

## ASX Interim report – 30 June 2010

Lodged with the ASX under Listing Rule 4.2A  
This information should be read in conjunction with the  
31 December 2009 financial report.

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# Directors' Report

for the half-year ended 30 June 2010

The Directors of Energy Resources of Australia Ltd ("ERA") present their report together with the consolidated financial report of the consolidated entity, being the company and its controlled entity, for the half-year ended 30 June 2010.

## Directors

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

<b>Name</b>	<b>Period of Directorship</b>
Dr D Klingner Chairman	Appointed Director July 2004 Appointed Chairman January 2005
Mr R Atkinson	Appointed Chief Executive and Director September 2008
Mr R Carter	Appointed November 1999 resigned April 2010
Mr M Coulter	Appointed June 2010
Prof. H Garnett	Appointed January 2005
Mr J Pegler	Appointed July 2009
Mr P Taylor	Appointed February 2007
Mr C Salisbury	Appointed February 2007 resigned June 2010

## Results for announcement to the market

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

				<b>June 2010 \$000</b>	<b>June 2009 \$000</b>
<b>Revenue</b> from sales of uranium oxide	<b>Down</b>	38%	to	209,599	336,085
<b>Revenue</b> from ordinary activities	<b>Down</b>	37%	to	217,740	347,032
<b>Profit / (loss)</b> from ordinary activities after tax attributable to members	<b>Down</b>	82%	to	22,676	127,551
<b>Net profit / (loss)</b> for the period attributable to members	<b>Down</b>	82%	to	22,676	127,551
<b>Earnings per share</b> (cents)				11.9	66.9
<b>Underlying earnings</b>	<b>Down</b>	82%	to	22,676	127,551
<b>Dividends/distributions</b>			Amount per security		Franked amount per security
Fully Franked Interim dividend			8 cents		30%
<b>Record date</b> for determining entitlements to the dividend					13 August 2010

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

# Directors' Report

*for the half-year ended 30 June 2010*

## Review of operations

ERA's net profit after tax and underlying earnings for the half year ended 30 June 2010 was \$22.7 million compared with \$127.6 million for the same period in 2009. Earnings before interest and tax (EBIT) were \$24.3 million compared with \$176.1 million for the corresponding period in 2009.

Total revenues for the period were \$217.7 million compared with \$347.0 million in the June 2009 half year. Revenues from sales of uranium oxide declined to \$209.6 million, from \$336.1 million in the June 2009 half year.

Sales volume was lower for the period at 1,892 tonnes compared with the June 2009 half year of 2,280 tonnes. Sales will be heavily weighted towards the second half of the year.

ERA's average realised sales price is only partially influenced by current market prices due to its diversified and long term sales contract portfolio. The average realised sales price of uranium oxide for the six months to June 2010 was US\$44.79 per pound compared with US\$48.02 per pound for the corresponding period in 2009. This change is largely attributable to first half deliveries under a lower priced legacy contract, which is now at an end. On 30 June 2010, the average long term market price for uranium oxide was US\$59 per pound and the average spot price was US\$41.75 per pound.

Total revenues were also impacted by the strengthening of the Australian dollar. The average A\$:US\$ exchange rate for the first half of the year increased by 24 per cent to US89.1 cents in 2010 (June 2009: US71.8 cents), which negatively impacted ERA revenues by approximately \$50 million.

Uranium oxide production for the June 2010 half year of 1,717 tonnes was 36 per cent lower than the corresponding period in 2009 (2,695 tonnes). This decrease was primarily due to a reduction of 48% in mill head grade to 0.15% uranium oxide in the first half of 2010 (June 2009: mill head grade 0.29 per cent uranium oxide). The significant decline in mill head grade was mainly due to issues with mine sequencing due to the removal of material from a localised area of instability on the South Wall of the pit, exacerbated by delayed access to high grade ore located at the bottom of the pit following higher than normal rainfall late in the wet season. The favourable impacts from strong plant operation in both utilisation and recovery, combined with a favourable contribution of the laterite processing plant, helped to mitigate the impact of the lower grades of ore processed.

