitor flora and fauna on the trial landform during the year. Seven years after revegetation the flora is flourishing with many native flowers and fruits attracting a large variety of birds and other animals. At any given time, hundreds of birds of many species have been observed on the site, including the threatened Eastern Partridge Pigeon, Yellow Orioles and White Winged Trillers.

The Ranger exploration yard was being converted into a new nursery during the year, to prepare for mass revegetation of the site. Work on the nursery will build its capacity to 200,000 tube stocks. Currently ERA has the permission, through its exclusive local indigenous contractor Kakadu Native Plants, to collect seeds from within Kakadu National Park to raise tube stocks for revegetation.

## JABILUKA

More than 16,000 tube stocks belonging to 22 native species have been planted at Jabiluka over the past decade to revegetate the site. This work was carried out in consultation with the Mirarr Traditional Owners. A total of 19 monitoring plots and two transects were established for assessing the development of the revegetation into a sustainable ecosystem.

Ongoing weed, fire and water quality management is in place at Jabiluka.

## WEED MANAGEMENT

ERA carries out regular weed control activities on the Ranger Project Area and Jabiluka Mineral Lease.

Activities are guided by ERA's land management strategy which targets priority species including Annual Pennisetum, Mission Grass and Rattlepod.

The weed season runs from October to May. In-field weed monitoring shows that ERA's programme has resulted in a progressive reduction of weed infestation over the Ranger Project Area.

**More than 16,000 native trees have been planted at Jabiluka over 10 years.**

# EMPLOYMENT

During 2016 ERA's workforce declined slightly in line with cost control initiatives and the outcomes of the strategic business review completed in May.

At 31 December 2016, ERA's total workforce was 382 people (full time equivalent, including 38 contractors). At the same time in 2015 ERA's full time equivalent workforce was 409, and in 2014 it was 415.

ERA also directly employed three graduates, six apprentices (including four first-year apprentices), four school-based apprentices and three Indigenous trainees, two of whom have been promoted to full time roles.

At year end Indigenous employment remained steady at approximately 13 per cent of employees (2015: 13 per cent).

ERA's female employment participation declined slightly, finishing the year with 16 per cent of the 2016 workforce (2015: 17 per cent).

The downturn in the mining industry generally has had a flow-on effect on average rolling turnover, which has reduced to nine per cent, compared with 21 per cent in 2015 and 39 per cent in 2014.

The workforce stability that accompanies a low turnover rate has had a positive influence on safety as the number of new people entering the ERA workforce reduces.

## INDIGENOUS EMPLOYMENT

Although ERA's workforce has reduced in recent years as major projects have been completed ERA remains an important source of Indigenous employment in Jabiru and the West Arnhem region.

ERA retains a strong focus on encouraging and supporting Indigenous employment opportunities and provides a variety of roles across the business ranging from superintendent and senior-supervisor leadership roles through to operational roles.

At 31 December 2016, ERA had a total of 46 Indigenous employees, representing 13 per cent of the workforce (2015: 13 per cent) and a stable Indigenous employment rate.

ERA engaged three Indigenous trainees in 2016, working in community relations, warehousing and operations. Two of the Indigenous trainees were promoted to full time roles in warehousing and operations.

Indigenous trainees are engaged through ERA's Indigenous Employment Strategy and supported by a mentoring programme which pairs trainees with workplace mentors.

ERA's Indigenous Employment Strategy provides workplace literacy and numeracy training and support for students from local communities in work experience and school-based apprenticeships.


The communities office in Jabiru was revamped in 2016, to showcase the history of ERA and the Ranger operations.

# EMPLOYMENT

## PRE-EMPLOYMENT PROGRAMME

In 2016 ERA and other local organisations and businesses worked together to provide opportunities for school leavers and other local people through the Pre-Employment Programme.

The programme is supported by a range of stakeholders including ERA, Warnbi Aboriginal Organisation, Carey Training, Westpac, Jabiru Medical Centre and the Northern Territory Department of Business.

This programme helps local people learn skills and gain accreditation to enable them to enter the workforce or find new local employment. Participants who complete the programme achieve accreditation in Certificate II – Resource Infrastructure Work Preparation, which includes a Certificate in First Aid.

In 2016 seven participants completed the five week course. One participant gained employment with ERA, while the other six gained work with other local employers including Parks Australia.

## INDIGENOUS EMPLOYMENT DEVELOPMENT

The Indigenous Enterprise Development scheme involves ERA working with the Gundjeihmi Aboriginal Corporation and local businesses to develop employment and training opportunities.

The Indigenous Enterprise Development scheme provides accredited training for people from local Indigenous communities to work on regional revegetation activities, such as progressive rehabilitation activities at ERA, weed management and fire monitoring.

In addition local Indigenous people can gain recognised skills accreditation through a Certificate III in Land Management by participating in ERA's Indigenous Revegetation Workforce.

## GRADUATES AND APPRENTICESHIPS

In 2016, ERA resumed a graduate intake programme with three graduate employees. The graduates will be working in the Closure team, in electrical services and in mechanical engineering.

In 2016 ERA continued its apprenticeship programme with a new intake of four first year apprentices bringing the total number of ERA apprentices to six. The apprentices are engaged for four years and achieve Certificate III in various mining and industry related fields.

In 2016 ERA engaged five school-based apprentices. School-based apprentices continue their year 11 and year 12 schooling while maintaining part-time work at ERA. A school-based apprenticeship can lead to further employment or a full-time apprenticeship, either with ERA or with another employer.

## INCLUSION AND DIVERSITY

In 2016 ERA established an Inclusion and Diversity work group to review policy and participation across ERA, and to provide guidance for inclusive leadership training.

The Inclusion and Diversity work group reflects the broader Australian Rio Tinto Energy and Minerals Policy and is supported by the Diversity Council of Australia (DCA).

The DCA provides guest speakers and analysis of policy and practice to inform workshops for ERA's frontline leadership teams.

## CULTURAL AWARENESS

ERA's Cultural Awareness Programme is delivered in partnership with the Gundjeihmi Aboriginal Corporation representing the Mirarr Traditional Owners.

During the year 49 new employees and long-term contractors participated in cultural awareness training.

The programme provides new employees and contractors with an introduction to the unique cultural, environmental and historical values of the Kakadu region and the Mirarr Traditional Owners.

# COMMUNITY

## RELATIONSHIP WITH MIRARR TRADITIONAL OWNERS

The Mirarr Traditional Owners of the land on which ERA operates are key stakeholders, and their input and support for our activities are integral to our business.

The Gundjeihmi Aboriginal Corporation represents the Mirarr Traditional Owners in discussions and negotiations with ERA on a range of matters of interest to both parties.

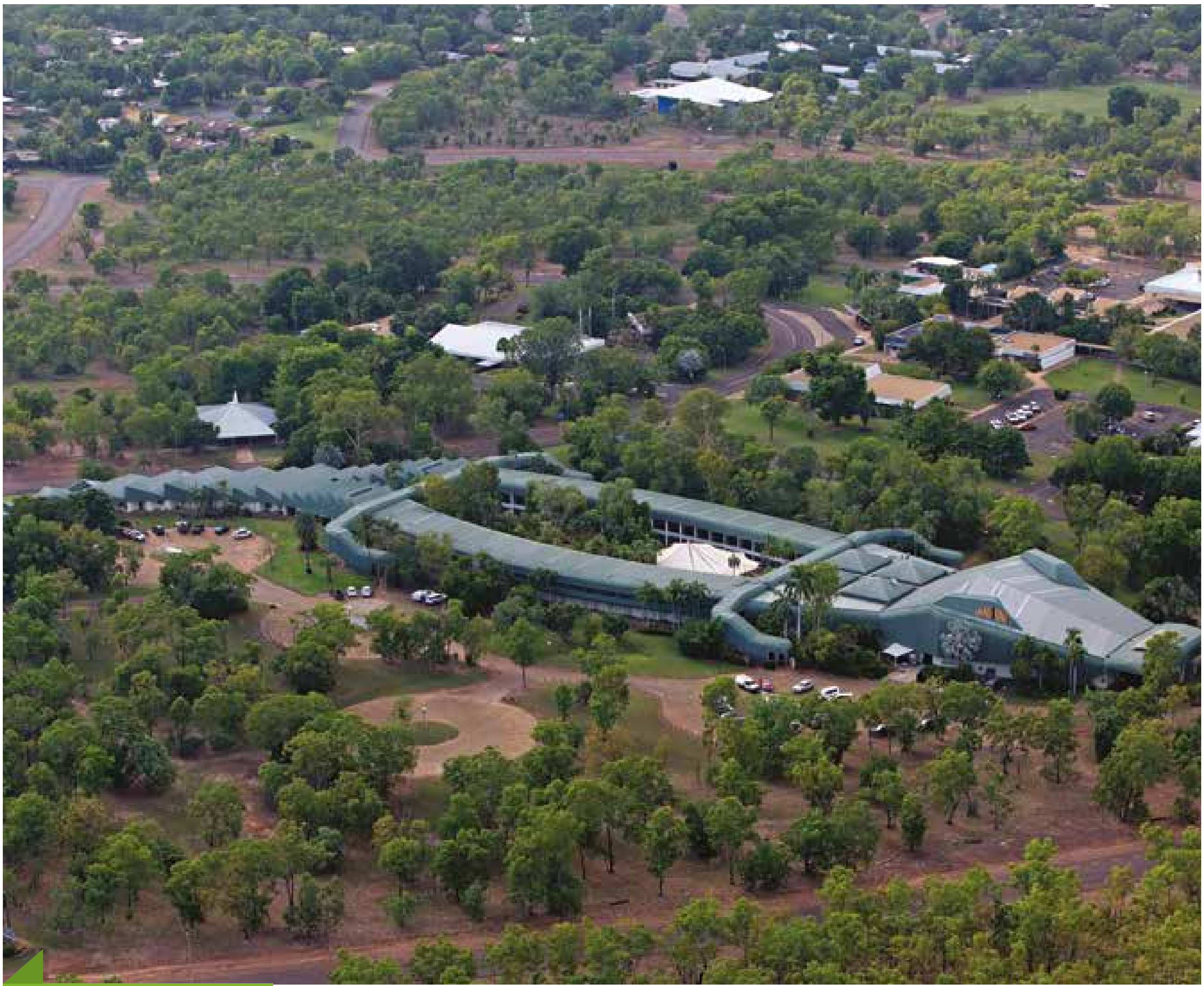
In 2016 ERA and the Gundjeihmi Aboriginal Corporation continued discussion on a range of important issues including employment and training, cultural heritage and environmental protection, rehabilitation planning, water management, housing, royalties, community activities, the Kakadu West Arnhem Social Trust and discussions about the future of the Jabiru township.

## ENGAGEMENT WITH MIRARR TRADITIONAL OWNERS

The Gundjeihmi Aboriginal Corporation and ERA have established formal structures to meet regularly, share information and create opportunities for ongoing engagement and collaboration.

The Relationship Committee, established under the 2013 Ranger Mining Agreement, shares information, assists with collaboration and provides a forum for discussion of Ranger operational matters and opportunities for local Aboriginal participation in business development, training and employment.

Each year ERA makes a sustainability payment to the Northern Land Council which is passed through to the Kakadu West Arnhem Social Trust. The Kakadu West Arnhem Social Trust is a charitable trust founded by senior Mirarr Traditional Owner Yvonne Margarula in 2013.



The township of Jabiru.

# COMMUNITY

The trust funds programmes which aim to address Aboriginal disadvantage in the Kakadu West Arnhem region. Along with the Gundjeihmi Aboriginal Corporation, ERA is represented on the Kakadu West Arnhem Social Trust board.

## COMMUNITY ENGAGEMENT AND INVESTMENT

During the year, the Communities office in Jabiru was remodelled to better showcase the history and future of ERA's operations and rehabilitation. This has resulted in a tripling of the number of visitors to the centre by tourists and local residents. During the year, ERA also hosted a series of site visits to the Ranger mine.

ERA continued to be a major supporter of community events such as the annual Mahbilil Festival, Kakadu Triathlon and the CareFlight 30th Anniversary Gala Ball. ERA has a long relationship with CareFlight and has supported its work in the West Arnhem region by giving the emergency service priority free access to the Jabiru Airport for its rescue missions. The Kakadu Triathlon raised $11,223 for CareFlight.

In addition to sponsorship of events, ERA, through its Community Partnership Fund, contributed approximately $42,220 in funds and in-kind donations to local West Arnhem sporting, community, education and cultural groups.

## JABIRU OUTLOOK

ERA is a significant contributor to the economy, population, infrastructure and provision of services in Jabiru. ERA operates subject to the current legal framework which requires the cessation of mining and processing activities by January 2021. Separate to the Ranger Authority, the current Jabiru town lease is due to expire in July 2021. This has created uncertainty about the outlook for Jabiru and the local economy.

ERA is working with the Gundjeihmi Aboriginal Corporation, the Commonwealth Government, the Northern Territory Government and the Northern Land Council to consider options for the future of Jabiru and the local region.

This involves discussion around future socio-economic opportunities for the region as well as the potential terms of a Jabiru lease and township post 2021.

ERA continues to advocate for early resolution on the future governance arrangements, to take effect in 2021, in order to provide certainty for the town.

## SOCIAL IMPACT ASSESSMENT

ERA has a range of rehabilitation obligations in the town of Jabiru which it must prepare for ahead of the lease expiring in July 2021.

In November, ERA commenced a Social Impact Assessment (SIA) for Jabiru. The SIA process is designed to explain the current rehabilitation obligations and to gather information about their potential impacts on the town, local businesses, residents, the broader West Arnhem region and visitors.

The SIA does not develop a plan for the future of Jabiru beyond 2021. The Commonwealth Government, Northern Territory Government and Traditional Owner representatives are undertaking discussions regarding the future of Jabiru. The outcome of those discussions will also have a significant influence on ERA's rehabilitation plans and the future of the town.

Jabiru community members were involved in the SIA process through approximately 30 information sessions which were held in the town in November and December. Further consultations will also take place in early 2017.

## ROYALTIES

ERA generates revenue from the processing of stockpiled ore at Ranger. This production continues to deliver royalty payments to the Indigenous community and the Northern Territory Government.

These royalty payments are calculated on 5.5 per cent of net sales revenue from Ranger mine production.

The equivalent of 4.25 per cent of Ranger sales revenue is paid to Northern Territory-based Aboriginal organisations, including the Gundjeihmi Aboriginal Corporation.

The remaining 1.25 per cent of royalties derived from Ranger sales revenue is paid to the Commonwealth and distributed to the Northern Territory Government.

In 2016, ERA's royalties totalled $14.3 million. This compares with $17.9 million paid in 2015 and $15.4 million paid in 2014.

ERA has paid more than $500 million in royalties to governments and aboriginal interests since production began at Ranger 35 years ago.

Royalties will continue to be paid for as long as ERA processes stockpiled ore at Ranger, but in the absence of a change in the current legal framework and support for development projects from key stakeholders royalties are expected to progressively decline and ultimately cease in 2021 at the end of the Ranger Authority.

In addition to the payment of royalties, ERA also makes an annual rental payment and a sustainability payment which are passed through to local Aboriginal interests.

# Financial Report

## CONTENTS

# DIRECTOR'S REPORT

## Directors

### Peter Mansell

**CHAIRMAN**

BCom, LLB, H. Dip. Tax, FAICD

Appointed in October 2015.

Chairman of Remuneration Committee and member of Audit and Risk Committee.

Mr Mansell has extensive experience in the mining, corporate and energy sectors, both as an advisor and as an independent non-executive Chairman and Director of listed and unlisted companies.

Mr Mansell practised law for a number of years as a partner in corporate and resources law firms in each of South Africa and Australia. He retired from legal practice in 2004 and has since held directorships in a number of companies including BWP Management Ltd, Foodland Associated Ltd, OZ Minerals Ltd, W.A. Newspaper Holdings Ltd (Chairman), Electricity Networks Corporation (trading as Western Power) (Chairman) and Zinifex Ltd (Chairman). Mr Mansell also chaired the Advisory Board of Pacific Aluminium Ltd in anticipation of its intended float in 2014.

External appointments: Non-executive Director of Aurecon Group Pty Ltd, Foodbank of Australia Ltd and Tap Oil Limited.

### Andrea Sutton

**CHIEF EXECUTIVE AND MANAGING DIRECTOR**

BE (Hons) Chemical, GradDipEcon, GAICD

Appointed in September 2013.

Prior to joining ERA, Ms Sutton had a 21 year career with Rio Tinto in which she had extensive operational, technical and corporate experience, including as Managing Director with the Rio Tinto Support Strategy Review team, General Manager Operations at the Bengalla mine and General Manager Infrastructure with Rio Tinto Iron Ore.

External appointments: Chair of the Northern Territory Minerals Council of Australia Management Committee; member of the Northern Territory Mining Advisory Council.

### Shane Charles

**NON-EXECUTIVE DIRECTOR**

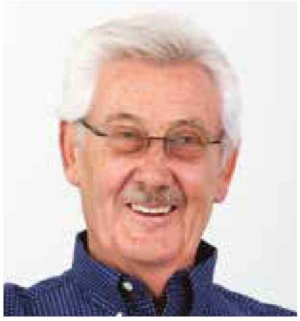
LLB

Appointed in October 2015. Chair of the Audit and Risk Committee (from January 2016); member of Health, Safety and Environment Committee and Remuneration Committee.

Mr Charles is currently the Executive Chairman of the Toowoomba and Surat Basin Enterprise (TSBE), an independent, business driven economic development organisation with a vision to pursue sustainable growth and diversity. He is at the forefront of developing an Asia strategy (principally in relation to China) to allow producers and exporters the opportunity to access new markets and capital.

He has just finished his tenure as Deputy Chairman of the GasFields Commission Queensland and was previously the Chairman of Stanwell Corporation Limited and the Endeavour Foundation Limited.

External appointments: Executive Chairman of Toowooba and Surat Basin Enterprise; Chairman of Sunrise Way Rehabilitation Limited; President of the Royal Agricultural Society of Queensland.



### Paul Dowd

**NON-EXECUTIVE DIRECTOR**

BSc (Eng), FAusIMM, MAICD

Appointed in October 2015. Chair of Health, Safety and Environment Committee; member of Audit and Risk Committee and Remuneration Committee.

