Results for announcement to the market

Appendix 4E

Energy Resources of Australia Ltd

ABN 71 008 550 865
ASX Preliminary final report – 31 December 2020
Lodged with the ASX under Listing Rule 4.3A

Contents

Results for announcement to the market

	Change		2020 $000	2019 $000
Revenue from sales of uranium	16%	To	242,222	209,636
Revenue from continuing operations	8%	To	254,891	235,929
Profit/(loss) from continuing operations after tax attributable to members	83%	To	11,460	6,252
Net Cash flow from operating activities	81%	To	(19,280)	(99,500)
Earnings before Interest, Tax, Depreciation and Amortisation	409%	To	3,413	(1,103)
EPS (cents)[1]	(67%)	To	0.4	1.2

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

Review of operations
Energy Resources of Australia Ltd (**ERA** or the **Company**) incurred a cash outflow from operating activities of $19 million in 2020 compared to an outflow of $100 million in 2019. Rehabilitation costs incurred for the year end 31 December 2020 were $80 million[2] compared to $92 million in 2019. Despite negative cash flow ERA continued to generate a positive cash margin from the sale of uranium oxide.

ERA held total cash resources of $737 million at 31 December 2020, comprised of $204 million in cash at bank and $533 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund. The Company has no debt.

Cash reserves were substantially increased following the completion of the fully underwritten, renounceable entitlement offer, which raised $476 million to support rehabilitation of the Ranger Project Area (**Entitlement Offer**).

ERA recorded a net profit after tax of $11 million compared to $6 million in 2019. The 2020 net profit was supported by higher sales revenue and lower cash costs, resulting from the continued successful execution of the "Safety Transforming ERA Together" program (**Transformation Program**). As at 31 December 2020, this performance was partially offset by a revision in the rehabilitation provision discount rate and a number of minor revisions in timing of rehabilitation spend, which resulted in an unfavourable change in rehabilitation expense and therefore impact to earnings of $7 million.

In response to the ongoing COVID-19 pandemic, ERA continues to maintain controls and protocols in accordance with the Company's COVID-19 Management Plan to protect our

[1] 2021 impacted by the issue of 3,173 million shares following completion of the Entitlement Offer on 18 February 2020.
[2] Excludes $2 million (2019: $1 million) in utilisation of lease cost.

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employees and local communities as our first priority and ensure full compliance with Government requirements. ERA has continued to operate throughout this period with minimal impact to production or sales volumes.

Uranium oxide produced for the year ended 31 December 2020 was 1,574 tonnes, 10 per cent lower than 2019 production of 1,751 tonnes. 2020 production was impacted by declining stockpile grade, in line with the Company's mine plan. Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. In the first 8 days of January 2021, 34 tonnes of uranium were drummed. This concluded processing activities on the Ranger Project Area after 40 years of operation, during which time more than $500 million of royalty payments have been made to governments and Indigenous interests.

Revenue from the sale of uranium oxide was $242 million (2019: $210 million). Revenue was favourably impacted by higher sales volume and a favourable movement in the Australian/US dollar exchange rate.

Sales volume for 2020 was 1,721 tonnes compared with 1,597 tonnes for 2019. The average realised sales price for 2020 was US$42.60 per pound compared to US$41.89 per pound in 2019. The average realised price was impacted by increased sales into the spot market. The average realised price on contracted sales in 2020 was US$53.77 per pound compared to US$48.53 per pound in 2019. The average realised price compares favourably against the average spot price for 2020 of US$29.74 per pound.

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar had a positive impact on ERA's financial results. With sales weighted towards the first half, the average exchange rate was 67 US cents, compared with 70 US cents for 2019. ERA sought to maximise exposure to the favourable movement in the Australian dollar, whereby ERA entered into a number of forward foreign exchange contracts from USD denominated sales. Forward contracts were entered in respect to certain contracted sales which were forecast at the time for delivery between May 2020 and March 2021. Forward exchange contracts have been entered into at an average rate of 65 US cents for up to 70 per cent of the contracted US denominated sales proceeds. At 31 December 2020, ERA retained $63 million in forward contracts.