As previously communicated, in the first half of 2010 ERA incurred higher expenditure on scheduled cyclical maintenance on the mining fleet and higher expenditure on development projects, despite some minor delays in the proposed heap leach facility feasibility study. This was partially offset by the implementation of a cost saving program which generated substantial savings during the first half of 2010, predominantly in raw materials, consumables and statutory and corporate costs. In line with the decrease in revenues when compared with 2009, Government royalties, shipping costs and the depreciation and amortisation expense also decreased.

## Exploration and Evaluation

Work continues on the feasibility study for the proposed heap leach facility at the Ranger mine. The draft Environmental Impact Statement (EIS) is expected to be submitted in the second half of 2010. Additional consultation with community and regulatory stakeholders will also be conducted. The formal environmental assessment process under the Northern Territory and the Commonwealth regulations is likely to be completed in the first half of 2011.

Separate studies are advancing regarding the Ranger 3 Deeps resource (10 million tonnes of mineralised material at an average grade of 0.34 per cent uranium oxide), including the development of an exploration decline to conduct close spaced underground exploration drilling to further evaluate the extent and continuity of the resource. These studies are currently being finalised, with a final decision on the exploration decline expected during the third quarter of 2010.

Total evaluation expenditure to the end of June 2010 was \$17.2 million, compared with \$10.3 million in the corresponding period in 2009. These expenditures have been expensed.

## **Directors' Report**

*for the half-year ended 30 June 2010*

ERA resumed its exploration program on the Ranger lease, after a delayed start up due to record rain in April, with 8 drill holes completed as of the end of June 2010, for a total of 3,883 metres. Year-to-date exploration expenditure was \$1.0 million for 2010 compared with \$3.7 million in 2009.

### **Dividends**

The ERA directors have declared an interim dividend in respect of the 2010 financial year of 8 cents per share (fully franked at 30 per cent). This compares to the interim dividend of 14 cents per share declared in July 2009 in respect of the 2009 financial year and 8 cents per share declared in 2008. The 2009 interim dividend represented a significant increase on the company's historical trend to reflect the record performance of the Company during 2009. The ex-dividend date will be Monday 9 August 2010. The dividend will be paid to shareholders on the register at the close of business on Friday 13 August 2010, and it will be paid on Friday 27 August 2010.

ERA directors declared a final dividend of 25 cents per share for the 2009 financial year. This dividend was paid on 5 March 2010, bringing the total dividends paid to shareholders for the 2009 financial year to 39 cents per share, fully franked at 30 per cent.

### **Outlook**

Due to delayed access to higher grade ore, production of uranium oxide for 2010 is now expected to be between 4,300 and 4,700 tonnes. Previously, ERA had indicated that production of uranium oxide in 2010 was expected to be broadly similar to 2009 (5,240 tonnes).

Sales volume is expected to be somewhat in excess of 5,000 tonnes, with commitments met by way of inventory management, flexibility of timing of shipments to customers and a small volume of market purchases. As previously communicated, the average realised sales price (per pound of uranium oxide) for the full 2010 year is expected to remain broadly similar to 2009. The strength of the A\$:US\$ exchange rate will continue to have a significant impact on Australian dollar equivalent revenues during the second half of 2010, noting that the average A\$:US\$ exchange rate for the 2009 year was US80.5 cents.

In the short term, the uranium market appears to be well supplied due to adequate inventory coverage held by utilities along with increased production, especially from Kazakhstan. Moreover, the global financial crisis has led to delays in nuclear reactor builds in most regions other than China. This situation could result in spot prices remaining around the current levels for the remainder of this year and possibly beyond. However, in the long term, the decline of secondary supplies, the challenges of bringing on new higher-cost primary supply and growth in demand, mainly from China, should result in higher spot and term prices.

### **Rounding of Amounts**

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

### **Auditors' independence declaration**

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

Signed at Darwin this 29th day of July 2010 in accordance with a resolution of the directors.



Dr D Klingner  
**Chairman**

## Auditor's Independence Declaration

As lead auditor for the review of Energy Resources of Australia Ltd for the half-year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Energy Resources of Australia Ltd and the entities it controlled during the period.