Mr Dowd is a mining engineer with more than 50 years' experience in the mining industry, primarily in the private sector, but also serving in the public sector as head of the Victorian Mines and Petroleum Departments. Mr Dowd has previously held senior executive positions as Managing Director of Newmont Australia Ltd and Vice President Australia and New Zealand Operations for Newmont Mining Corporation and prior to that as Chief Operating Officer of Normandy Mining Ltd.

Mr Dowd was previously Chairman of Adelaide Resources Ltd and a non-executive Director of Macarthur Coal Ltd.

External appointments: Non-executive Director of OZ Minerals Limited and PNX Metals Limited; Chairman of CSIRO Minerals Resources Sector Advisory Council; Advisory Board Member of South Australian Minerals and Petroleum Expert Group (SAMPEG) and University of Queensland – Sustainable Minerals Institute.

## DIRECTOR'S REPORT

# Directors

### Simon Trott
**NON-EXECUTIVE DIRECTOR**
BSc (Hon), GradDipFin, GAICD

Appointed in December 2015.

Mr Trott is the Managing Director of Rio Tinto Salt, Uranium and Borates. After joining Rio Tinto in 2000, Mr Trott has held a range of commercial, operating and business development roles across a number of product groups. He has oversight of all marketing, operational and commercial aspects of Rio Tinto's salt, uranium and borates businesses with operations in Australia (Northern Territory and Western Australia), Namibia and the United States, together with projects in Canada (uranium and potash) and Serbia (lithium and borates).

External appointments: Director of Dampier Salt Limited, Rössing Uranium Limited and US Borax Inc.

### Zara Fisher
**NON-EXECUTIVE DIRECTOR**
B Com, MASc, MAICD

Appointed in August 2016. Member of Health, Safety and Environment Committee (from January 2017).

Ms Fisher has worked in the mining industry for over 20 years and is currently Vice President HSE for Rio Tinto Iron Ore. In this role she is accountable for the health, safety and environmental performance of Rio Tinto's Iron Ore operations and is a member of the Iron Ore Executive Committee. Previously Ms Fisher has worked with Rio Tinto in a range of roles in Australia and internationally in the Iron Ore, Aluminium, Copper, Energy and Minerals groups. Ms Fisher has extensive experience in operations, maintenance, strategy, corporate services and finance.

Ms Fisher holds a Bachelor of Commerce and a Masters of Applied Science (Environmental Management and Restoration) and is a member of the Australian Institute of Company Directors. Prior to joining Rio Tinto Ms Fisher worked in chartered accounting.

### Bruce Cox
**NON-EXECUTIVE DIRECTOR**
BCom, CPA, MBA, GAICD

Appointed in November 2014 and resigned in May 2016. Chair of the Audit and Risk Committee between June 2015 and January 2016.

Mr Cox is currently the President and Chief Executive Officer of Pacific Aluminium and is a member of Rio Tinto Alcan's Executive Committee. Mr Cox has more than 35 years' experience with Rio Tinto and BHP, and prior to his current role was Managing Director of Rio Tinto Diamonds.

Mr Cox's career has spanned the steel, platinum, copper, iron ore and diamond commodity sectors and he has lived in Australia, Zimbabwe, Chile, the United Kingdom and the United States. Mr Cox is a CPA, Graduate of the Australian Institute of Company Directors and has a Bachelor of Commerce and a Masters of Business Administration.

### Joanne Farrell
**NON-EXECUTIVE DIRECTOR**
BSc, Grad Dip Business Management

Appointed in June 2014 and resigned in August 2016. Member of the Health, Safety and Environment Committee until August 2016.

Ms Farrell is currently the Group Executive – Health, Safety and Environment for Rio Tinto. Ms Farrell is also responsible for leading Rio Tinto's interaction with key stakeholders in Australia as Managing Director Australia.

Ms Farrell has been with Rio Tinto for 29 years and brings a wealth of experience from various roles across Organisational Resources, Government Affairs and Communities in Australia, the US and Europe. Prior to working in the mining industry, she was an economist in regional development with the Government of Western Australia.

External appointments: Director of Perth Institute of Contemporary Arts, member of the Governing Council of North Metropolitan TAFE and member of Chief Executive Women.

## DIRECTOR'S REPORT

# Executive Committee

## Andrea Sutton

**CHIEF EXECUTIVE AND MANAGING DIRECTOR**
BE (Hons) Chemical, GradDipEcon, GAICD

See biography shown on page 38.

## James May

**CHIEF FINANCIAL OFFICER**
BA (Hons), FCA, GAICD

Mr May was appointed as Chief Financial Officer in June 2014 and brings financial, accounting and business development experience to ERA. Mr May has over 16 years' experience in finance roles in the energy and extractive resources sector.

Prior to joining ERA, Mr May held various finance and corporate roles within Rio Tinto. Mr May is a Chartered Accountant through the Institute of Chartered Accountants in England and Wales.

## Tim Eckersley

**GENERAL MANAGER OPERATIONS**
B.Sc. Agric (Hons)

Mr Eckersley was appointed as General Manager Operations in September 2012.

Over the last 23 years Mr Eckersley has held various leadership roles in the mining industry including in bauxite, alumina, gold, mineral sands and iron ore. Prior to joining ERA, Mr Eckersley was General Manager within Rio Tinto Iron Ore Expansion Projects business unit.

## DIRECTOR'S REPORT

### Thomas Wilcox

**LEGAL COUNSEL AND COMPANY SECRETARY**

LLB, LLM, BCom

Mr Wilcox was appointed as Company Secretary and Legal Counsel in November 2013. Mr Wilcox joined Rio Tinto in 2009 and has previously held legal and commercial roles in London and Melbourne, working predominantly with the Exploration and Energy Groups.

Prior to joining Rio Tinto, Mr Wilcox was employed in private legal practice since 2003. He has a Bachelor of Laws, Bachelor of Commerce and Master of Laws from The University of Melbourne.

External appointments: Director of Australian Football League Northern Territory.

### Alan Tietzel

**CHIEF ADVISOR AGREEMENTS**

BA, BCom, Dip Ed MBA

Mr Tietzel was appointed as General Manager External Relations in July 2010 and subsequently Chief Advisor Agreements in September 2012. He has a background in Aboriginal land agreements, regional development, government relations, human resources and organisation development.

Mr Tietzel joined Rio Tinto in 1990 and has worked in the diamonds, salt, bauxite and alumina sectors, and in a variety of corporate functions.

## DIRECTOR'S REPORT

## *Meetings of Directors*

The number of Directors and 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[4] | AUDIT AND RISK COMMITTEE[4] | REMUNERATION COMMITTEE[4] | HSE COMMITTEE[4] | OTHER[4] |
|---|---|---|---|---|---|
| P Mansell | 9/9 | 6/6 | 3/3 | - | 7/7 |
| A Sutton | 9/9 | - | - | - | 2/2 |
| B Cox[1] | 3/3 | 1/1 | - | - | - |
| J Farrell[2] | 7/7 | - | 2/2 | 2/2 | - |
| Z Fisher[3] | 2/2 | - | - | - | - |
| S Charles | 9/9 | 6/6 | - | 2/2 | 7/7 |
| P Dowd | 9/9 | 5/5 | 3/3 | 2/2 | 5/5 |
| S Trott | 9/9 | - | - | - | - |

*Note 1 Resigned as a Director 3 May 2016.*
*Note 2 Resigned as a Director 29 August 2016.*
*Note 3 Appointed as a Director 29 August 2016.*
*Note 4 Number of meetings attended/maximum the Director could have attended.*

Ms Sutton was invited to each meeting of the Audit and Risk Committee and the Health, Safety and Environment Committee and attended all such meetings held during the year.

## *Interests of Directors*

The interests of each Director in the share capital of the Company and its related body corporates as at 31 January 2017 are shown below:

| DIRECTORS | 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 |
|---|---|---|---|---|
| P Mansell | - | 2,000 | - | - |
| A Sutton | - | 3,885 | 1,158 | 12,870 |
| B Cox[1] | - | 5,417 | 4,385 | 62,464 |
| S Charles | - | - | - | - |
| P Dowd | - | 1,744 | - | - |
| J Farrell[2] | - | 27,580 | - | 47,543 |
| Z Fisher[3] | - | 2,899 | - | 6,653 |
| S Trott | - | 5,431 | - | 35,854 |

*Note 1 Resigned as a Director 3 May 2016.*
*Note 2 Resigned as a Director 29 August 2016.*
*Note 3 Appointed as a Director 29 August 2016.*

## DIRECTOR'S REPORT

# *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

The Remuneration Committee has responsibility to review:

- remuneration framework and policies (including key performance indicators) for the Company's Chief Executive and senior executives;
- remuneration and performance of the Company's Chief Executive and 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 ERA's 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. The Remuneration Committee reviews and makes 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. ERA does not pay retirement or post-employment benefits to non-executive Directors, however, statutory superannuation contributions are paid to non-executive Directors. 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 2016 Annual General Meeting, the 2015 Remuneration Report was approved with 95.68 per cent of shares voted in favour (voting comprised 356,856,147 votes 'for' the resolution and 16,104,679 votes 'against' the resolution). North Limited and Peko-Wallsend Pty Ltd, which are both Rio Tinto entities, voted a combined total of 354,078,854 votes 'for' the resolution. The aggregate amount of non-executive Directors' remuneration paid in 2016 was approximately $691,000 inclusive of statutory superannuation.

The non-executive Directors' fees were reviewed by the Board in January 2016. The Board resolved that there would be no increase in non-executive Directors' fees in 2016. There was no increase in committee fees, although a fee was introduced for the newly established Health, Safety and Environment Committee. The annual fees for non-executive Directors for 2016 (excluding superannuation) are as follows:

| | 2016 | 2015 |
|---|---|---|
| Chairman | $165,000 | $165,000 |
| Non-executive Director | $92,000 | $92,000 |
| Audit and Risk Committee Chair[1] | $20,000 | $20,000 |
| Audit and Risk Committee Member[1] | $13,000 | $13,000 |
| Health, Safety and Environment Chair[1] | $20,000 | - |
| Health, Safety and Environment Committee Member[1] | $13,000 | - |
| Remuneration Committee Chair[1,2] | $5,000 | $5,000 |

*Note 1 Fees are payable in addition to Chairman and non-executive Director fees.*
*Note 2 Mr Mansell waived the fee for chairing the Remuneration Committee. The Board has resolved that no additional committee fees are payable to members of the Remuneration Committee.*

## C Principles used to determine executive remuneration

The Remuneration Committee is responsible for the review of, and where appropriate will make recommendations to the Board in respect of, executive remuneration.

The *Corporations Act 2001* and relevant Accounting Standards require disclosures in respect of "key management personnel", being those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel are, in addition to the Directors, the permanent General Managers of the Company (including the Chief Advisor Agreements) reporting directly to the Chief Executive. Throughout this Remuneration Report the key management personnel who are not Directors are collectively referred to as "senior executives".

# DIRECTOR'S REPORT

As the Company is a member company of the Rio Tinto Group, it 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 to determine the remuneration of the Chief Executive and senior executives.

As a member of the Rio Tinto Group, ERA's Chief Executive and senior executives are seconded from Rio Tinto and are hence drawn from the talented pool of executives in the wider Rio Tinto Group. It is the view of the Remuneration Committee (which has been endorsed by the Board) that a company of ERA's size, scope and remote location would have significant difficulty in attracting executives of the calibre necessary to ensure superior performance or in retaining them for significant periods if this arrangement was not in place. Under these circumstances, the Board believes that the general application of the Rio Tinto remuneration framework to ERA's Chief Executive and senior executives, with appropriate review by the Company's Remuneration Committee, is of benefit to ERA.

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. Typically, base salaries are positioned at the median of these comparator groups, while incentive plans are designed with the potential to deliver total remuneration outcomes across the full market range according to business and individual performance. The related costs of these programs are recognised in the Company's financial statements.

Executive remuneration, including base salary and short and long term incentive plan 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 and relevant comparative information. As well as base salary, remuneration packages may include fringe benefits such as medical insurance, car, rent and other allowances, superannuation, retirement entitlements and short and long term incentives.

The annual performance evaluation and management process includes formal consultation between the Chairman (based on the Remuneration Committee's review and recommendations) and the Managing Director, Rio Tinto Borates, Salt and Uranium regarding the Chief Executive of the Company, and between the Remuneration Committee and the Chief Executive of the Company regarding the senior executives.

An annual performance evaluation of the Chief Executive and senior executives was undertaken in 2016.

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, 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 Secretary of the Company is 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 incentive plans;
- long term incentive plans through participation in the Rio Tinto Performance Share Plan (PSP), the Rio Tinto Management Share Plan (MSP) and, in the case of the Chief Executive, the ERA Long Term Incentive Plan (ERA LTIP); 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 MSP) 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 plans are 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 PSP and MSP. In 2016, awards were made under the PSP and MSP.

In 2016 the Remuneration Committee determined that the Chief Executive's remuneration should be simplified and the ERA LTIP was discontinued. As such, no awards were made under the ERA LTIP in 2016.

Excluding post employment and non-monetary benefits, the proportion of total direct remuneration, assuming maximum award levels and maximum levels of performance, provided by way of variable at risk components as at 31 December 2016 for the Chief Executive and senior executives was between 48 and 68 per cent. The actual proportion of total direct remuneration provided by way of variable performance related components will differ from these percentages depending on measured Company, Rio Tinto and individual performance and the current blend of share plans.

## DIRECTOR'S REPORT

### *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 individual and Company performance, global economic conditions, role responsibilities, an assessment against comparator groups, internal relativities and base salary budgets applying to the broader employee population.

### *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. The Chief Executive and senior executives of the Company have between 40 and 70 per cent of their performance-based bonus based on business measures, with the remainder based on individual measures.

The short term incentive plan bonus payments disclosed in this report are amounts paid in 2016 relating to performance in 2015, as 2016 performance calculations are not finalised at the date of this report. The Company's business performance measures for 2015 used in the determination of short term incentive plan payments were:

- Safety - All Injury Frequency Rate and Lost Time Injuries;
- Financial - net earnings and free cash flow; and
- Business - drummed production, cost of material milled, volume and cost of material moved and Brine Concentrator performance.

### *Bonus Deferral Plan*

In 2016, 25 per cent of the Chief Executive's short term incentive plan bonus pay was satisfied through the deferred award of shares in Rio Tinto Limited under the terms of the Rio Tinto Bonus Deferral Plan (BDP).

The same percentage will be satisfied in 2017 through the deferred award of shares in Rio Tinto Limited under the terms of the Rio Tinto BDP.

### *Long term incentive plans*

In 2016, the Remuneration Committee considered the application of the Rio Tinto long term incentive plan to the Company's Chief Executive and senior executives. As previously outlined, the Remuneration Committee believes that the general application of the Rio Tinto remuneration framework (including the Rio Tinto long term incentive plans) to ERA's Chief Executive and senior executives, with appropriate review by the Remuneration Committee, is of benefit to the Company.

As such the Remuneration Committee recommended that the Company's long term incentive plans remain unchanged for 2016, with the exception of the ERA LTIP which was discontinued. During 2017, the Remuneration Committee will review the position for future years.

### *Share based remuneration dependent on performance*

#### Performance Share Plan

The Rio Tinto PSP provides a conditional right to Rio Tinto shares to eligible senior management personnel within the Rio Tinto Group, including the Chief Executive and senior executives of ERA.

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 the underlying performance of the business. Prior to the vesting of conditional awards, Rio Tinto's Total Shareholder Return (TSR) performance against the performance condition is calculated independently by Willis Towers Watson.

Subject to Rio Tinto Remuneration Committee approval, awards vest based on the Rio Tinto Group's TSR performance against the Morgan Stanley Capital World Index (one third) and the Euromoney Global Mining Index (one third), along with improvement in Rio Tinto EBIT margin (one third) relative to global mining comparators. This is reviewed at 31 December of the fifth year of the grant. The level of vesting depends on performance against the indices.

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. Should this occur within the first 36 months from date of grant of the award, the number of shares that can vest will be reduced pro-rata over the 36 month period. The Rio Tinto Remuneration Committee has discretion to adjust the performance condition to ensure a fair measure of performance.

Rio Tinto releases awards to participants as either Rio Tinto plc or Rio Tinto Limited shares. 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.

#### Chief Executive's long term incentive plan

In 2016 the Remuneration Committee determined that the ERA LTIP would be discontinued. Awards were made in 2014 and 2015 to the Chief Executive who was the only executive to participate in this plan.

The ERA LTIP is an award of rights that have a value calculated by reference to the Company's share price (ie phantom shares). Whether or not the rights vest depends on the extent to which the relevant performance conditions have been satisfied over the performance period. Awards have a three year performance period commencing on 1 January of the year of grant.

## DIRECTOR'S REPORT

The two performance conditions are a relative TSR condition and the achievement of ERA strategic measures. Each condition will be assessed independently. Strategic performance conditions have been chosen to ensure that the long term incentive award is assessed against both the Company's relative performance against other uranium producers and the achievement of ERA strategic measures.

For the TSR performance condition, rights vest based on ERA's TSR performance against Areva SA, Cameco Corp, Denison Mines Corp, Energy Fuels Inc, Fission Uranium Corp, Paladin Energy Limited, Summit Resources Limited, Uranium Energy Corp and Ur-Energy Inc over the performance period. Vesting will be subject to ERA's ranked position using the following schedule:

| | |
|---|---|
| Equal or greater to 2nd ranked company | 100 per cent of the rights subject to the TSR condition vest |
| Between the 5th and 2nd ranked companies | Between 22.5 per cent and 100 per cent of the rights subject to the TSR condition vest, on a pro rata basis |
| Above the 6th ranked company | 22.5 per cent of the rights subject to the TSR condition vest |
| Equal to the 6th ranked company or below | Nil vesting |

For the ERA strategic measures, an assessment of the level of vesting applicable to this portion of the award is to be assessed by the Remuneration Committee, with the final outcome to be recommended to the Board by the Chairman at the end of the three year performance period. The elements to be considered in respect of ERA strategic measures include financial performance, organisational and personnel related performance, relations with stakeholders and progress in respect of the Ranger 3 Deeps underground mine project. For outstanding performance, the Board may determine to permit a number of rights to vest that is equal to 150 per cent of the initial number of rights awarded that were subject to ERA strategic measures condition.

The Remuneration Committee has discretion to give consideration to significant circumstances which may have changed the strategic measures over the performance period. Upon vesting, the value of the ERA LTIP award will be converted into Rio Tinto MSP shares. The number of Rio Tinto MSP shares to be awarded will be calculated based on the five day average Rio Tinto Limited share price prior to the Rio Tinto MSP grant date in March of the year of vesting. Any Rio Tinto MSP shares provided will vest after a further two year period. There are no further performance conditions, however, the Rio Tinto MSP shares can be forfeited in certain circumstances related to cessation of employment.