Cash costs for 2020 were lower than the corresponding period in 2019. This was mainly driven by the successful execution and ongoing delivery of ERA's business Transformation Program. During the first half of 2020, ERA launched the next phase of the program, "Transformation 2.0", which has greater focus on the rehabilitation project. The program targets idea generation and initiative implementation, with the objectives to deliver cost reductions and avoidance, without comprising safety or environmental outcomes.

Following a sharp decline in the crude oil price, with a corresponding decrease in gasoil (or diesel), ERA entered into gasoil swap contracts to lock in favourable prices when compared to ERA's assumptions in the recently completed Entitlement Offer. ERA agreed to purchase forward gasoil swaps at a weighted average price of US$41.59 per barrel ex-Singapore. The forward contracts commenced in June 2020 and extend through to 31 March 2022 for a total quantity of 325,133 barrels. At 31 December 2020, ERA retained US$9 million in swap contracts. The contracts were entered in US dollars and are settled monthly in arrears.

Interest income for 2020 was $5.6 million, compared to $7.6 million for 2019. The weighted average interest rate received on term deposit for the period was 0.8 per cent. This compares to 1.5 per cent assumed in the recently completed Entitlement Offer.

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Cessation of production on the Ranger Project Area

After almost 40 years of production, totalling greater than 132,000 tonnes of drummed uranium oxide, processing of ore ceased at Ranger Mine on the 8 January 2021, as required under the s41 Authority (Atomic Energy Act) (**Ranger Authority**).

The expiry of the right to mine and process under the Ranger Section 41 Authority extinguishes any reasonable prospects for eventual economic extraction of previously reported Mineral Resources. As a result, the ERA Ore Reserves and Mineral Resources Statement no longer reports any Ore Reserves and Mineral Resources for the Ranger Project Area. The Company retains the MLN1 Jabiluka reported Resources.

In 2018, the Company initiated the "My Future Plan" employee support program to prepare existing employees for "life after ERA". The program provides participants with opportunities to expand their skills and capabilities following the cessation of production at Ranger. The program also provides support to employees seeking to be redeployed within the broader Rio Tinto group and to those who may wish to start their own business or retire. To date, the Company has supported the preparation of career plans for approximately 95 per cent of the workforce. Following cessation of production in January 2021, a number of employees seeking redeployment into Rio Tinto were successfully redeployed to other Rio Tinto business units.

Rehabilitation

At 31 December 2020, the ERA rehabilitation provision was $718 million[3]. A periodic review was conducted of the estimate and applicable discount rate used. This resulted in a minor reduction of the estimate and a revision of the discount rate used from 2 to 1.5 per cent, following ongoing review of key macro-economic assumptions. These were predominantly due to adjustments in forecast inflation rates and reduction in the assumed cash rate following successive rate reductions by the Reserve Bank of Australia. These changes resulted in a net increase in the closure provision of $6.5 million. During 2020, ERA incurred expenditure of $82 million on rehabilitation activities ($80 million in cashflow and $2 million in utilisation of leased assets).

Good progress was made on the ongoing rehabilitation of the Ranger Project Area in 2020, with a number of key milestones completed. Expenditure was largely associated with dredging to transfer tailings from the Tailings Storage Facility (**TSF**) to Pit 3, construction and commissioning of water treatment capacity, the backfill of waste material to Pit 1, successful planting of stage 13 (section of Pit 1) revegetation program and various studies.

Importantly, in August 2020, the backfill of waste material to Pit 1 was completed. Furthermore, the transfer of tailings from the TSF to Pit 3 continued with bulk dredging works forecast to complete in February 2021. TSF floor cleaning activities will occur through the first half of 2021.