Debbie Smith  
Partner  
PricewaterhouseCoopers

Melbourne  
29 July 2010

**Energy Resources of Australia Ltd**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 30 June 2010**

	<b>30 June 2010 \$'000</b>	<b>30 June 2009 \$'000</b>
Notes		
<b>Revenue from continuing operations</b>	<b>217,740</b>	<b>347,032</b>
Changes in inventories	<b>32,311</b>	50,071
Raw materials and consumables used	<b>(66,207)</b>	(67,354)
Employee benefits and contractor expense	<b>(96,105)</b>	(81,862)
Government and other royalties	<b>(11,210)</b>	(18,765)
Commission and shipping expenses	<b>(5,099)</b>	(6,151)
Depreciation and amortisation expenses	<b>(26,531)</b>	(28,353)
Financing costs	<b>(7,033)</b>	(7,240)
Statutory and corporate expenses	<b>(5,996)</b>	(8,060)
Other expenses	<b>(1,033)</b>	(1,360)
<b>Profit before income tax</b>	<b>30,837</b>	<b>177,958</b>
Income tax expense	<b>(8,161)</b>	(50,407)
<b>Profit for the half-year</b>	<b>22,676</b>	<b>127,551</b>
<b>Other comprehensive income</b>		
Changes in the fair value of cash flow hedges	-	(1,705)
Income tax relating to components of other comprehensive income	-	512
<b>Other comprehensive income for the half-year, net of tax</b>	<b>-</b>	<b>(1,193)</b>
<b>Total comprehensive income for the half-year</b>	<b>22,676</b>	<b>126,358</b>
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	<b>22,676</b>	127,551
	<b>22,676</b>	127,551
Total comprehensive income for the half-year is attributable to:		
Owners of Energy Resources of Australia Ltd	<b>22,676</b>	126,358
	<b>22,676</b>	126,358
	<b>Cents</b>	Cents
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	5 <b>11.9</b>	66.9
Diluted earnings per share	5 <b>11.9</b>	66.9
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>		
Basic earnings per share	5 <b>11.9</b>	66.9
Diluted earnings per share	5 <b>11.9</b>	66.9

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

**Energy Resources of Australia Ltd**  
**Consolidated statement of financial position**  
**As at 30 June 2010**

	<b>30 June</b>	<b>31 Dec</b>
	<b>2010</b>	<b>2009</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	165,141	253,672
Trade and other receivables	51,593	60,049
Inventories	159,054	134,376
Current tax asset	6,433	-
Other	3,512	921
<b>Total current assets</b>	<b>385,733</b>	<b>449,018</b>
<b>Non-current assets</b>		
Inventories	190,979	182,786
Undeveloped properties	203,632	203,632
Property, plant and equipment	468,546	470,425
Investment in trust fund	54,390	53,270
<b>Total non-current assets</b>	<b>917,547</b>	<b>910,113</b>
<b>Total assets</b>	<b>1,303,280</b>	<b>1,359,131</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	79,472	68,888
Current tax liabilities	-	52,248
Provisions	26,192	24,279
<b>Total current liabilities</b>	<b>105,664</b>	<b>145,415</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	45,757	48,429
Provisions	210,293	198,713
<b>Total non-current liabilities</b>	<b>256,050</b>	<b>247,142</b>
<b>Total liabilities</b>	<b>361,714</b>	<b>392,557</b>
<b>Net assets</b>	<b>941,566</b>	<b>966,574</b>
<b>EQUITY</b>		
Contributed equity	214,585	214,585
Reserves	390,859	390,859
Retained profits	336,122	361,130
<b>Total equity</b>	<b>941,566</b>	<b>966,574</b>

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

**Energy Resources of Australia Ltd**  
**Consolidated statement of changes in equity**  
**For the half-year ended 30 June 2010**

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 January 2010</b>		214,585	390,859	361,130	966,574
<b>Total comprehensive income for the half-year</b>		-	-	22,676	22,676
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	3	-	-	(47,684)	(47,684)
		-	-	(47,684)	(47,684)
<b>Balance at 30 June 2010</b>		214,585	390,859	336,122	941,566
<b>Balance at 1 January 2009</b>		214,585	390,934	153,407	758,926
<b>Total comprehensive income for the half-year</b>		-	(1,193)	127,551	126,358
<b>Transactions with owners in their capacity as owners:</b>					
Dividends provided for or paid	3	-	-	(38,148)	(38,148)
		-	-	(38,148)	(38,148)
<b>Balance at 30 June 2009</b>		214,585	389,741	242,810	847,136