### *Share based remuneration not dependent on performance*

#### Management Share Plan

Under the Rio Tinto MSP, conditional grants of Rio Tinto shares may be awarded to eligible employees 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 Rio Tinto 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

All employees of the Company may participate in Rio Tinto share savings and share option plans applicable at particular locations. Up to and including 2011, 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 of companies. In 2012, the Rio Tinto Remuneration Committee approved and implemented a new global employee share purchase plan, myShare. The new plan is offered to eligible employees. Under the plan, employees may acquire shares up to the value of US$5,000 per year capped at 10 per cent of their base salary. Each share purchased will be matched by the Company providing the participant holds the shares and remains employed at the end of the three year vesting period. Further details are at Note 30 to the Financial Statements.

### *Share dealing policy*

The participation of the Chief Executive and 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' ("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*.

## DIRECTOR'S REPORT

### D Details of remuneration

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

*Non-executive Directors of Energy Resources of Australia Ltd*

| | | SHORT TERM BENEFITS | | | POST EMPLOYMENT BENEFITS | |
|---|---|---|---|---|---|---|
| | | DIRECTORS FEES ($000) | CASH BONUS ($000) | NON- CASH BENEFITS ($000) | SUPER-ANNUATION ($000) | TOTAL ($000) |
| P Mansell[1] | 2016 | 178 | - | - | 17 | 195 |
| | 2015 | 31 | - | - | 6 | 37 |
| B Cox[2,3] | 2016 | 32 | - | - | - | 32 |
| | 2015 | 92 | - | - | - | 92 |
| S Charles[1] | 2016 | 123 | - | - | 12 | 135 |
| | 2015 | 17 | - | - | 3 | 20 |
| P Dowd[1] | 2016 | 124 | - | - | 12 | 136 |
| | 2015 | 17 | - | - | 3 | 20 |
| J Farrell[2,4] | 2016 | 69 | - | - | - | 69 |
| | 2015 | 92 | - | - | - | 92 |
| Z Fisher[2,5] | 2016 | 32 | - | - | - | 32 |
| S Trott[2,6] | 2016 | 92 | - | - | - | 92 |
| | 2015 | 6 | - | - | - | 6 |
| H Garnett[7] | 2015 | 56 | - | - | 5 | 61 |
| P McMahon[7] | 2015 | 89 | - | - | 8 | 97 |
| J Pegler[8] | 2015 | 31 | - | - | 3 | 34 |
| D Smith[9] | 2015 | 46 | - | - | 4 | 50 |
| P Taylor[2,8] | 2015 | 26 | - | - | - | 26 |
| **Total 2016** | | 650 | - | - | 41 | 691 |
| **Total 2015** | | 503 | - | - | 32 | 535 |

*Note 1 Appointed as a Director 26 October 2015.*
*Note 2 Amounts paid directly to Rio Tinto Limited.*
*Note 3 Resigned as a Director 3 May 2016.*
*Note 4 Resigned as a Director 29 August 2016.*
*Note 5 Appointed as a Director 29 August 2016.*
*Note 6 Appointed as a Director 6 December 2015.*
*Note 7 Resigned as a Director 20 June 2015.*
*Note 8 Resigned as a Director 13 April 2015.*
*Note 9 Appointed as a Director 27 January 2015. Resigned as a Director 20 June 2015.*

## DIRECTOR'S REPORT

### *Executive Director and senior executives*

Set out below is an overview of the remuneration paid to the Executive Director and senior executives in 2016. This includes details of the key elements of remuneration and a summary of total remuneration for 2016.

### Andrea Sutton (Chief Executive and Managing Director from 23 September 2013)

#### *Base salary*

Ms Sutton was appointed as Chief Executive and Managing Director on 23 September 2013. Ms Sutton's base salary is reviewed annually with reference to the underlying performance of ERA and the Rio Tinto Group, global economic conditions, role responsibility, individual performance, an assessment against relevant comparator groups, internal relativities and base salary budgets applying to the broader employee population.

Ms Sutton did not receive an increase in her base salary in 2016.

On 1 March 2016, Ms Sutton's base salary was $400,402.

#### *STIP objectives*

The STIP cash payment made to Ms Sutton in 2016 was determined by assessing individual and business performance in 2015 against objectives set for that year.

The following individual objectives were set for Ms Sutton for 2015:

- safe and predictable operations with particular emphasis on process safety, asset integrity, productivity, output, quality, costs and cash flow;
- implementation of progressive rehabilitation to schedule, including:
  - Pit 1 laterite capping complete; and
  - dredge and infrastructure commissioned to schedule;
- effective implementation of strategies for water management and other environmental controls, including stable and consistent operation of Brine Concentrator;
- Ranger 3 Deeps project activities completed to Board expectations regarding progress, studies and shareholder value;
- stakeholder support for lease extension and Ranger 3 Deeps project; and
- effective leadership behaviours in interaction with employees, the Board and stakeholders including Traditional Owners, regulators, investors and the community.

#### *STIP outcomes*

Ms Sutton's achievement against her 2015 individual objectives was assessed as 'good'. Detailed outcomes are below:

- strong safety perfomance in 2015 with a decrease in the All Injury Frequency Rate to 0.67 (2014: 1.27);
- implementation of the Process Safety Improvement Action Plan;
- production of 2,005 tonnes of uranium oxide was within market guidance; sales volume of 2,183 tonnes of uranium oxide;
- Ranger rehabilitation programme progressed to schedule, including Pit 1 capping and commissioning of dredge and related infrastructure;
- strong cash management focus and continued growth of cash reserves;
- Ranger 3 Deeps project evaluation completed on schedule and budget; project optionality maintained through business strategy review;
- optimised availability and throughput of the Brine Concentrator, including injection of brine into Pit 3 backfill; and
- continued progress with key stakeholders on closure criteria for Ranger Project Area and associated infrastructure.

#### *LTIP awards granted*

Award levels are set so as to incentivise executives to provide sufficient retention for the executive team and to contribute to the competitiveness of the overall remuneration package. The value of the MSP and PSP awards granted to Ms Sutton in 2016, based on the fair value calculations performed by individual advisors, was 45 per cent of base salary. The eventual value of the PSP award will depend on performance during the period 2016 to 2020.

## DIRECTOR'S REPORT

### Total remuneration

The table below provides a summary of Ms Sutton's total remuneration disclosed for 2015 and 2016. The purpose of this table is to enable shareholders to better understand the actual remuneration received and to provide an overview of the actual outcomes of the Company's remuneration arrangements. The remuneration details set out on page 52 include theoretical accounting values relating to various parts of the remuneration packages, most notably long term incentive plan arrangements. Accordingly, the numbers below are not compatible with those in the table on page 52.

| (STATED IN $'000) | 2016 | 2015 |
|---|---|---|
| Base salary paid[1] | 400 | 399 |
| STIP cash bonus[2] | 204 | 136 |
| STIP deferred shares[3] | 68 | 45 |
| LTIP share based payments | 254 | 223 |
| Superannuation | 30 | 104 |
| Other benefits[4] | 140 | 123 |
| Total remuneration | 1,096 | 1,030 |
| % change from previous year | 6 | 9 |
| % of maximum STIP cash bonus awarded | 68 | 46 |
| % of maximum STIP cash bonus forfeited | 32 | 54 |

*Note 1* *Salaries are reviewed with effect from 1 March.*
*Note 2* *Bonus payment relates to prior year performance.*
*Note 3* *Value of deferred share awards granted under Bonus Deferral Plan.*
*Note 4* *Other benefits include accommodation, vehicle and other allowances and Company paid superannuation above statutory requirements that is taken as cash.*

### *Senior executives*

### Base salary

Base salaries are reviewed annually, with reference to the underlying performance of ERA, the Rio Tinto Group and the individual, global economic conditions, role responsibility, an assessment against relevant comparator groups and base salary budgets applying to the broader employee population. No salary increases were awarded in 2016.

At the end of 2015 and 2016, the base salaries of the Company's senior executives were:

| BASE SALARY A'$000 (UNLESS OTHERWISE SPECIFIED) | 2016 | 2015 | CHANGE |
|---|---|---|---|
| Tim Eckersley | 322 | 322 | 0% |
| James May | 240 | 240 | 0% |
| Greg Sinclair[1] | - | 297 | - |
| Alan Tietzel | 355 | 355 | 0% |

*Note 1* *Employment with ERA ceased on 1 March 2015. Salary is reflected at time of resignation.*

# DIRECTOR'S REPORT

## STIP objectives and outcomes

The individual objectives set out below relate to the 2015 financial year (with the corresponding STIP Award paid in 2016).

| | SUMMARY OF INDIVIDUAL OBJECTIVES |
|---|---|
| Tim Eckersley | • Prevention of high consequence safety and environmental events<br>• Demonstrate Health, Safety and Environment leadership<br>• Achieve target metrics for production and cost, plant utilisation, availability and recovery<br>• Implement asset management plan and establish robust governance system<br>• Delivery of pond and process water treatment (including brine concentrator operation) to plan<br>• Establish and achieve syndicated cost reduction targets while maintaining ERA core values<br>• Diversity and inclusion plan targets met by year end<br>• Rehabilitation projects implemented on schedule and budget in accordance with closure plan<br>• Demonstrate behaviours that align with values of accountability, teamwork, integrity and respect |
| James May | • Prevention of high consequence safety and environmental events<br>• Demonstrate Health, Safety and Environment leadership<br>• Deliver focussed, high quality business evaluation capabilities to Ranger 3 Deeps project to support investment assessment<br>• Deliver excellence in accounting, performance reporting and financial forecasting<br>• Drive and deliver cash generation and cost improvement for ERA<br>• Manage treasury processes and financing risks for the business<br>• Continuous improvement of key business processes, including IT and procurement<br>• Demonstrate behaviours that align with values of accountability, teamwork, integrity and respect |
| Alan Tietzel | • Prevention of high consequence safety and environmental events<br>• Demonstrate Health, Safety and Environment leadership<br>• Obtain support of Gundjeimi Aboriginal Corporation for Ranger Authority extension<br>• Jabiru Vision agreed with the Northern Territory Government<br>• Mining Agreement plan fully implemented. Relationship Committee discussions and outcomes support ERA strategic objectives<br>• 2015/16 stakeholder engagement strategy on schedule and budget<br>• Identify and deliver business transformation improvements, particularly in regard to township<br>• Demonstrate behaviours that align with values of accountability, teamwork, integrity and respect |

## DIRECTOR'S REPORT

A summary of the individual targets and performance for each of the Company's senior executives (other than the Chief Executive) for the 2015 financial year (with the corresponding STIP Award paid in 2016) is set out in the table below.

| MEASURES | WEIGHT (%) | RESULT (OUT OF 200%) | WEIGHTED RESULT (%) |
|---|---|---|---|
| **Tim Eckersley** | | | |
| Financial performance | 10.0 | 181.1 | 18.1 |
| Business performance | 15.0 | 118.0 | 17.7 |
| Health and Safety | 15.0 | 200.0 | 30.0 |
| Individual | 60.0 | 125.0 | 75.0 |
| **Total** | **100.0** | **-** | **140.8** |
| **James May** | | | |
| Financial performance | 10.0 | 181.1 | 18.1 |
| Business performance | 15.0 | 118.0 | 17.7 |
| Health and Safety | 15.0 | 200.0 | 30.0 |
| Individual | 60.0 | 119.0 | 71.4 |
| **Total** | **100.0** | **-** | **137.2** |
| **Alan Tietzel** | | | |
| Financial performance | 10.0 | 181.1 | 18.1 |
| Business performance | 15.0 | 118.0 | 17.7 |
| Health and Safety | 15.0 | 200.0 | 30.0 |
| Individual | 60.0 | 105.0 | 63.0 |
| **Total** | **100.0** | **-** | **128.8** |

### LTIP awards

Award levels are set so as to incentivise executives to provide sufficient retention for the executive team and to contribute to the competitiveness of the overall remuneration package.  The value of the awards granted to the Company's senior executives (other than the Chief Executive) in 2016, based on the fair value calculations performed by independent advisors, was between 28.1 per cent and 30 per cent of base salary.

## DIRECTOR'S REPORT

*Executive Director and senior executives total remuneration*

| | | SHORT TERM BENEFITS | | | | POST EMPLOYMENT BENEFITS | SHARE BASED PAYMENTS | |
|---|---|---|---|---|---|---|---|---|
| | | CASH SALARY ($000) | CASH BONUS[7] ($000) | OTHER[6] ($000) | TERMINATION PAYMENTS ($000) | SUPERANNUATION PENSION ($000) | CASH & EQUITY SETTLED ($000) | TOTAL ($000) |
| **Executive Director** | | | | | | | | |
| A Sutton[1] | **2016** | 400 | 204 | 140 | - | 30 | 254 | 1,028 |
| | **2015** | 399 | 136 | 123 | - | 104 | 223 | 985 |
| **Senior executives** | | | | | | | | |
| T Eckersley[2] | **2016** | 365 | 136 | 34 | - | 75 | 104 | 714 |
| | **2015** | 364 | 85 | 32 | - | 70 | 100 | 651 |
| J May[3] | **2016** | 240 | 82 | 75 | - | 65 | 47 | 509 |
| | **2015** | 239 | 53 | 75 | - | 51 | 39 | 457 |
| A Tietzel[4] | **2016** | 355 | 137 | 93 | - | 35 | 115 | 735 |
| | **2015** | 354 | 89 | 88 | - | 35 | 112 | 678 |
| G Sinclair[5] | **2015** | 49 | - | 6 | - | 10 | 11 | 76 |
| **Total 2016** | | 1,360 | 559 | 342 | - | 205 | 520 | 2,986 |
| **Total 2015** | | 1,405 | 363 | 324 | - | 270 | 485 | 2,847 |

*Note 1* *Performance related cash bonus: 68 per cent awarded in 2016, 32 per cent forfeited, 46 per cent awarded in 2015, 54 per cent forfeited.*
*Note 2* *Performance related cash bonus: 70 per cent awarded in 2016, 30 per cent forfeited. 45 per cent awarded in 2015, 55 per cent forfeited.*
*Note 3* *Performance related cash bonus: 69 per cent awarded in 2016, 31 per cent forfeited. 45 per cent awarded in 2015, 55 per cent forfeited.*
*Note 4* *Performance related cash bonus: 64 per cent awarded in 2016, 36 per cent forfeited, 42 per cent awarded in 2015, 58 per cent forfeited.*
*Note 5* *Salary paid in financial year from 1 January 2015 to 1 March 2015. No cash bonus was paid in respect to services rendered to ERA during the year.*
*Note 6* *Other benefits includes relocation, accommodation, travel, vehicle, other allowances, Company paid superannuation above statutory requirement that is taken as cash excluding cash paid site allowances which are treated as cash salary.*
*Note 7* *Performance and related bonuses paid in 2016 relate to services in 2015 (equally bonuses paid in 2015 relate to services in 2014).*

The value of share based awards has been determined in accordance with the recognition and measurement requirements of AASB2 “Share-based Payment”. The fair value of awards granted under the Rio Tinto Management Share Plan (MSP), Bonus Deferral Plan (BDP), Performance Share Plan (PSP) and myShare has been calculated at their dates of grant using valuation models provided by external consultants Lane Clark and Peacock LLP, including an independent lattice-based option valuation model and a Monte Carlo valuation model which takes into account the constraints on vesting and exercise attached to these awards.

The fair value of awards granted under the ERA Long Term Incentive Plan (ERA LTIP) to the Chief Executive have been calculated at their date of grant using a valuation model provided by external consultant EY.

# DIRECTOR'S REPORT

## E Executive service agreements

Remuneration and other terms of employment for the Chief Executive and senior executives are formalised in service agreements. These agreements provide for participation in the Rio Tinto short and long term incentive plans upon achieving performance and service goals. The agreements may also provide for other benefits, including: medical insurance, vehicle and accommodation allowances, relocation allowances and expenses and travel allowances.

The Chief Executive and senior executives are also 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. These include:

- notice may be worked or fully or partly paid in lieu, at ERA's 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;
- conditional share awards granted and held for less than three years at the date of termination are reduced pro-rata;
- conditional share awards held for less than three years at date of termination are reduced pro-rata;
- there is no contractual entitlement to payments in the event of a change of control; and
- other major provisions of the agreements relating to remuneration as set out below.

### *A Sutton - Chief Executive*

Term of agreement - Open, commenced 23 September 2013

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2016 of $400,402 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 three months' notice in writing or by the employer giving six months' notice or equivalent payment in lieu of notice.

In addition to Ms Sutton's service agreement, ERA has entered into a secondment agreement with Rio Tinto in relation to Ms Sutton's services to ERA. The secondment agreement provides that ERA can end Ms Sutton's secondment by giving Rio Tinto six months' notice at any time. Rio Tinto can end Ms Sutton's secondment by giving six months' notice to ERA.

### *T Eckersley - General Manager Operations*

Term of agreement - Open, commenced 10 September 2012

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2016 of $321,946 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.

### *J May - Chief Financial Officer*

Term of agreement - Open, commenced 5 May 2014

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2016 of $240,311 per annum. Maximum short term incentive bonus upon meeting performance criteria is 50 per cent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three months' notice in writing or by the employer giving six months' notice or equivalent payment in lieu of notice.

### *A Tietzel - Chief Advisor Agreements*

Term of agreement - Open, commenced 1 October 2010

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2016 of $354,860 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.

## DIRECTOR'S REPORT

### F Share based compensation

*Rio Tinto Share Option Plan*

In 2013 the Rio Tinto Share Option Plan was discontinued. Details of the costs of the share based payment plans applied by the Company are provided at Note 30 of the Financial Statements.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

| GRANT DATE | EXPIRY DATE | EXERCISE PRICE (PRE RIGHTS ISSUE) | EXERCISE PRICE (POST RIGHTS ISSUE) | VALUE PER OPTION AT GRANT DATE | VALUE PER OPTION POST RIGHTS ISSUE | EARLIEST EXERCISE DATE |
|---|---|---|---|---|---|---|
| **Rio Tinto Limited** | | | | | | |
| 17/03/2009 | 17/03/2019 | 49.56 | 33.45 | 13.36 | 13.36 | 17/03/2012 |

*Rio Tinto Performance Share Plan*

Share awards under the Rio Tinto Performance Share Plan (PSP) are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. In 2013 the PSP was revised, and as a transitional provision, 50 per cent potentially vest after four years and 50 per cent potentially vest after five years. PSP awards were granted in 2016. 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[1] | MARKET PRICE AT 31 DECEMBER 2016 |
|---|---|---|---|
| **Rio Tinto Limited** | | | |
| 27 May 2013 | \$53.11 | 31 December 2016 | \$59.90 |
| 27 May 2013 | \$53.11 | 31 December 2017 | \$59.90 |
| 11 March 2016 | \$44.57 | 31 December 2020 | \$59.90 |

*Note 1 Vesting dependent upon continued employment with a Rio Tinto Group company.*

## DIRECTOR'S REPORT

### *Rio Tinto Management Share Plan*

Share awards under the Rio Tinto Management Share Plan (MSP) 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[1] | PRICE AT 31 DECEMBER 2016 |
|---|---|---|---|
| **Rio Tinto Limited** | | | |
| 17 March 2014 | $60.28 | 20 February 2017 | $59.90 |
| 23 March 2015 | $54.02 | 19 February 2018 | $59.90 |
| 11 March 2016 | $44.57 | 18 February 2019 | $59.90 |

*Note 1 Vesting dependent upon continued employment with a Rio Tinto Group company.*

### *Rio Tinto Bonus Deferral Plan*

Share awards under the Rio Tinto Bonus Deferral 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 shares affecting remuneration in this or future reporting periods are as follows:

| AWARD DATE | MARKET PRICE AT AWARD | VESTING DATE[1] | PRICE AT 31 DECEMBER 2016 |
|---|---|---|---|
| **Rio Tinto Limited** | | | |
| 17 March 2014 | $60.28 | 1 December 2016 | $59.90 |
| 23 March 2015 | $54.02 | 1 December 2017 | $59.90 |
| 11 March 2016 | $44.57 | 1 December 2018 | $59.90 |

*Note 1 Vesting dependent upon continued employment with a Rio Tinto Group company.*

### *Share based compensation – Rio Tinto employee share schemes*

The key management personnel and Directors of the Company who elected to participate in Rio Tinto employee share schemes as at 31 December 2016 are set out below:

| | |
|---|---|
| T Eckersley | Rio Tinto myShare Savings Plan |
| Z Fisher | Rio Tinto myShare Savings Plan |
| A Tietzel | Rio Tinto myShare Savings Plan |
| S Trott | Rio Tinto myShare Savings Plan |

## DIRECTOR'S REPORT

### *Equity instrument disclosures relating to key management personnel*

Options provided as remuneration

Details of options over ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to key management personnel in respect of their service to ERA (or, in the case of non-executive Directors, to Rio Tinto) 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[1] | GRANTED AS REMUN-ERATION | EXERCISED DURING THE YEAR | OTHER CHANGES[2] | BALANCE AT END OF THE YEAR[3] | |
|---|---|---|---|---|---|---|---|
| | | | | | | VESTED & EXER-CISABLE | UNVESTED |
| **Rio Tinto Limited** | | | | | | | |
| **Executive Director** | | | | | | | |
| A Sutton | **2016** | 2,888 | - | - | (1,730) | 1,158 | - |
| | **2015** | 2,888 | - | - | - | 2,888 | - |
| **Senior executives** | | | | | | | |
| A Tietzel | **2016** | 2,008 | - | - | (2,008) | - | - |
| | **2015** | 2,008 | - | - | - | 2,008 | - |
| **Non-executive Directors[4]** | | | | | | | |
| B Cox | **2016** | 8,111 | - | - | (3,726) | 4,385 | - |
| | **2015** | 8,111 | - | - | - | 8,111 | - |
| J Farrell | **2016** | 3,666 | - | - | (3,666) | - | - |
| | **2015** | 8,090 | - | (4,424) | - | 3,666 | - |
| P Taylor | **2015** | 7,343 | - | (2,031) | - | 5,312 | - |

*Note 1* *Where a key management personnel joined during the year, balance at start of the year reflects holdings at time of commencement with ERA.*
*Note 2* *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 ERA, and forfeited options where conditions were not met.*
*Note 3* *Where a key management personnel left prior to the end of the year, the balance reflects the holding at the time of resignation.*
*Note 4* *Changes to balances for non-executive Directors do not relate to remuneration for services provided to the Company.*

# DIRECTOR'S REPORT

## *Conditional awards provided as remuneration*

### Performance Share Plan; Management Share Plan; Bonus Deferral Plan

No conditional awards of ordinary shares of either ERA or of Rio Tinto Limited or Rio Tinto plc were provided during the year as remuneration for services provided to ERA to any of the non-executive Directors. Details of conditional awards of ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to the Chief Executive and senior executives of ERA in respect of their duties as officers of ERA 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[1] | GRANTED AS REMU-NERATION | VESTED | LAPSED | AWARDS CAN-CELLED | OTHER CHANGES[2] | BALANCE AT END OF YEAR[3] |
|---|---|---|---|---|---|---|---|---|
| **Rio Tinto Limited** | | | | | | | | |
| **Executive Director** | | | | | | | | |
| A Sutton | **2016** | 9,350 | 6,786 | (3,032) | - | (234) | - | 12,870 |
| | **2015** | 9,630 | 2,427 | (2,561) | - | (146) | - | 9,350 |
| **Senior executives** | | | | | | | | |
| T Eckersley | **2016** | 5,825 | 2,007 | (2,033) | - | (149) | - | 5,650 |
| | **2015** | 5,371 | 1,619 | (1,078) | - | (87) | - | 5,825 |
| J May | **2016** | 2,367 | 1,573 | (717) | - | (59) | - | 3,164 |
| | **2015** | 1,799 | 1,224 | (656) | - | - | - | 2,367 |
| G Sinclair | **2015** | 3,542 | - | (267) | - | (97) | - | 3,178 |
| A Tietzel | **2016** | 6,548 | 2,216 | (2,323) | - | (194) | - | 6,247 |
| | **2015** | 6,417 | 1,798 | (1,514) | - | (153) | - | 6,548 |
| **Non-executive Directors[4]** | | | | | | | | |
| B Cox | **2016** | 45,624 | - | (8,001) | - | - | 24,841 | 62,464 |
| | **2015** | 41,484 | - | (10,848) | - | - | 14,988 | 45,624 |
| J Farrell | **2016** | 37,291 | - | (5,746) | - | - | 15,998 | 47,543 |
| | **2015** | 31,017 | - | (7,541) | - | - | 13,815 | 37,291 |
| Z Fisher | **2016** | 6,626 | - | - | - | - | 5 | 6,631 |
| P Taylor | **2015** | 14,000 | - | (3,038) | - | - | 5,464 | 16,426 |
| S Trott | **2016** | 24,473 | - | (3,023) | - | - | 14,382 | 35,832 |
| | **2015** | 24,473 | - | - | - | - | - | 24,473 |

*Note 1* *Where a key management personnel joined during the year, balance at start of the year reflects holdings at time of commencement with ERA.*
*Note 2* *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 ERA, and Rio Tinto Rights Issue adjustments to accrued balances.*
*Note 3* *When a key management personnel left prior to the end of the year, the balance reflects holdings at the date of resignation.*
*Note 4* *Changes to balances for non-executive Directors do not relate to remuneration for services provided to ERA.*

### ERA Long Term Incentive Plan

In addition to the conditional awards set out above, as at 31 December 2016, Ms Sutton had been awarded a cumulative total of 223,528 rights (31 December 2015 balance: 223,528 rights) that have a value calculated by reference to the Company's share price (i.e. phantom shares). These awards have a three year performance period and, upon vesting, will be converted into Rio Tinto MSP shares based on the five day average Rio Tinto Limited share price prior to the Rio Tinto MSP grant date in March of the year of vesting. Any Rio Tinto MSP shares provided will vest after a further two year period. Further details of the ERA LTIP are available on pages 45 and 46.

## DIRECTOR'S REPORT

### *Shareholdings*

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

| | | BALANCE AT START OF THE YEAR[1] | INCREASED DURING THE YEAR | OTHER CHANGES DURING THE THE YEAR | BALANCE AT END OF THE YEAR[2] |
|---|---|---|---|---|---|
| **Energy Resources of Australia Ltd** | | | | | |
| P McMahon | **2015** | 42,500 | - | - | 42,500 |
| **Rio Tinto Limited** | | | | | |
| P Mansell | **2016** | 3,500 | - | (1,500) | 2,000 |
| | **2015** | 3,137 | 363 | - | 3,500 |
| A Sutton | **2016** | 11,537 | 3,580 | (11,232) | 3,885 |
| | **2015** | 9,211 | 3,170 | (844) | 11,537 |
| B Cox | **2016** | 5,399 | 6,709 | (6,691) | 5,417 |
| | **2015** | 5,395 | 9,571 | (9,567) | 5,399 |
| P Dowd | **2016** | 1,744 | - | - | 1,744 |
| | **2015** | 1,744 | - | - | 1,744 |
| J Farrell | **2016** | 26,741 | 5,580 | (4,741) | 27,580 |
| | **2015** | 19,404 | 12,077 | (4,740) | 26,741 |
| Z Fisher | **2016** | 2,799 | 3,071 | (2,993) | 2,877 |
| S Trott | **2016** | 2,318 | 3,091 | - | 5,409 |
| | **2015** | 2,318 | - | - | 2,318 |
| P McMahon | **2015** | 18,405 | - | (10,582) | 7,823 |
| J Pegler | **2015** | 6,331 | - | - | 6,331 |
| D Smith | **2015** | 33,078 | 65 | (10,104) | 23,039 |
| P Taylor | **2015** | 33,804 | 4,601 | (2,457) | 35,948 |

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

## G Additional information

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

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

# DIRECTOR'S REPORT

## Principal activities

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

## Dividends

No dividends have been paid by ERA to members in respect of the 2016 financial year (2015: nil).

## Operating and financial review

Details of ERA's review and results of operations are included in the Chairman's Report on page 6, the Chief Executive's Report on page 7 and the Operating and Financial Review section on page 9.

## Significant changes to the state of affairs

In the opinion of the Directors, other than matters reported in the Directors' Report, the Chairman's Report and the Chief Executive's Report, there were no significant changes in the state of affairs of the Company during the year ended 31 December 2016.

## 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 Company;

(ii) the results of those operations; or

(iii) the state of affairs of the Company subsequent to the financial year ended 31 December 2016.

## Likely developments

In the opinion of the Directors, any likely developments in the operations of the Company 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 Operating and Financial Review section on page 9.

## Annual General Meeting

The 2017 Annual General Meeting will be held on 12 April 2017 in Darwin, in the Northern Territory of Australia. Notices of the 2017 Annual General Meeting will be set out in separate letters to the shareholders of the Company.

## 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 Company Secretary of the Company, and all former Directors and Company 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 senior executives 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 (including the Directors, Company 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.

## 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 Department of Primary Industry and Resources (Northern Territory); the Supervising Scientist Branch of the Commonwealth Department of Environment; the Northern Land Council; the Commonwealth Department of Industry, Innovation and Science and the Gundjeihmi Aboriginal Corporation (representatives of the Mirarr Traditional Owners).

ERA's commitment to protect the environment in 2016 was overseen by the Supervising Scientist Branch, which conducts extensive monitoring and research programs on the Ranger Project Area and Jabiluka Mineral Lease.

There were no prosecutions commenced or fines incurred in respect of ERA's environmental performance during 2016.

# DIRECTOR'S REPORT

The environment remained protected throughout the period. Further details of ERA's environmental performance are included in the Environment section of the Annual Report on page 28.

## 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 3rd Edition of the Corporate Governance Principles and Recommendations developed by the 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 on pages 62 to 68.

## Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 2016/191 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.

## Auditor

PricewaterhouseCoopers is the auditor of the Company. No person who was an officer of the Company during the year was a former partner or director of the auditor. 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 auditor in connection with preparing its report) of which the auditor is 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 auditor is aware of that information.

## Non audit services

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

Details of the amounts paid or payable to the auditor for audit services are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for the auditor imposed by the *Corporations Act 2001*.

All non-audit services are reviewed by the Audit and Risk Committee to ensure they do not impact on the impartiality and objectivity of the auditor and do not undermine the general principles relating to auditor's independence as set out in Professional Statement F1, including reviewing or auditing the auditor's 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 have satisfied themselves that the provision of non-audit services by the auditor 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 auditor of the Company, its related practices and non-audit related firms.

| | 2016 $000 | 2015 $000 |
|---|---|---|
| **AUDIT SERVICES** | | |
| PricewaterhouseCoopers Australia | | |
| Audit and review of financial reports | 407 | 345 |
| Audit and review of financial reports (additional prior year fees) | 28 | 108 |
| **Total remuneration for audit services** | 435 | 453 |
| Taxation services | - | - |
| Audit related services | 53 | 100 |
| **Total Remuneration** | 488 | 553 |

## 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 61.

Signed at Perth this 10 February 2017 in accordance with a resolution of the Directors.

P Mansell
Director
Perth
10 February 2017

# AUDITOR'S INDEPENDENCE DECLARATION

pwc

## Auditor's Independence Declaration

As lead auditor for the audit of Energy Resources of Australia Ltd for the year ended 31 December 2016, 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.

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
10 February 2017

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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 3rd Edition of the Corporate Governance Principles and Recommendations ("Principles") developed by the ASX Corporate Governance Council ("Council").

The Board has considered the Council's Principles, and ERA did not comply with the following recommendations for the whole of the reporting period:

- Recommendation 2.4 – there was not a majority of independent Directors.
- Recommendations 4.1 and 7.1 – for part of the reporting period the Audit and Risk Committee was not chaired by an independent Director.

As explained further below, the Board considers that in each case this is appropriate.

This Corporate Governance Statement is current as at 10 February 2017 and has been approved by the Board of ERA.

## 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.

Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of ERA's business is delegated to the Chief Executive who is accountable to the Board.

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 and removal of a Chief Executive proposed by Rio Tinto and the terms and conditions of the Chief Executive's employment;
(b) appointment and removal of a Company Secretary;
(c) appointment of the Chairman of the Board and members of Board Committees;
(d) any matters set out in the Schedule of Matters Reserved for Decision or Consideration by the Board; and
(e) approval, subject to the Constitution, the *Corporations Act 2001* 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 budget plan;
    (vii) changes to the capital and operating approval limits of senior management; and
    (viii) the annual report and interim and preliminary final reports.

The Board Charter is available at the Corporate Governance section of ERA's website.

## Composition

From 1 January 2016 to 3 May 2016, the Board of ERA consisted of seven Directors, six of whom were non-executive. On 3 May 2016, the number of Directors decreased to six, following the resignation of Mr Cox as a non-executive Director.

Ms Sutton was the Board's only executive Director and held the position of Chief Executive and Managing Director throughout 2016.

Mr Mansell, Mr Charles and Mr Dowd all served as independent non-executive Directors in 2016. Mr Cox, Ms Farrell, Ms Fisher and Mr Trott, who are all executives of Rio Tinto, also served as non-executive Directors during the period.

## Skills, experience and diversity

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 38 to 39. Details of the independent status of each Director is outlined in the Independence section below.

# CORPORATE GOVERNANCE STATEMENT

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.

The Board reviews its structure, size and composition regularly. The Board has not established a Nominations Committee. 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.

The process to identify and nominate new independent Directors from time to time is led by the incumbent independent Directors. Decisions relating to the appointment of Directors are made by the full Board. Directors appointed by the Board are required by ERA's Constitution to submit themselves for re-election by shareholders at the Annual General Meeting following their appointment. There is no share ownership qualification for appointment as a Director.

The ERA Board undertakes appropriate background checks and screening prior to appointing a Director or putting a candidate to security holders for election as a Director. ERA provides security holders with all material information in its possession concerning each Director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

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. The key attributes that the Board seeks to achieve in its membership are set out below.

| | |
|---|---|
| **Mining** | Senior executive experience in the resources industry, including mining, development, marketing and exploration |
| **Health, Safety and Environment** | Familiarity with issues associated with workplace health and safety, environment and social responsibility |
| **Financial** | Proficiency in financial accounting and reporting, corporate finance, internal financial controls, corporate funding and associated risks |
| **Technical** | A strong understanding in technical areas of the resource industry, including engineering, mining and processing |
| **Strategy** | Proven ability in developing and implementing successful business strategies, including the capacity to probe and challenge management on the delivery of strategic objectives |
| **Governance** | Commitment to the highest standards of governance, including Board experience with other ASX listed companies that demonstrate rigorous governance standards |
| **Executive leadership** | Sustainable success in business at a very senior executive level |
| **Government relations** | Interaction with government and regulators and involvement in public policy initiatives and decisions |
| **Community and indigenous engagement** | Experience in engaging with a cross-section of community and Indigenous stakeholders |
| **Risk management** | Experience in developing and establishing risk management frameworks, setting risk appetite and overseeing organisational risk culture |

## Appointment, induction training and professional development

All new non-executive Directors sign a letter of appointment which sets out the key terms and conditions of their appointment including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work. The Chief Executive and senior executives enter into service agreements which govern the terms of their employment (see page 53).

Induction training is provided to all new Directors. It includes comprehensive induction materials, discussions with the Chief Executive and senior executives and the option to visit the Company's operations at Ranger mine, either by appointment or with the Board during its next site tour. The induction materials and discussions include information on the Company's strategy, culture and values, key corporate and Board policies, the Company's financial, operational and risk management position, the rights and responsibilities of Directors, the role of the Board and its committees and meeting arrangements.

All Directors are expected to maintain the skills required to discharge their obligations to the Company. ERA provides the opportunity for Directors to participate in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

# CORPORATE GOVERNANCE STATEMENT

## 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 interests 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.

In addition to the examples set out in the Principles, 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 five per cent of the voting shares) in the Company or in a member of the Rio Tinto Group;
- the Director's cross directorships of, or significant links with, or involvement in, other companies;
- the Director's length of service on the Board and whether this may have compromised independence; 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).

Mr Mansell, Mr Charles and Mr Dowd are considered by the Board to be independent Directors.

For the reporting period, the Board of Directors did not consist of a majority of independent Directors. This does not follow Recommendation 2.4 of the Council's Principles. The Board considered it was appropriate that the composition of the Board recognised Rio Tinto's 68.4 per cent shareholding.

All Directors are required to, and do, bring an independent judgement 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 on arm's length terms and in the interests of ERA.

## Chairman and Chief Executive

The Chairman, Mr Mansell, is an independent non-executive Director. Mr Mansell's other appointments are set out on page 38. The Board considers that none of his other commitments interfere with the discharge of his duties to ERA.