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

**Energy Resources of Australia Ltd**  
**Consolidated statement of cash flows**  
**For the half-year ended 30 June 2010**

		<b>Half-year ended</b>	
		<b>2010</b>	<b>2009</b>
Notes		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers (inclusive of goods and services tax)	242,326	386,464
	Payments to suppliers and employees (inclusive of goods and services tax)	(204,312)	(238,026)
	Payments for exploration	(951)	(3,689)
		<u>37,063</u>	<u>144,749</u>
	Interest received	10,925	2,434
	Interest and other costs of finance paid	(395)	(885)
	Income taxes paid	(69,513)	(90,683)
	<b>Net cash inflow/(outflow) from operating activities</b>	<u>(21,920)</u>	<u>55,615</u>
<b>Cash flows from investing activities</b>			
	Payments for deferred stripping and property, plant and equipment	(18,853)	(18,474)
	Proceeds from sale of property, plant and equipment	5	20
	<b>Net cash outflow from investing activities</b>	<u>(18,848)</u>	<u>(18,454)</u>
<b>Cash flows from financing activities</b>			
	Dividend payments	(47,684)	(38,148)
	<b>Net cash outflow from financing activities</b>	<u>(47,684)</u>	<u>(38,148)</u>
	<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(88,452)</u>	<u>(987)</u>
	Cash and cash equivalents at the beginning of the half-year	253,672	106,894
	Effects of exchange rate changes on cash and cash equivalents	(79)	49
	<b>Cash and cash equivalents at end of the half-year</b>	<u>165,141</u>	<u>105,956</u>

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

## 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by Energy Resources of Australia Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

## 2 Segment information

### Description of Segment

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

The Chief Executive considers the business from a product prospective and has identified only one reportable segment in the half year ended 30 June 2010. The company reported two reportable segments in the comparative period but has ceased engaging in consulting services during the period and hence has one reportable segment being the mining, processing and selling of uranium; the comparative information has been adjusted to reflect this. There are no other unallocated operations.

### Half-year 2010

	Uranium \$'000
<b>Segment revenue</b>	
Revenue from external customers	209,599
Other revenue	8,141
<b>Total segment revenue</b>	<u>217,740</u>
<b>Consolidated revenue</b>	<u>217,740</u>
<b>Profit/(loss) before tax</b>	<u>30,837</u>

### Half-year 2009

	Uranium \$'000
<b>Segment revenue</b>	
Revenue from external customers	336,085
Other revenue	10,947
<b>Total segment revenue</b>	<u>347,032</u>
<b>Consolidated revenue</b>	<u>347,032</u>
<b>Profit/(loss) before tax</b>	<u>177,958</u>

### 3 Dividends

	Half-year ended	
	2010	2009
	\$'000	\$'000
<b>(a) Ordinary shares</b>		
Final dividend paid for the year ended 31 December 2009 of 25 cents (2008 - 20 cents) per fully paid share paid on 5 March 2010 (2008 – 7 February 2009)		
Fully franked based on tax paid @ 30%	<b>47,684</b>	38,148

### 4 Contingencies

#### (a) Legal actions against ERA

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

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

### 5 Earnings per share

	Half-year ended	
	2010	2009
	Cents	Cents
Basic earnings per share	11.9	66.9
Diluted earnings per share	11.9	66.9

Weighted average number of ordinary shares on issue used in the calculation basic earnings per share: 2010: 190,737,934; (2009: 190,737,934)

### 6 Events occurring after the balance sheet date

Since the end of the reporting period the Directors have declared the payment of an 8 cent per share interim dividend fully franked at 30%.

There have been no other material events occurring after balance date that have not been reported in the half-year financial statements.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 11 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Energy Resources of Australia Ltd will be able to pay its debts as and when they become due and payable.

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



Dr D Klingner

**Chairman**

Darwin  
29 July, 2010

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Energy Resources of Australia Limited, which comprise the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Energy Resources of Australia Limited Group (the consolidated entity). The consolidated entity comprises both Energy Resources of Australia Limited (the company) and the entities it controlled during that half-year.

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

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Energy Resources of Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independent auditor's review report to the members of  
Energy Resources of Australia Limited (continued)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

*Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*D. G. Smith*

Debbie Smith  
Partner

Melbourne  
29 July 2010