The Chief Executive is Ms Sutton, who is also a Director.

## Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Details of the Company Secretary's experience and qualifications are set out on page 41.

## Board meetings

The Board held six scheduled meetings and three extraordinary meetings during 2016. In addition, there were 17 meetings held in 2016 of Committees established by the Board. The Board and Committee meeting attendance details for Directors in 2016 are set out on page 42.

## Performance self assessment

The Board has a process for periodically evaluating its performance, as well as the performance of its committees and individual Directors. The evaluation and self-assessment generally takes the form of an internal process facilitated by the Chairman. After consulting each Director and the Company Secretary, the Chairman reports a summary of the findings to all Directors for discussion at the next Board meeting where relevant actions are agreed. Every third year, the Board utilises the services of an external consultant to facilitate the process. The external process takes the form of a questionnaire completed by each of the Directors and the Company Secretary. Following collation by the consultant, the results, adequacy and appropriateness of the self-assessment process are compiled. A report outlining the results is circulated to all Directors and discussed at the following Board meeting where actions arising are agreed.

The last formal performance evaluation was carried out in 2014 and facilitated by an external consultant. Due to the number of changes to the Board's composition in 2015 and 2016, a formal evaluation was not carried out in the period. The Chairman obtained informal feedback from the Directors on the performance of the Board and its committees in 2016, with a view to undertaking a formal evaluation in 2017.

# CORPORATE GOVERNANCE STATEMENT

## 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 2016 Annual General Meeting, the 2015 Remuneration Report was approved with 95.68 per cent of shares voted in favour (voting comprised 356,856,147 votes 'for' the resolution and 16,104,679 votes 'against' the resolution). North Limited and Peko-Wallsend Pty Ltd, which are both Rio Tinto entities, voted a combined total of 354,078,854 votes 'for' the resolution.

In 2012, the Board established a Remuneration Committee. At 31 December 2016, the Remuneration Committee comprised three non-executive Directors, being Mr Mansell (Chair), Mr Dowd and Mr Charles, all of whom are independent. 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.

The Remuneration Committee Charter sets out the role and objectives of the Remuneration Committee. A summary of the objectives of the Remuneration Committee and the policies and practices of the Company regarding the remuneration of non-executive Directors, the Chief Executive and senior executives is set out on pages 43 to 46 of the Remuneration Report. The complete Remuneration Committee Charter is available at the Corporate Governance section of ERA's website.

Details of how the performance evaluation process is undertaken by the Board in respect of the Chief Executive and senior executives are set out on pages 43 to 46 of the Remuneration Report.

## Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board and at 31 December 2016 comprised three non-executive Directors, all of whom are independent. A majority of members constitutes a quorum. The present members of the Audit and Risk Committee are Mr Charles (Chair), Mr Mansell and Mr Dowd. The Company's Chief Financial Officer, Chief Executive and Legal Counsel & Company Secretary, the external auditor and the internal auditor are invited to attend all meetings.

During the period from 1 January 2016 to 28 January 2016, the Audit and Risk Committee was chaired by Mr Cox, who was not considered by the Board to be independent (other members of the Committee were Mr Charles and Mr Mansell). This does not follow Recommendations 4.1 or 7.1 of the Council's Principles. The Board considered the composition of the Audit and Risk Committee in light of the skills and experience of the current Directors and determined that it was appropriate for Mr Cox to chair the Committee during this period.

From 28 January 2016 the Audit and Risk Committee was comprised of Mr Charles (Chair), Mr Mansell and Mr Dowd, all of whom are independent Directors.

The Audit and Risk Committee Charter sets out the role and terms of reference of the Audit and Risk Committee and is reviewed regularly. The Audit and Risk 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 Audit and Risk 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 and Risk Committee. The Audit and Risk Committee reviews compliance with the *Corporations Act 2001*, and the requirements of the ASX and other regulatory requirements.

The Audit and Risk Committee held three scheduled meetings during 2016 and three extraordinary meetings. Attendance details of the 2016 meetings of the Audit and Risk Committee, and the qualifications and experience of the members, are set out in the Directors' Report on pages 42 and 38 respectively.

Each year the external auditor submits a schedule of audit services and fee estimate to the Audit and Risk Committee for consideration and approval. PricewaterhouseCoopers has been ERA's external auditor for a number of years. Each year, the Audit and Risk Committee reviews the effectiveness of the external audit process and the independence of the auditor. Based on its 2016 review, the Audit and Risk 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 and Risk Committee.

Details of the fees paid to PricewaterhouseCoopers during 2016 are outlined on page 60.

# CORPORATE GOVERNANCE STATEMENT

## Health, Safety and Environment Committee

In 2016 the ERA Board introduced a Health, Safety and Environment Committee.

The Health, Safety and Environment Committee is appointed by the Board and ordinarily comprises three non-executive Directors. A majority of members constitutes a quorum. At 31 December 2016 the members of the Health, Safety and Environment Committee were Mr Dowd (Chair) and Mr Charles. Ms Farrell served as a member of the committee in 2016, but resigned as a Director during the period. In January 2017 Ms Fisher was appointed to the Health, Safety and Environment Committee. The Company's Chief Executive, General Manager Operations and Company Secretary are invited to attend all meetings.

The Health, Safety and Environment Committee Charter sets out the role and objectives of the Health, Safety and Environment Committee and is reviewed regularly. It is available at the Corporate Governance section of ERA's website.

The Committee provides a formal structure to further support governance and initiatives for improvement in health, safety and the environmental management of ERA operations.

The Health, Safety and Environment Committee held two scheduled meetings during 2016, which will be increased to three in 2017. Attendance details of the 2016 meetings of the Health, Safety and Environment Committee, and the qualifications and experience of the members, are set out in the Directors' Report on pages 42 and 38 respectively.

## 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 underrepresented 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*. In accordance with the Company's diversity policy, ERA has set measurable objectives to achieve diversity.

The objectives and the Company's progress in achieving each objectives are set out below:

| OBJECTIVE | OUTCOME |
|---|---|
| Women to represent 20 per cent of the management (being manager level and above) and the Board by end of 2016. | As at 31 December 2016 female participation at manager, Executive Committee and Board level is 26 per cent. Women comprise 33 per cent of Directors. Total female participation is 16 per cent. |
| Target of 33 per cent Indigenous people and 25 per cent female participation in new apprenticeships by end of 2016. | Throughout 2016, ERA had six full time apprentices, three of whom are Indigenous (50 per cent) and three of whom are female (50 per cent).<br>In addition, ERA had four school based apprentices and three Indigenous trainees. |
| Target Indigenous employment of 20 per cent by the end of 2016. | ERA ended 2016 with an Indigenous employment rate of 13 per cent. |

As at 31 December 2016, the proportion of women employed by ERA was as follows:

| | |
|---|---|
| Board of Directors | 33% |
| Executive Committee and managers | 24% |
| Company | 16% |

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

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

# CORPORATE GOVERNANCE STATEMENT

## Purchase and sale of Company securities

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

In addition, the "Rules for dealing in securities of Rio Tinto" ("Rules for dealing") apply to the participation of ERA executives in the Rio Tinto long term incentive plans 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, senior executives and senior managers must advise the Chairman in writing, and receive approval in writing from the Chairman, if they intend to purchase or sell ERA securities. In regard to his own dealings, the Chairman is required to notify the Chair of the Audit and Risk Committee.
- No dealings in ERA securities 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 42 of the Remuneration Report.

## 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 and Risk Committee, to ensure that potential business risks are identified and appropriate action taken.

The Company has an annual internal audit programme that is determined by the Audit and Risk Committee. The annual internal audit programme is executed by an outsourced provider which reports back to the Audit and Risk Committee on its assessment of the Company's control environment. In addition, the Company's compliance officer provides support for internal audit planning activities and the monitoring of actions implemented by the Company in response to findings raised by the internal auditor.

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. 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 Audit and Risk Committee reviews ERA's risk management framework at least annually, and did so in 2016, to satisfy itself that it continues to be sound.

In 2016, both the Audit and Risk Committee and the Board undertook an assessment of the strategic risks to the Company's business and the mitigation strategies to be implemented by management. The strategic risks identified through this assessment were process water, cashflow over the period of 2016 to 2018, Ranger 3 Deeps mine, stakeholder support of the Company's strategic initiatives, rehabilitation of the Ranger Project Area, internal constraints relating to the Company's licence to operate, external events relating to the Company's licence to operate, long term resource access and human resources.

These strategic risks are in addition to risks inherent to the mining industry generally which include economic conditions (fluctuations in commodity pricing and exchange rates), international regulation of greenhouse gas emissions and impact of climatic conditions. More information on ERA's business risks, including any material exposure to economic, environmental and social sustainability risks, is set out on pages 15 and 16 of the Annual Report.

## CORPORATE GOVERNANCE STATEMENT

Each reporting period, the Chief Executive and the Chief Financial Officer give statements to the Board that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the Australian Accounting Standards and give a true and fair view of the Company's financial position and performance. The statements also provide that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects. In 2016, the Chief Executive and senior executives of the Company also made a declaration that they:

- understood the key requirements of each business integrity element of the Rio Tinto's *The Way We Work*; and
- had actively engaged with their direct reports to:
  - promote awareness of the business integrity values; and
  - ensure compliance with the Company's expectations around each value.

### 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 at the Corporation Governance section of ERA's website at *www.energyres.com.au*.

### Shareholder communication

ERA recognises the importance of effective communication with shareholders and the general investment community. Apart from ERA's compliance with its mandatory continuous disclosure obligations, ERA takes steps to ensure that its shareholders and other stakeholders are kept informed. Full advantage is taken of the Annual General Meeting to inform shareholders of current developments and to give shareholders the opportunity to ask questions. 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 the Annual General Meeting. 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, presentations 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.

ERA provides shareholders with the option to receive communications from, and send communications to, the Company and the share registrar electronically. The contact details are available on the Company's website.

# STATEMENT OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 DECEMBER 2016**

| | NOTES | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 3 | 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 | 4 | (14,286) | (17,908) |
| Commission and shipping expenses | | (5,526) | (5,130) |
| Depreciation and amortisation expenses | 4 | (37,853) | (111,933) |
| Non-cash impairment charge | 13 | (230,724) | - |
| Financing costs | 4 | (19,654) | (22,031) |
| Statutory and corporate expenses | | (12,736) | (12,787) |
| Other expenses | | (2,372) | (1,252) |
| **Profit/(loss) before income tax** | | (271,077) | (79,798) |
| Income tax (expense)/benefit | 5 | - | (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/(loss) 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) |
| **Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share (cents) | 27 | (52.4) | (53.2) |
| Diluted earnings per share (cents) | 27 | (52.4) | (53.2) |

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

# BALANCE SHEET

## AS AT 31 DECEMBER 2016

| | NOTES | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 395,598 | 365,326 |
| Trade and other receivables | 8 | 12,348 | 20,440 |
| Inventories | 9 | 127,274 | 132,950 |
| Other | 10 | - | 480 |
| **Total current assets** | | 535,220 | 519,196 |
| **Non-current assets** | | | |
| Inventories | 11 | 9,791 | 49,673 |
| Undeveloped properties | 12 | 203,632 | 203,632 |
| Property, plant and equipment | 13 | - | 259,990 |
| Investment in trust fund | 14 | 70,789 | 68,324 |
| **Total non-current assets** | | 284,212 | 581,619 |
| **Total assets** | | 819,432 | 1,100,815 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Payables | 15 | 34,357 | 50,139 |
| Income received in advance | | 40,416 | 38,930 |
| Provisions | 16 | 58,572 | 39,958 |
| **Total current liabilities** | | 133,345 | 129,027 |
| **Non-current liabilities** | | | |
| Provisions | 17 | 466,460 | 480,750 |
| Deferred tax liabilities | 18 | 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 | 19 | 706,485 | 706,485 |
| Reserves | 20 | 389,440 | 389,751 |
| Accumulated losses | 20 | (897,366) | (626,289) |
| **Total equity** | | 198,559 | 469,947 |

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | CONTRIBUTED EQUITY $'000 | RESERVES $'000 | RETAINED EARNINGS $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2015** | | 706,485 | 389,918 | (350,796) | 745,607 |
| Profit/(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 | 20 | - | (167) | - | (167) |
| | | - | (167) | - | (167) |
| **Balance at 31 December 2015** | | 706,485 | 389,751 | (626,289) | 469,947 |
| Profit/(loss) for the year | | - | - | (271,077) | (271,077) |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | - | - | - | - |
| Transactions with owners in their capacity as owners: | | | | | |
| Employee share options – value of employee services | 20 | - | (311) | - | (311) |
| | | - | - | - | - |
| **Balance at 31 December 2016** | | 706,485 | 389,440 | (897,366) | 198,559 |

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

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2016

| | NOTES | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **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 (outflow)/inflow from operating activities** | 26 | 34,022 | 84,594 |
| | | | |
| **CASH FLOW 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 (outflow)/inflow from investing activities | | (2,895) | (11,659) |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Employee share option payments | | (853) | (904) |
| **Net cash (outflow)/inflow from financing activities** | | (853) | (904) |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | 30,274 | 72,031 |
| Cash and cash equivalents at the beginning of the financial year | | 365,326 | 293,318 |
| Effects of exchange rate changes on cash and cash equivalents | | (2) | (23) |
| **Cash and cash equivalents at end of year** | 7 | 395,598 | 365,326 |

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these 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 Energy Resources of Australia Ltd (ERA).

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001*.

#### *(i) Compliance with IFRS*

The financial statements of the Company 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.

#### *(iii) Critical accounting estimates*

The presentation of financial statements 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 the Company. 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*

ERA has no subsidiaries and is referred to in the financial report as the Company.

Subsidiaries are all those entities (including special purpose entities) over which the Company 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 Company controls another entity.

### (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 Company 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 Company'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 Company 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 the Company under a separate agreement, the revenue is deferred until repayment of the borrowed goods occurs.

Under the marketing agreement with Rio Tinto Uranium, payment for uranium oxide is connected to the date the material is shipped. Once cash is received, it is treated as unearned revenue until the sale occurs and ownership transfers.

#### *(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 Company 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;
- contract compensation, which is recognised upon cancellation of a sales contract;
- 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 financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## (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 Company 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*

The Company 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 the Company'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 per cent 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 statement of comprehensive income 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, the Company 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, the Company 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 the Company 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.

The Company 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company generates taxable income (Australia).

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 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 or 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.

# NOTES TO THE FINANCIAL STATEMENTS

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.

## (h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

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 Company and are predominantly 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, for example because it exceeds the mine's cut off grade, it is valued at the lower of cost and net realisable value.

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

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

Stores are valued at the lower of cost or net realisable value 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 loans received 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 the present value of the future cashflow expected to be derived from an asset or cash generating unit.

## (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 Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the statement of comprehensive income 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

- buildings – units of production over the life of reserves;
- plant and equipment* – units of production over the life of reserves.

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

- Office equipment: computers - three years
- Office equipment: general - five years
- Plant and equipment - five years
- Furniture & fittings - ten years
- Motor vehicles - five years
- Tailings Storage Facility - three years
- Brine Concentrator - seven 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 Company 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 statement of comprehensive income on a straight-line basis over the period of the lease.

### *(iv) Mine properties*

Mine properties, consisting principally of Ranger Project Area mining rights, are amortised on a unit of production basis over the life of the economically recoverable reserves 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;
- construction of underground tunnels, where necessary for exploration drilling;
- examining and testing extraction and treatment methods; and
- compiling prefeasibility 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 the Company. Capitalised exploration expenditure is reviewed for impairment indicators 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 and Risk Committee. Impairment is assessed using the fair value less cost of disposal 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 flows.

## (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. Trade accounts payable are normally settled within 60 days. These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS

### (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 statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company 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 Company 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 Company has no staff who are members of the defined benefits section.

#### *(iv) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### (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.

## NOTES TO THE FINANCIAL STATEMENTS

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 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been 'rounded off' in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### (w) Share based payments

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

Equity settled share plans are settled either by the issue of shares by the relevant parent Company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to other reserves.

If the cost of shares acquired to satisfy the plans exceeds the expense charged, the excess is taken to the appropriate reserve. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (e.g. TSR). The Company 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 30.

### (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) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

#### *(i) AASB 9 Financial Instruments*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities.

#### *(ii) AASB 16 Leases*

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet as the distinction between operating and financing leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exception are short-term and low-value leases. The company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how it will affect the Company's profit or loss and classification of cashflows. The standard is mandatory for financial years commencing on or after 1 January 2019.

#### *(iii) AASB 15 Revenue from Contracts with Customers*

AASB 15 'Revenue from contracts with customers' establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is not applicable until 1 January 2018 but is available for early adoption. ERA is presently determining the extent of the impact, if any.

There are no other standards that are not yet effective and that are expected to have an impact on the entity in the current or future reporting periods and in forecast transactions.

## NOTES TO THE FINANCIAL STATEMENTS

# 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 Company and that are believed to be reasonable under the circumstances.

The Company 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 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, 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 in flows, and the performance of water treatment infrastructure. The current cost estimate may require material adjustment should the assumptions used change or not be realised.

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 at 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.

### (b) Taxation

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 the future.

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. Further details on deferred tax assets are included in Note 18.

### (c) Determination of ore reserves and resources

ERA estimates the Ore Reserves and Mineral Resources based on information compiled by a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code). There are numerous uncertainties inherent in estimating Ore Reserves and Mineral Resources 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 Ore Reserves and may, ultimately, result in the Ore Reserves being restated. Such changes in Ore Reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation. ERA's Ore Reserves and Mineral Resources Statement as at 31 December 2016 is on pages 18 and 19.

## NOTES TO THE FINANCIAL STATEMENTS

### (d) Asset carrying value

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 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### (e) 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.

### (f) Inventory net realisable value

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.

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

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).

## NOTES TO THE FINANCIAL STATEMENTS

# 3 Revenue

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **REVENUE FROM CONTINUING OPERATIONS** | | |
| Sale of goods | 267,757 | 332,669 |
| Rendering of services | 8 | 108 |
| **Total sales revenue** | 267,765 | 332,777 |
| **Other revenue** | | |
| Interest received/receivable, other parties | 8,704 | 8,493 |
| Rent received | 789 | 829 |
| Contract compensation | 17,504 | 6,161 |
| Net gain on sale of property, plant and equipment | 77 | - |
| **Total other revenue** | 27,074 | 15,483 |
| **Total revenue from continuing operations** | 294,839 | 348,260 |

## NOTES TO THE FINANCIAL STATEMENTS

# 4 Expenses

| | NOTES | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:** | | | |
| **Cost of sales** | | | |
| Produced product (uranium oxide) | | 236,413 | 294,101 |
| **Total cost of sales** | | 236,413 | 294,101 |
| **Depreciation** | | | |
| Mine land and buildings | | 810 | 3,298 |
| Plant and equipment | | 32,070 | 81,592 |
| **Total depreciation** | | 32,880 | 84,890 |
| **Amortisation** | | | |
| Mine properties | | 1,431 | 8,199 |
| Rehabilitation asset | | 3,542 | 18,844 |
| **Total amortisation** | | 4,973 | 27,043 |
| **Total depreciation and amortisation expenses** | | 37,853 | 111,933 |
| **Government and other royalties** | | | |
| Royalty payments | 22 | 3,247 | 4,070 |
| Payments to Indigenous interests | 22 | 11,039 | 13,838 |
| **Total Government and other royalties** | | 14,286 | 17,908 |
| **Financing costs** | | | |
| Other parties | | 1,904 | 1,341 |
| Unwinding of discount (rehabilitation provision) | | 17,750 | 20,690 |
| **Total Financing Costs** | | 19,654 | 22,031 |
| Doubtful debts expense | | - | (6) |
| Net loss on disposal of property, plant & equipment | | - | 538 |
| Net foreign exchange loss/(gain) | | 429 | 292 |
| Rental expense relating to operating leases | | 4,948 | 5,417 |
| Research and development expenditure | | - | 1,705 |
| Total exploration and evaluation expenditure (including Ranger 3 Deeps exploration decline) | | - | 8,749 |
| Defined contribution superannuation expense | | 4,471 | 5,024 |

## NOTES TO THE FINANCIAL STATEMENTS

# 5 Income tax expense/(benefit)

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **INCOME TAX EXPENSE/(BENEFIT)** | | |
| Current tax | - | - |
| Deferred tax | - | 195,331 |
| Under/(over) provided in prior years | - | 364 |
| **Income tax expense/(benefit)** | - | 195,695 |
| Deferred income tax (revenue)/expense included in income tax expense comprises: | | |
| Decrease/(increase) in deferred tax assets (Note 18B) | 104 | 197,573 |
| (Decrease)/increase in deferred tax liabilities (Note 18A) | (104) | (2,242) |
| **Deferred tax** | - | 195,331 |
| **RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE** | | |
| Operating loss before income tax | (271,077) | (79,798) |
| Tax at the Australian tax rate of 30% (2015: 30%) | (81,323) | (23,940) |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Derecognition of deferred tax assets | 76,436 | 219,667 |
| R&D tax concession | - | (1,705) |
| Amortisation | 8,080 | 5,653 |
| Rehabilitation expenditure | (3,228) | (4,348) |
| Other items | 35 | 4 |
| Income tax under/(over) provided in prior years | - | 364 |
| **Income tax expense/(benefit)** | - | 195,695 |
| **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 (Note 18B) | (23) | 23 |

## NOTES TO THE FINANCIAL STATEMENTS

# 6 Dividends

### Dividends paid or declared

No dividends have been paid or declared for the year ended 31 December 2016 (2015: nil).

### Dividends franking account

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%) | 234,095 | 234,095 |

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 as applicable.

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

# 7 Cash and cash equivalents

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **CURRENT** | | |
| Cash at bank and in hand | 3,572 | 3,640 |
| Deposits at call | 392,026 | 361,686 |
| **Cash and cash equivalents** | 395,598 | 365,326 |

### Cash at bank/Deposits at call

Cash assets and deposits bear floating interest rates between 0.0 per cent and 2.6 per cent (2015: 0.0 per cent and 3.3 per cent).

### Interest rate risk exposure

The Company's exposure to interest rate risk is discussed in Note 28.

# 8 Trade and other receivables

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **CURRENT** | | |
| Trade debtors | 9,941 | 17,427 |
| Other debtors | 2,407 | 3,013 |
| Trade and other receivables | 12,348 | 20,440 |

### Impairment of receivables

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

Other debtors relate to transactions outside the usual operating activities of the Company 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.

## NOTES TO THE FINANCIAL STATEMENTS

### Foreign exchange and interest rate risk

The Company 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 28.

### Fair value and credit risk

Due to the short-term nature of trade and other 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 Company does not hold any collateral as security. Refer to Note 28 for more information on the financial risk management policy of the Company.

## 9 Inventories – current

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Stores and spares | 16,128 | 16,923 |
| Ore stockpiles 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 |

### Inventory expense

Obsolescence of inventory provided for and recognised as an expense during the year ended 31 December 2016 amounted to $840,635 (2015: $1,351,475).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2016 amounted to $24,780,087 (2015: $31,220,392). The expense has been included in 'Changes in inventories' in the statement of comprehensive income.

## 10 Other assets

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Prepayments | - | 480 |

## 11 Inventories – non-current

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Ore stockpiles at cost | 9,791 | 49,673 |

## NOTES TO THE FINANCIAL STATEMENTS

# 12 Undeveloped properties

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Jabiluka: Long-term care and maintenance development project** | | |
| Balance brought forward | 203,632 | 203,632 |
| Amount capitalised during the year | - | - |
| **Total undeveloped properties** | 203,632 | 203,632 |

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

Fair value less cost of disposal 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;
- Ore Reserves and Mineral Resources; and
- probability of future development.

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 Resources.

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 development and life of the ore body together with the term and continuity 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 Jabiluka Mineral Lease is currently under long-term care and maintenance. The Company has agreed that future mining development will not occur 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 discount rate applied to the future cash flow forecasts represents 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.

## NOTES TO THE FINANCIAL STATEMENTS

# 13 Property, plant and equipment

| | MINE LAND AND BUILDINGS $'000 | PLANT AND EQUIPMENT $'000 | MINE PROPERTIES $'000 | REHABILITATION $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| **YEAR ENDED 31 DECEMBER 2016** | | | | | |
| Opening net book amount | 4,196 | 226,203 | 8,269 | 21,322 | 259,990 |
| Additions | - | 2,988 | - | - | 2,988 |
| Disposals | - | (15) | - | - | (15) |
| Change in estimate | - | - | - | 5,614 | 5,614 |
| Depreciation/amortisation charge | (810) | (32,070) | (1,431) | (3,542) | (37,853) |
| Impairment Loss | (3,386) | (197,106) | (6,838) | (23,394) | (230,724) |
| **Closing net book amount** | **-** | **-** | **-** | **-** | **-** |
| Cost | 110,845 | 1,164,095 | 421,700 | 342,327 | 2,038,967 |
| Accumulated depreciation/amortisation/impairment | (110,845) | (1,164,095) | (421,700) | (342,327) | (2,038,967) |
| **Net book amount** | - | - | - | - | - |
| **YEAR ENDED 31 DECEMBER 2015** | | | | | |
| Opening net book amount | 7,494 | 296,674 | 16,468 | 37,849 | 358,485 |
| Additions | - | 11,906 | - | - | 11,906 |
| Disposals | - | (785) | - | - | (785) |
| Change in estimate | - | - | - | 2,317 | 2,317 |
| Depreciation/amortisation charge | (3,298) | (81,592) | (8,199) | (18,844) | (111,933) |
| **Closing net book amount** | 4,196 | 226,203 | 8,269 | 21,322 | 259,990 |
| Cost | 110,845 | 1,161,122 | 421,700 | 336,713 | 2,030,380 |
| Accumulated depreciation/amortisation/impairment | (106,649) | (934,919) | (413,431) | (315,391) | (1,770,390) |
| **Net book amount** | 4,196 | 226,203 | 8,269 | 21,322 | 259,990 |

## Assets under construction

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

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Plant and equipment** | 1,333 | 4,956 |

## NOTES TO THE FINANCIAL STATEMENTS

# 14 Investment in trust fund

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NON-CURRENT** | | |
| Trust Fund | 70,789 | 68,324 |

### Trust Fund

The Ranger Rehabilitation Trust Fund holds a restricted fixed term investment in the form of bank bills which mature and are reinvested periodically. The Trust Fund is held at cost and classified as a non-current receivable. The applicable weighted average interest rate for the year ended 31 December 2016 was 2.75 per cent (2015: 2.93 per cent).

# 15 Payables

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **CURRENT** | | |
| Trade payables | 32,990 | 47,832 |
| Amounts due to related parties | 645 | 1,497 |
| Other payables | 722 | 810 |
| **Total payables** | 34,357 | 50,139 |

# 16 Provisions – current

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **CURRENT** | | |
| Employee benefits | 9,861 | 9,012 |
| Rehabilitation | 48,711 | 30,946 |
| Total current provisions | 58,572 | 39,958 |

### Movements in provisions

Movements in the rehabilitation provision during the financial year are set out below:

| | REHABILITATION $'000 |
|---|---|
| **2016** | |
| Carrying amount at the start of the year | 30,946 |
| Payments | (20,454) |
| Transfer from non-current provision | 38,219 |
| **Carrying amount at the end of the year** | 48,711 |

## NOTES TO THE FINANCIAL STATEMENTS

| | REHABILITATION $'000 |
|---|---|
| **2015** | |
| Carrying amount at the start of the year | 31,207 |
| Payments | (26,538) |
| Transfer from non-current provision | 26,277 |
| **Carrying amount at the end of the year** | 30,946 |

## 17 Provisions – non-current

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NON-CURRENT** | | |
| Employee benefits | 3,740 | 3,175 |
| Rehabilitation | 462,720 | 477,575 |
| **Carrying amount at the end of the year** | 466,460 | 480,750 |

### Movements in provisions

Movements in the rehabilitation provision during the financial year are set out below:

| | REHABILITATION $'000 |
|---|---|
| **2016** | |
| Carrying amount at the start of the year | 477,575 |
| Change in estimate | 5,614 |
| Unwinding of discount | 17,750 |
| Transfer to current provision | (38,219) |
| **Carrying amount at the end of the year** | 462,720 |

| | REHABILITATION $'000 |
|---|---|
| **2015** | |
| Carrying amount at the start of the year | 480,845 |
| Change in estimate | 2,317 |
| Unwinding of discount | 20,690 |
| Transfer to current provision | (26,277) |
| **Carrying amount at the end of the year** | 477,575 |

## NOTES TO THE FINANCIAL STATEMENTS

# 18 Deferred tax liability

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **(A) DEFERRED TAX LIABILITY** | | |
| **The balance comprises temporary differences attributable to:** | | |
| **Amounts recognised in profit and loss** | | |
| Investment in trust fund | 21,236 | 20,497 |
| Undeveloped properties | 23,405 | 23,405 |
| Inventories | 14,799 | 16,203 |
| Receivables | 1,332 | 771 |
| **Total deferred tax liabilities** | 60,772 | 60,876 |
| Off-set of deferred tax asset pursuant to set-off provisions (Note 18B) | (39,704) | (39,785) |
| **Net deferred tax liabilities** | 21,068 | 21,091 |
| | | |
| **Movements** | | |
| Opening balance at 1 January | 60,876 | 66,619 |
| (Credited)/debited to the income statement (Note 5) | (104) | (2,242) |
| Under provided in prior years credited to the income statement | - | (3,501) |
| **Closing balance at 31 December** | 60,772 | 60,876 |
| **(B) DEFERRED TAX ASSETS** | | |
| **The balance comprises temporary differences attributable to:** | | |
| **Amounts recognised in profit and loss** | | |
| Property, plant and equipment | 34,791 | 14,697 |
| Rehabilitation | - | 20,523 |
| Employee provisions | 4,080 | 3,656 |
| Other | 833 | 909 |
| **Total deferred tax assets** | 39,704 | 39,785 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18A) | (39,704) | (39,785) |
| **Net deferred tax assets** | - | - |
| | | |
| **Movements** | | |
| Opening balance at 1 January | 39,785 | 241,246 |
| Credited to the income statement (Note 5) | (104) | (197,573) |
| (Under)/over provided in prior years credited to the income statement | - | (3,865) |
| Credited to equity (Note 5) | 23 | (23) |
| **Closing balance at 31 December** | 39,704 | 39,785 |

## NOTES TO THE FINANCIAL STATEMENTS

# 19 Share capital

| | 2016 SHARES | 2015 SHARES | 2016 $'000 | 2015 $'000 |
|---|---|---|---|---|
| **SHARE CAPITAL** | | | | |
| A Class shares fully paid | 517,725,062 | 517,725,062 | 706,485 | 706,485 |
| Total contributed equity | | | 706,485 | 706,485 |

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 shareholders' 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 Company's exposure to risks when managing capital are set out in Note 28.

# 20 Reserves and retained profits

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **RESERVES** | | |
| Share-based payments reserve | (60) | 251 |
| Capital reconstruction | 389,500 | 389,500 |
| **Total Reserves** | 389,440 | 389,751 |
| **Movements** | | |
| **Share-based payments reserve** | | |
| Balance 1 January | 251 | 418 |
| Option expense | (311) | (167) |
| **Balance 31 December** | (60) | 251 |
| **Capital reconstruction** | | |
| Balance 1 January | 389,500 | 389,500 |
| Movements | - | - |
| **Balance 31 December** | 389,500 | 389,500 |
| **ACCUMULATED LOSSES** | | |
| **Movements in retained profits were as follows:** | | |
| Opening retained earnings – 1 January | (626,289) | (350,796) |
| Net loss for the year | (271,077) | (275,493) |
| Dividends paid | - | - |
| **Closing retained earnings/(accumulated losses) – 31 December** | (897,366) | (626,289) |

### Nature and purpose of reserves

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, the Company 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.

## NOTES TO THE FINANCIAL STATEMENTS

# 21 Contingencies

### Contingent liabilities

Legal actions against the Company:

The remaining argument in the action listed in the Federal Court against the former Commonwealth Minister for Resources and the Company claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative is dormant. Should the Company 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 the contingent liability disclosed above.

# 22 Commitments

### Capital commitments

Capital expenditure contracted for at the reporting date is as follows:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Within one year | 3,861 | 7,160 |

### Lease commitments

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

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable | | |
| Within one year | 2,120 | 1,365 |
| Later than one year but not later than five years | 5,463 | 4,073 |
| **Total operating leases** | 7,583 | 5,438 |

The Company leases property, plant and equipment under operating leases expiring between one and four years. Some leases provide the Company with a right of renewal at which time all terms are renegotiated.

### *Mineral tenement leases*

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

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Within one year | 146 | 146 |
| Later than one year but not later than five years | 583 | 583 |
| Later than five years | 389 | 534 |
| **Total mineral tenement leases** | 1,118 | 1,263 |

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay an amount of $145,730 in the year ending 31 December 2017 in respect of tenement lease rentals.

## NOTES TO THE FINANCIAL STATEMENTS

The Company is liable to make payments to the Commonwealth as listed below:

(i) An annual amount equal to the sum payable by the Commonwealth to the Northern Land Council pursuant to the Section 44 Agreement for rent for the duration of the agreement. This amounted to $982,233 for 2016 and is indexed for future years.

(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 (Northern Territory) Act 1976*. The Company is required to pay 2.5 per cent of Ranger net sales revenue to the Commonwealth and 1.75 per cent of Ranger net sales revenue to the Northern Land Council or an entity representing the Mirarr Traditional Owners as directed by the Northern Land Council (amounts paid during 2016: $11,039,080; 2015: $13,837,954).

(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 2016: $3,246,788; 2015: $4,069,987).

The Company is liable to make payments to the Northern Land Council pursuant to the Section 43 Agreement between Pancontinental Mining Limited and Getty Oil Development Company Limited and the Northern Land Council dated 21 July 1982, which was assigned to the Company with the consent of the Northern Land Council, 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 Jabiluka 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).

The Company 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. The Jabiluka project is now under long term care and maintenance and will not be developed without the consent of the Mirarr Traditional Owners.

## 23 Auditor's remuneration

During the year the auditor of the Company earned the following remuneration:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **AUDIT SERVICES** | | |
| **PricewaterhouseCoopers Australian firm** | | |
| Audit and review of financial reports | 407 | 345 |
| Audit and review of financial reports (additional prior year fees) | 28 | 108 |
| Audit related services | 53 | 100 |
| **Total remuneration of PricewaterhouseCoopers Australia** | 488 | 553 |

## NOTES TO THE FINANCIAL STATEMENTS

# 24 Related parties

### Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows:

Peter Mansell, Shane Charles, Paul Dowd, Andrea Sutton, Joanne Farrell (resigned 29 August 2016), Bruce Cox (resigned 3 May 2016), Simon Trott and Zara Fisher (appointed 29 August 2016).

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 and Directors' compensation*

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Short-term employee benefits | 2,911 | 2,556 |
| Post-employment benefits | 246 | 341 |
| Share-based payments | 520 | 485 |
| | 3,677 | 3,382 |

In compliance with *Corporations Regulations 2001* 2M.3.03 the Company has provided detailed remuneration disclosures in the Director's report. The relevant information can be found in the Remuneration Report on pages 43 to 58.

### Loans with Directors and key management personnel

There were no loans with Directors or key management personnel during 2016 (2015: Nil).

### Transactions with Directors and Director-related entities

There were no transactions with Directors or Director-related entities other than Rio Tinto Limited during 2016 (2015: nil). Details of transactions with Rio Tinto Group Companies are outlined below.

### 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 Pty Ltd.

### Interest income

Interest income is received from Rio Tinto Finance Ltd which holds cash on behalf of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## Transactions with related parties

The following transactions occurred with related parties:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Management services fees paid to ultimate parent entity:** | | |
| Rio Tinto Group Companies | (90) | (1,600) |
| **Consulting fees paid to:** | | |
| Rio Tinto Group Companies | (2,164) | (3,186) |
| **Other reimbursements paid for commercial services received:** | | |
| Rio Tinto Group Companies | (16,712) | (18,676) |
| **Amounts received from related parties:** | | |
| Rio Tinto Group Companies – sales | 269,368 | 327,594 |
| Rio Tinto Group Companies – interest | 2,674 | 1,894 |
| **Dividends paid to:** | | |
| Related parties – North Ltd | - | - |
| Related parties – Peko-Wallsend Pty Ltd | - | - |

Amounts received from related parties include sales of uranium oxide at market price. In April 2014, the Company entered into a marketing agreement with Rio Tinto Uranium on the basis that it represented superior value to the Company's then existing marketing agreements and the alternative marketing agreements considered. Under the marketing agreement, uranium oxide produced by the Company is sold to Rio Tinto Uranium and pooled with uranium oxide produced from the Namibian operation of Rössing Uranium Limited, a related party of Rio Tinto plc.

## 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 received from and payable to each class of other related parties at balance date were as follows:** | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Current assets - cash assets** | | |
| Related parties - Rio Tinto Finance Ltd | 213,887 | 172,621 |
| **Current assets - receivables** | | |
| Related parties - Rio Tinto Group Companies | 8,284 | 16,248 |
| **Current liabilities - creditors** | | |
| Related parties - Rio Tinto Group Companies | 645 | 1,497 |
| **Current liabilities - income received in advance** | | |
| Related parties - Rio Tinto Group Companies | 40,416 | 38,930 |

All related party transactions were conducted on arm's length terms and conditions and at market rates.

## NOTES TO THE FINANCIAL STATEMENTS

# 25 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 2016, 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 | |
|---|---|---|
| | **2016 $'000** | **2015 $'000** |
| Revenue from external customers | 267,765 | 332,777 |
| Other revenue | 27,074 | 15,483 |
| **Total segment revenue** | 294,839 | 348,260 |
| **Segment result** | (271,077) | (79,798) |
| **Income tax benefit/(expense)** | - | (195,695) |
| **Profit/(loss) for the year** | (271,077) | (275,493) |
| **Segment assets** | 819,432 | 1,100,815 |
| **Total assets** | 819,432 | 1,100,815 |
| **Segment liabilities** | 620,873 | 630,868 |
| **Total liabilities** | 620,873 | 630,868 |
| Acquisitions of non-current assets | 2,988 | 11,906 |
| Depreciation and amortisation expense | 37,853 | 111,933 |
| Non-cash Impairment charge | 230,724 | - |
| Net (gain)/loss on sale of property, plant and equipment | (77) | 538 |

## NOTES TO THE 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 below. Segment revenue reconciles to total revenue from continuing operations as disclosed in Note 3.

The Company 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 | |
|---|---|---|
| | 2016 $'000 | 2015 $'000 |
| Asia | 267,757 | 332,669 |
| North America | - | - |
| Europe | - | - |
| Africa | - | - |
| **Total revenue** | 267,757 | 332,669 |

Segment revenues are allocated based on the country in which the customer is located. During 2014 the Company entered into a marketing agreement with Rio Tinto Uranium based in Asia. Details are disclosed in Note 24.

#### *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 Company as at 31 December 2016 are in Australia with the exception of inventories in transit or at converters of $42,373,356 (2015: $66,245,519). 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 Company does not have any borrowings or derivative financial instruments as at 31 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS

# 26 Reconciliation of loss after income tax to net cash inflow/(outflow) from operating activities

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Loss for the year | (271,077) | (275,493) |
| Add/(less) items classified as investing/financing activities: | | |
| Net (gain)/loss on sale of non-current assets | (77) | 538 |
| Add/(less) non-cash items: | | |
| Depreciation and amortisation | 37,853 | 111,933 |
| Non cash impairment charge | 230,724 | - |
| Rehabilitation provision: unwinding of discount | 17,750 | 20,690 |
| Employee benefits: share based payments | 542 | 737 |
| Net exchange differences | 2 | 23 |
| Change in operating assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | 9,578 | (9,208) |
| (Increase)/decrease in inventories | 45,558 | 49,664 |
| (Increase)/decrease in other assets | 480 | 912 |
| (Increase)/decrease in investment in trust fund | (2,465) | (1,573) |
| (Decrease)/increase in payables | (15,782) | 18,537 |
| (Increase)/decrease in net deferred tax assets | (23) | 195,718 |
| (Decrease)/increase in provisions | (19,041) | (27,884) |
| **Net cash inflow/(outflow) provided from operating activities** | 34,022 | 84,594 |

# 27 Earnings per share

| | 2016 CENTS | 2015 CENTS |
|---|---|---|
| Basic earnings per share | (52.4) | (53.2) |
| Diluted earnings per share | (52.4) | (53.2) |

Earnings used in the calculation of basic and diluted earnings per share: 2016: ($271,076,984) (2015: ($275,493,203)).
Weighted average number of ordinary shares on issue used in calculation of basic earnings per share: 2016: 517,725,062 shares (2015: 517,725,062).

## Options

Options granted to employees under the share-based payment plans are for options in Rio Tinto plc and Rio Tinto Limited. 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 30.

## NOTES TO THE FINANCIAL STATEMENTS

# 28 Financial risk management

The Company 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 Company's business is mining and not trading. Accordingly, the Company 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 Company operates entirely in Australia and is exposed primarily to Australian dollar denominated costs. Sales are primarily denominated in US dollars.

## Market risk

### *Foreign exchange risk*

The Company 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 not Company policy to hedge against foreign exchange risk.

The Company's exposure to foreign currency risk at the reporting date was as follows:

| | **2016 USD $'000** | **2015 USD $'000** |
|---|---|---|
| Trade receivables | 5,777 | 11,416 |
| Trade payables | (266) | (2,371) |

## Group sensitivity

At 31 December 2016, had the Australian Dollar weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in trade receivables would have affected pre-tax profit for the year by $800,281 higher/lower (2015: $1,567,403 higher/lower).

At 31 December 2016, had the Australian Dollar weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in trade payables would have effected pre-tax profit for the year by $36,808 higher/lower (2015: $325,481 higher/lower).

## Commodity price risk

In the absence of uranium being traded on global futures exchanges, the Company 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 Company to manage commodity price risk.

## Interest rate risk

The Company'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 Company is exposed to interest rate risk on cash in the Ranger Rehabilitation Trust Fund.

## Credit risk

The Company 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 Ranger Rehabilitation Trust Fund are limited to high credit quality financial institutions. The Company has policies that limit the amount of credit exposure to any one financial institution.

## NOTES TO THE FINANCIAL STATEMENTS

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **TRADE RECEIVABLES** | | |
| AA | - | - |
| A | 9,941 | 17,427 |
| BBB | - | - |
| Other | - | - |

### Liquidity and capital risk

ERA's objectives when managing capital are to safeguard ERA'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.

ERA 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 ERA's balance sheet in the longer term through pro-active capital management programmes.

The future liquidity and capital requirements of ERA will depend on many factors. Should current forecasts for foreign exchange rate, prices, costs, resource and mining techniques not be realised, and in the absence of any other successful developments or asset sales, ERA may require an additional source of funding to fully fund the rehabilitation of the Ranger Project Area. Any inability to obtain sufficient capital would have a material impact on ERA's business and financial performance.

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.

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 into the Ranger Rehabilitation Trust Fund (Trust Fund) is then determined. The Trust Fund includes both cash and financial guarantees.

ERA's ability to continue to access these financial guarantees can be influenced by many factors including future cash balance, cash flows and shareholder support. Guarantees are subject to periodic review by the banks. Should ERA at any point be unable to access financial guarantees, substantial additional cash would be required to be deposited into the Trust Fund.

ERA has plans in place to address these risks, including the credit facility agreement with Rio Tinto.

ERA currently has no debt and $466 million in total cash resources (comprising $396 million of cash on hand or at call (Note 7) and $70 million invested as part of the Trust Fund). No debt covenants exist.

### 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 FINANCIAL STATEMENTS

# 29 Events occurring after the reporting period

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 Company in subsequent financial years.

# 30 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 Payment'.

## Performance Share Plan

The Performance Share Plan (PSP) was revised in 2013 with details listed in the Remuneration Report.

The fair value awards granted under the PSP have been calculated at their dates of grant using a Monte Carlo valuation model which takes into account the Total Shareholder Returns (TSR) performance conditions. No forfeitures are assumed. The awards are accounted for in accordance with the requirements applying to equity-settled sharebased payments transactions.

A summary of the status of shares granted under the share plan at 31 December 2016, 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 EXER-CISABLE AT END OF THE YEAR |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Rio Tinto Limited** | 6,420 | 3,823 | - | (1,195) | (636) | 8,412 | 2,293 |
| Weighted average fair value at grant date | $37.45 | $44.57 | - | $44.79 | $44.79 | $39.09 | $34.52 |
| **2015** | | | | | | | |
| **Rio Tinto Limited** | 8,592 | - | (356) | (1,333) | (483) | 6,420 | 1,831 |
| Weighted average fair value at grant date | $43.00 | - | $44.79 | $62.26 | $62.26 | $37.45 | $44.79 |

The weighted average share price at the date of exercise of conditional grants of shares exercised during the year ended 31 December 2016 was $47.80  (2015: $59.09).

The weighted average remaining contractual life of rights to shares outstanding at the end of the period was 3 years (2015: 2 years).

Where shares 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 shares.

# NOTES TO THE FINANCIAL STATEMENTS

## Share Option Plan

The Share Option Plan was discontinued in 2013 and as such no awards were made. 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 (TSR) 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. Expected volatilities are based on the historical volatility of Rio Tinto's share return.

A summary of the status of options granted under the plan at 31 December 2016, 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 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Rio Tinto Limited** | 4,896 | - | - | - | (3,738) | 1,158 | 1,158 |
| Weighted average exercise price | $49.87 | - | - | - | $54.95 | $33.45 | $33.45 |
| **2015** | | | | | | | |
| **Rio Tinto Limited** | 4,896 | - | - | - | - | 4,896 | 4,896 |
| Weighted average exercise price | $49.87 | - | - | - | - | $49.87 | $49.87 |

The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2016 was nil (no options were exercised) (2015: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0 years (2015: 0 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 FINANCIAL STATEMENTS

## Share Savings Plan

The Share Savings Plan was replaced with the myShare Savings Plan in 2013, and as such no awards were made in 2016. 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 2016, 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 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Rio Tinto Limited** | 2,124 | - | 723 | - | (531) | 2,316 | - |
| Weighted average exercise price | $55.62 | - | $55.62 | - | $55.62 | $55.62 | - |
| **2015** | | | | | | | |
| **Rio Tinto Limited** | 13,777 | - | (3,545) | (5,444) | (2,664) | 2,124 | - |
| Weighted average exercise price | $53.36 | - | $54.21 | $52.69 | $51.80 | $55.62 | - |

The weighted average share price at the date of exercise of conditional grants of shares exercised during the year ended 31 December 2016 was nil (2015: $52.12).

The weighted average remaining contractual life of share options outstanding at the end of the period was one year (2015: two years).

Where shares 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 shares.

## myShare Savings Plan

The myShare plan was introduced to all eligible staff members in 2013 and is described in the Remuneration Report. Awards under this plan are settled in equity and accounted for accordingly. The fair value of each award on the day of grant is set equal to the share price on the day of grant.

A summary of the status of conditional shares granted under the plan at 31 December 2016, 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 |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Rio Tinto Limited** | 16,933 | 8,772 | (821) | (4,568) | (1,830) | 18,486 | - |
| Weighted average exercise price | $55.38 | $46.15 | $55.38 | $56.37 | $55.38 | $50.76 | - |
| **2015** | | | | | | | |
| **Rio Tinto Limited** | 14,381 | 8,483 | (768) | - | (5,163) | 16,933 | - |
| Weighted average exercise price | $58.25 | $51.87 | $56.53 | - | $57.45 | $55.38 | - |

The weighted average share price at the date of exercise of conditional grants of shares exercised regularly during the year ended 31 December 2016 was $46.84 (2015: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was two years (2015: two years).

Where shares 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 shares.

## NOTES TO THE FINANCIAL STATEMENTS

### Management Share Plan

The Management Share Plan (MSP) 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. No forfeitures were assumed. A summary of the status of shares granted under the MSP plan at 31 December 2016, 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 EXER-CISABLE AT END OF THE YEAR |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Rio Tinto Limited** | 15,950 | 7,160 | - | (5,872) | - | 17,238 | - |
| Weighted average fair value at grant date | $55.88 | $45.47 | - | $53.11 | - | $52.50 | - |
| **2015** | | | | | | | |
| **Rio Tinto Limited** | 16,478 | 6,193 | (2,822) | (3,899) | - | 15,950 | - |
| Weighted average fair value at grant date | $57.35 | $54.49 | $57.30 | $58.83 | - | $55.88 | - |

The weighted average share price at the date of exercise of conditional grants of shares exercised regularly during the year ended 31 December 2016 was $47.80 (2015: $52.78).

The weighted average remaining contractual life of conditional grants of shares outstanding at the end of the period was two years (2015: two years).

The model inputs for conditional rights granted during the year ended 31 December 2016 included:

(a) rights are granted for no consideration and have a three year life;
(b) exercise price: nil (2015: nil);
(c) grant date: 11 March 2016 (2015: 23 March 2015);
(d) expiry date: 18 February 2019 (2015: 20 February 2018); and
(e) share price at grant date: $44.57 (2015: $55.88).

Where shares 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 shares.

# NOTES TO THE FINANCIAL STATEMENTS

## Bonus Deferral Plan

The Bonus Deferral Award was established for the mandatory deferral of a specific percentage of the Chief Executive's Short Term Incentive Plan bonus payment into Rio Tinto shares. 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. No forfeitures are assumed.

| | 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 EXER-CISABLE AT END OF THE YEAR |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Rio Tinto Limited** | 1,720 | 1,599 | - | (1,038) | - | 2,281 | - |
| Weighted average fair value at grant date | $58.39 | $45.51 | - | $60.35 | - | $48.19 | - |
| **2015** | | | | | | | |
| **Rio Tinto Limited** | 1,689 | 875 | - | (844) | - | 1,720 | - |
| Weighted average fair value at grant date | $57.15 | $55.68 | - | $53.11 | - | $58.39 | - |

The weighted average share price at the date of exercise of conditional grants of shares exercised during the year ended 31 December 2016 was $47.80 (2015: $44.01).

The weighted average remaining contractual life of share options outstanding at the end of the period was two years (2015: two years).

Where shares 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 shares.

## 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:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Share based payment expense | 542 | 737 |

# DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 69 to 106 are in accordance with the *Corporations Act 2001* (Cth), including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Company's financial position as at 31 December 2016 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 the Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth). This declaration is made in accordance with a resolution of the directors.

P Mansell
Perth

10 February 2017

# INDEPENDENT AUDITOR'S REPORT

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## *Independent auditor's report*

To the shareholders of Energy Resources of Australia Ltd

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial report of Energy Resources of Australia Ltd (the Company or ERA) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***What we have audited***

The Company's financial report comprises:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

***Independence***

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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## INDEPENDENT AUDITOR'S REPORT

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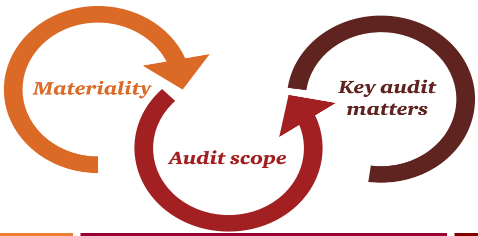
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Company, its accounting processes and controls and the industry in which it operates.




### *Materiality*

- For the purpose of our audit we used a materiality of $6.6 million, which represents approximately 5% of the Company's adjusted profit/loss before tax and averaged for the current and two previous years.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- This benchmark was considered appropriate, because, in our view, profit/loss before tax is the metric against which the performance of the Company is most commonly measured. An average was used due to the fluctuations in profit/loss from year to year. We adjusted for impairment as it was an infrequently occurring item impacting profit.
- We selected 5% based on our professional judgement noting that it is within the range of commonly accepted profit related benchmarks.

### *Audit scope*

- Our audit focused on areas where the directors made subjective judgements, for example significant accounting estimates involving assumptions and inherently uncertain future events.
- The audit procedures were predominantly performed at the Company's Darwin office and the Rio Tinto shared service centre in Brisbane. The audit engagement team also conducted a site visit to the Ranger mine.

### *Key audit matters*

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Accounting for the cost of rehabilitation of the Ranger Project Area;
  - Impairment assessment for the Ranger Cash Generating Unit (CGU);
  - Carrying value assessment for the Jabiluka Undeveloped Property; and
  - Liquidity and capital management.
- The above matters are further described in the *Key audit matters* section of our report.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

## INDEPENDENT AUDITOR'S REPORT

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Accounting for the cost of rehabilitation of the Ranger Project Area***<br>*(Refer to notes 16 and 17) $511.4m provision*<br><br>The Company is required under the Ranger section 41 Authority (Ranger Authority) to fully rehabilitate the Ranger Project Area (RPA) site by 8 January 2026.<br><br>Calculating the final rehabilitation obligation requires significant estimation and judgement by the Company. Assumptions are required to be made in respect of methods of rehabilitation, costs and timing, as well as the potential for changes in regulatory requirements, technology and market conditions. The most significant components of the provision relate to the movement of waste rock, the transfer of tailings from the Tailings Storage Facility and the treatment of process water.<br><br>The work required may also change as a result of the outcomes of current progressive rehabilitation activity and ongoing and planned technical studies. The calculation of the provision requires significant input from specialists and experts, both within and external to the Company.<br><br>Given the significance of this balance and the factors outlined above, the provision for rehabilitation was a key audit matter. | We obtained the Company's calculation of the rehabilitation obligation (the model). We checked the timing of the cash flows in the model were consistent with the requirements of the Ranger Authority.<br><br>Where significant assumptions made within the model, such as costs of moving waste rock and treating water, could be checked against external benchmarks or similar historical expenditure we did so for a sample. Alternatively, where no such information was available, we tested a sample of the internal or external experts' estimate of costs.<br>We checked that the discount rate used was consistent with that generally used in the industry to discount liabilities of this type.<br><br>We also compared actual cash flows in FY16 to those forecast by management as part of the provision in FY15, to assess the historical accuracy of estimates and assumptions. |
| ***Impairment assessment for the Ranger CGU***<br>*(Refer to note 2 (d)) $230.7m impairment charge*<br>The Company's investment in the Ranger Project Area was a key audit matter given the significance of the Ranger CGU to the Company's operations and the judgement involved in the assessment of impairment.<br><br>The impairment of $230m for the year ended 31 December 2016 ($69m in the current half year) reflects the continuing decline in the short term price of uranium oxide, which particularly impacted the Ranger CGU given the significant forecast cash inflows from producing uranium oxide from existing stockpiles within a limited timeframe. Property, plant and equipment has been written down to nil value as a result of the latest impairment. | We evaluated the cash flow forecasts in the Ranger model that assesses impairment and understood the process by which they were developed. We also compared them to the latest Board approved budgets. We compared current year (2016) actual results with the figures included in the prior year (2015) forecast, to assess the historical accuracy of estimates and assumptions.<br><br>We also assessed:<br>• The probability of Ranger 3 Deeps proceeding to development by discussion with management and review of publicly available information;<br>• Key assumptions, including the uranium oxide price and AUD/USD exchange rate used in the forecasts, by comparing them to economic and industry forecasts;<br>• The discount rates used in the Ranger |

## INDEPENDENT AUDITOR'S REPORT

pwc

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| | impairment model by involving internal valuations experts, and comparing them to market data and industry research.<br><br>We checked the calculations within the model and the resultant impairment for the current period and the full year. |
| ***Carrying value assessment for the Jabiluka Undeveloped Property***<br>*(Refer to note 12) $181m carrying value*<br><br>Assessing the carrying amount of the Company's investment in the Jabiluka Undeveloped Property was a key audit matter. Factors giving rise to this conclusion included the size of the balance and the judgement required in the assessment as a result of the long-term nature of the asset, particularly in relation to:<br>• whether development of the Jabiluka resource will ultimately proceed given it requires the consent of the Mirrar Traditional Owners under the Long Term Care and Maintenance Agreement;<br>• the long-term uranium oxide price, the AUD/USD exchange rate and estimated capital and operating costs used in the probability weighted discounted cash flow model to estimate the fair value of the asset. | We performed procedures over the assessment of the carrying value of the Jabiluka Undeveloped Property, including with respect to whether the development will proceed, by updating our understanding of:<br>• the resource including size and grade;<br>• the consent process required;<br>• The latest long term uranium oxide price and AUD/USD exchange rate used in the valuation model utilised by the Company (the Jabiluka model); and<br>• historical engineering assessments of the capital and operating costs of the project.<br><br>Having updated our understanding of the above points, we considered whether there had been any changes in these assumptions which would give rise to an impairment indicator. We did not identify any triggers that had not been considered by the Company.<br><br>For valuation cross checks, we compared the carrying value of the Jabiluka Undeveloped Property to a number of relevant market transactions, including specific assets transacted with approval constraints.<br><br>We also compared the market capitalisation of the Company to its net assets and noted that the market capitalisation was higher at 31 December 2016. |
| ***Liquidity and capital management***<br>*(Refer to note 28 )*<br><br>ERA had a cash balance of $396m and a further amount of $70m held in the Ranger Rehabilitation Trust Fund by the Commonwealth Government for the purposes of rehabilitation at 31 December 2016. 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 assets sales, the Company may require an additional source of finance to fully fund the rehabilitation of the Ranger Project Area. | We evaluated the process by which management projects cash flows over the medium to long term.<br><br>We reviewed the Rio Tinto credit facility agreement to assess the Company's continued compliance with the key terms and conditions.<br><br>Our procedures included confirming the current status of the financial guarantees provided by a number of banks. In addition we corresponded directly with the banks to confirm the position of the guarantees at 31 December 2016.<br><br>We evaluated whether the disclosures were consistent |

## INDEPENDENT AUDITOR'S REPORT

pwc

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| The risks to funding around the future uranium market, the maintenance of financial guarantees and the terms of the Rio Tinto credit facility, along with the related financial statement disclosures are important to understand the financial position of the Company and were therefore considered to be a key audit matter. | with the requirements of Australian Accounting Standards. |

### *Other information*

The directors are responsible for the other information. The other information comprises the Company's annual report and sustainability report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar1.pdf. This description forms part of our auditor's report.

## INDEPENDENT AUDITOR'S REPORT

pwc

### *Report on the remuneration report*

#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 43 to 58 of the directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of Energy Resources Ltd of Australia for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
10 February 2017

# SHAREHOLDER INFORMATION

Energy Resources of Australia Ltd is a for-profit company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised by Directors on 10 February 2017. The Directors have the power to amend and reissue the financial statements.

The shareholder information set out below was applicable as at 31 January 2017.

## Distribution of equity securities

Analysis of numbers of registered equity security holders by size of holding:

| | ORDINARY SHARES | | | |
|---|---|---|---|---|
| | NUMBER OF SHARE-HOLDERS | % OF SHARE-HOLDERS | NUMBER OF SHARES | % OF ISSUED SHARES |
| 1 - 1,000 | 6,675 | 54.94 | 2,253,177 | 0.44 |
| 1,001 - 5,000 | 3,278 | 26.98 | 8,525,283 | 1.65 |
| 5,001 – 10,000 | 1,043 | 8.58 | 7,859,110 | 1.52 |
| 10,001 – 100,000 | 1,075 | 8.85 | 27,813,502 | 5.36 |
| 100,001 and over | 79 | 0.65 | 471,273,990 | 91.03 |
| | 121,150 | 100.00 | 517,725,062 | 100.00 |

There were 5,641 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 |
| Hsbc Custody Nominees (Australia) Limited | 87,117,842 | 16.83 |
| Citicorp Nominees Pty Limited | 5,395,870 | 1.04 |
| J P Morgan Nominees Australia Limited | 5,225,694 | 1.01 |
| Hsbc Custody Nominees (Australia) Limited | 1,523,826 | 0.29 |
| Warbont Nominees Pty Ltd | 716,013 | 0.14 |
| Ganra Pty Ltd | 651,429 | 0.13 |
| Mr Wan Cheung Danny Cheng | 600,000 | 0.12 |
| Sked Pty Ltd | 600,000 | 0.12 |
| Hsbc Custody Nominees (Australia) Limited | 556,820 | 0.11 |
| John E Gill Trading Pty Ltd | 531,000 | 0.10 |
| National Nominees Limited | 512,470 | 0.10 |
| Mrs Qiuyu Ping | 488,837 | 0.09 |
| Dr Larry Jordan | 460,000 | 0.09 |
| Mr Stephen James Fulton | 400,000 | 0.08 |
| Mr William Ewart Granter | 400,000 | 0.08 |
| Mr Leon Arharidis and Mrs Kiveli Arharidis | 366,000 | 0.07 |
| Bradleys Polaris Pty Ltd | 360,000 | 0.07 |
| Miengrove Pty Ltd | 349,887 | 0.07 |

# 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 at a shareholders' meeting 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 Annual General Meeting will be held at 9:30am on Wednesday 12 April 2017 in Darwin, Northern Territory, Australia.

## 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.

# 2016 ASX ANNOUNCEMENTS

| | |
|---|---|
| 22 Dec 2016 | Response to ASX Price and Volume Query |
| 11 Oct 2016 | September 2016 - Quarter Operations Review |
| 29 Aug 2016 | Resignation and appointment of directors |
| 24 Aug 2016 | ERA Additional Information for the Financial Community |
| 24 Aug /2016 | ASX Interim Report 30 June 2016 |
| 24 Aug 2016 | June 2016 Half Year Results |
| 28 Jul 2016 | Deferral of half-year financial report |
| 12 Jul 2016 | June 2016 Quarter Operations Review |
| 07 Jul 2016 | Change in substantial holding |
| 31 May 2016 | Change in substantial holding |
| 04 May 2016 | 2016 Annual General Meeting - Results of Voting |
| 04 May 2016 | 2016 AGM Chief Executive's Address |
| 04 May 2016 | 2016 AGM Chairman's Address |
| 04 May 2016 | Strategic review outcomes |
| 03 May 2016 | Resignation of director |
| 29 Apr 2016 | Credit facility agreement |
| 11 Apr 2016 | March 2016 Quarter Operations Review |
| 31 Mar 2016 | Strategic review - update |
| 29 Mar 2016 | Annual General Meeting Proxy Form |
| 29 Mar 2016 | Notice of Annual General Meeting |
| 15 Feb 2016 | 2015 Annual Report |
| 29 Jan 2016 | Share Trading Policy |
| 29 Jan 2016 | ERA Financial Community Presentation January 2016 |
| 28 Jan 2016 | Annual Statement of Reserves and Resources |
| 28 Jan 2016 | ERA 2015 Full Year Results |
| 28 Jan 2016 | Preliminary Final Report |
| 12 Jan 2016 | December 2015 Quarter Operations Review |

Details of these announcements are available at *www.energyres.com.au*.

# TEN YEAR PERFORMANCE

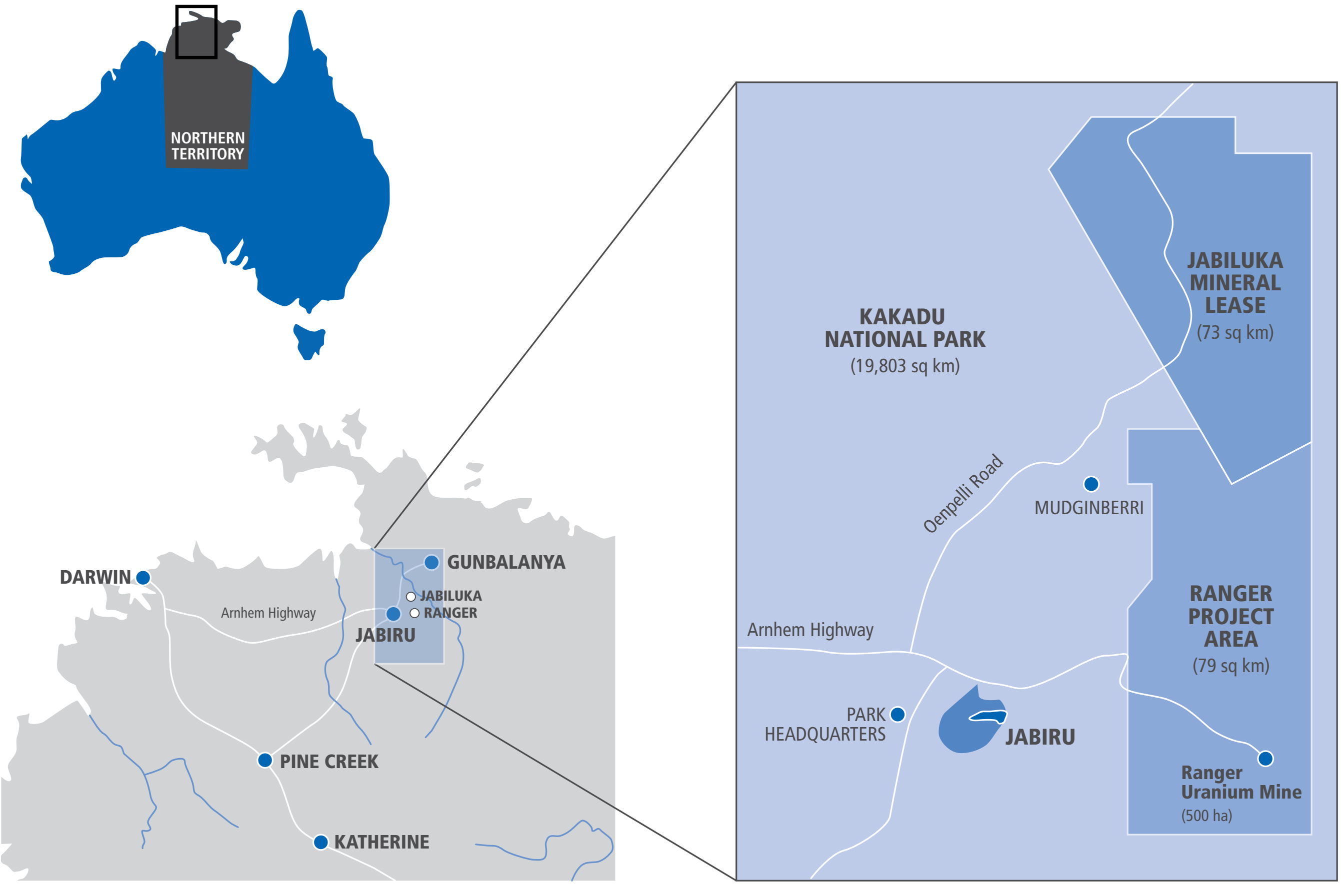
| YEAR ENDED 31 DECEMBER | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales Revenue ($000) | 267,765 | 332,777 | 379,166 | 356,139 | 396,629 | 651,381 | 572,283 | 768,297 | 496,359 | 357,080 |
| Earnings Before Interest and Tax ($000) | (279,781) | (88,292) | (284,274) | (199,431) | (278,266) | (220,633) | 47,726 | 374,737 | 317,957 | 108,012 |
| Profit/(Loss) Before Tax ($000) | (271,077) | (79,798) | (273,602) | (186,541) | (254,785) | (206,340) | 59,427 | 382,053 | 312,569 | 98,366 |
| Income Tax Expense/ (Benefit) ($000) | - | 195,695 | (85,802) | (50,712) | (36,026) | (52,741) | 12,423 | 109,479 | 90,784 | 22,277 |
| Profit/(Loss) After Tax ($000) | (271,077) | (275,493) | (187,800) | (135,829) | (218,759) | (153,599) | 47,004 | 272,574 | 221,785 | 76,089 |
| Total Assets ($000) | 819,432 | 1,100,815 | 1,341,724 | 1,627,561 | 1,826,275 | 1,948,972 | 1,423,396 | 1,359,131 | 1,170,409 | 985,353 |
| Shareholders' Equity ($000) | 198,559 | 469,947 | 745,607 | 934,022 | 1,069,619 | 1,288,536 | 951,076 | 966,574 | 758,926 | 606,021 |
| Long Term Debt ($000) | - | - | - | - | - | - | - | - | - | - |
| Current Ratio | 4.0 | 4.0 | 4.1 | 3.8 | 4.0 | 7.1 | 3.4 | 3.1 | 1.5 | 1.8 |
| Liquid Ratio | 3.1 | 3.0 | 2.7 | 2.3 | 2.9 | 6.0 | 2.1 | 2.2 | 0.8 | 1.0 |
| Gearing Ratio (%) | - | - | - | - | - | - | - | - | - | - |
| Interest Cover (times) | - | - | - | - | (156.7) | (177.9) | 47.8 | 33.5 | 5.6 | 7.79 |
| Return on Shareholders' Equity (%) | (136.5) | (58.6) | (25.2) | (14.5) | (20.5) | (11.9) | 4.9 | 31.6 | 29.2 | 13.1 |
| Earnings Per Share (cents) | (52.4) | (53.2) | (36.3) | (26.2) | (42.3) | (29.7)[1] | 24.6 | 142.9 | 116.3 | 39.9 |
| Dividends Per Share (cents) | - | - | - | - | - | - | 8.0 | 39.0 | 28.0 | 20.0 |
| Payout Ratio (%) | - | - | - | - | - | - | 32 | 27 | 24 | 28 |
| Share Price ($) closing | 0.44 | 0.36 | 1.30 | 1.26 | 1.27 | 1.23 | 11.13 | 23.89 | 19.00 | 19.50 |
| Price-Earning Ratio | (0.83) | (0.68) | (3.58) | (4.81) | (3.00) | (2.54) | 45.24 | 16.72 | 16.34 | 48.88 |
| Dividend Yield (%) | - | - | - | - | - | - | 2.96 | 1.42 | 1.47 | 1.03 |
| Net Tangible Assets per Share ($) | 0.38 | 0.91 | 1.44 | 1.80 | 2.07 | 2.49 | 4.99 | 5.07 | 3.98 | 3.20 |
| No. of Employees | 356 | 374 | 389 | 519 | 594 | 567 | 523 | 521 | 519 | 419 |
| Profit After Tax per Employee ($000) | (761.5) | (736.6) | (482.8) | (264.8) | (374.5) | (270.9) | 89.87 | 523.17 | 427.33 | 181.6 |
| Ore Mined (million tonnes) | | - | - | - | 3.8 | 1.2 | 1.4 | 2.2 | 3.5 | 2.9 |
| Ore Milled (million tonnes) | 2.7 | 2.5 | 1.3 | 2.3 | 2.6 | 1.6 | 2.4 | 2.3 | 2.0 | 1.9 |
| Mill Head Grade (% $U_3O_8$) | 0.10 | 0.10 | 0.11 | 0.15 | 0.17 | 0.18 | 0.19 | 0.26 | 0.30 | 0.31 |
| Mill Recovery (%) | 84.9 | 82.0 | 81.5 | 84.8 | 86.2 | 87.9 | 87.2 | 88.3 | 88.2 | 88.2 |
| Production (tonnes $U_3O_8$) – Drummed | 2,351 | 2,005 | 1,165 | 2,960 | 3,710 | 2,641 | 3,793 | 5,240 | 5,339 | 5,412 |
| Sales – Ranger Concentrates (tonnes $U_3O_8$) | 2,130 | 2,183 | 2,164 | 2,767 | 2,665 | 3,258 | 4,373 | 5,497 | 5,272 | 5,324 |
| Sales – Other Concentrates (tonnes $U_3O_8$) | 9 | - | 984 | 48 | 558 | 1,908 | 653 | – | – | – |
| Sales – Total (tonnes $U_3O_8$) | 2,139 | 2,183 | 3,148 | 2,815 | 3,223 | 5,167 | 5,026 | 5,497 | 5,272 | 5,324 |

*Note 1 Post rights issue*

## Definition of statistical ratios

| | | |
|---|---|---|
| Current Ratio | = | current assets/current liabilities |
| Liquid Ratio foreign exchange | = | (current assets-inventory-prepayments-foreign exchange hedge asset on borrowings)/(current liabilities-bank overdraft – 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 |

# INDEX




## *Head Office*

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Fax: +61 (0) 8 8924 3555
*www.energyres.com.au*

## *Ranger Mine*

Locked Bag 1
Jabiru NT 0886

## *Registered Office*

Energy Resources of Australia Ltd
c/ Mallesons Stephen Jacques
Level 5, NICTA Building B
7 London Circuit
Canberra City ACT 2601

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Chris: Supervisor Mining,
Mine Operations

Time with ERA: 9 years

**Husband and Wife**

Josh: Senior Supervisor – Production

Time with ERA: 6 years

Wendy: Personal Assistant

Time with ERA: 5 years

Tse Wei: Chemical Engineer

Production Metallurgist

Time with ERA: 1 year

**Daughter and Father**

Veronica: Travel and
Accommodation Support Officer

Time with ERA: 4 years

Matthew: Maintenance Technician
Electrical

Time with ERA: 12 years

Zeb: Accountant

Specialist Finance

Time with ERA: 9 years

Jenny: Geologist

Mine Geologist, Mining Production

Time with ERA: 8 years

**Brothers**

Travis: Maintenance Technician
Powerstation

Time with ERA: 2 years

Deakin: Maintenance Technician
Plant Operations

Time with ERA: 8 years


ERA


ERA


ERA


ERA


ERA


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