Further updates on risks are included in the Rehabilitation Provision description within the notes section of this report.

Funding

On 15 November 2019, the Company announced a pro-rata renounceable Entitlement Offer of 6.13 new fully paid ERA ordinary shares for each fully paid ordinary share, raising approximately $476 million, to fund its rehabilitation obligations for the Ranger Project Area.

[3] 31 December 2020 provision is discounted at 1.5 per cent and presented in real terms ($747 million undiscounted in real terms). This equates to an estimated $801 million in undiscounted nominal terms.

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New shares under the Entitlement Offer were issued on 25 February 2020. Following the issue of new shares to Rio Tinto under the Entitlement Offer and Underwriting Agreement, Rio Tinto's relevant interests increased from 68.4 per cent to 86.3 per cent.

Following the receipt of the proceeds from the Entitlement Offer, ERA deposited $454 million into the Ranger Rehabilitation Security held by the Commonwealth Government in order to satisfy its obligations to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). The remaining proceeds from the Entitlement Offer have been invested in short term deposits with Australian deposit taking institutions. ERA continues to explore opportunities to maximise interest revenue.

Ranger 3 Deeps

Given the current uranium market environment, the Ranger 3 Deeps project faces material barriers to development.

Amendments to legislation to effect an extension of the Ranger Authority would be required to manage the gap between the cessation of processing at 8 January 2021 and the commencement of Ranger 3 Deeps production at a later point. This gap, together with an extensive care and maintenance program for the mill and a required pause on rehabilitation activities, would add fixed cost to the operation, further materially challenging the Ranger 3 Deeps Project's viability.

Due to the ongoing constrained market conditions the project remains uneconomic. Consequently, ERA will progress remediation of the Ranger 3 Deeps decline and decommissioning the Ranger ore processing facilities through the first half of 2021. Plant decommissioning is due to complete in the third quarter of 2021. While the timing of plant demolition works remain under review, the current plan supports demolition in approximately 2023.

At present, no work is being conducted on further development options for the Ranger 3 Deeps deposit.

Ranger Production

ERA ceased production at the Ranger Mine on 8 January 2021, with a total of 34 tonnes drummed in those first eight days of 2021. ERA expects to complete sales into its existing sales contracts through 2021, of approximately 1.37 million pounds, with the balance of inventory holdings to be sold progressively into the spot market. The average realised selling price for contracted sales for 2021 is expected to be between US$50 and US$55 per pound.

Outlook

The strategic priority of ERA is the rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment of long-term sustainable operations in the region, create a sustainable, positive legacy and underpin potential future growth opportunities.

The net proceeds of the Entitlement Offer completed in February 2020, together with ERA's existing cash resources and expected future cash flows, will be used primarily for the purposes of funding rehabilitation. A sum of approximately $20 million from existing cash resources and expected future cash flows has been provisionally designated for expenditure on prospective development opportunities or otherwise as the ERA Board determines to be in the interests of the Company from time to time.

Consequently, ERA's near-term strategic priorities include:

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- complete rehabilitation of the Ranger Project Area;
- maximise the generation of cash flow from the remaining inventories of drummed uranium oxide; and
- preserve optionality over the Company's undeveloped resources; and progress inorganic growth options evaluation.

Dividends

ERA has decided not to declare a final dividend for the 2020 financial year. No final dividend was paid in respect to the 2019 financial year.

Exploration

There was no exploration expenditure for the year ended 2020.

Preliminary statement of comprehensive income

	2020 $000	2019 $000
Revenue from continuing operations	254,891	235,929
Changes in inventories	(13,988)	26,642
Materials and consumables used	(71,818)	(81,499)
Employee benefits and contractor expenses	(101,304)	(108,821)
Government and other royalties	(12,517)	(11,085)
Commission and shipping expenses	(5,069)	(5,589)
Depreciation and amortisation expenses	(353)	(176)
Changes in rehabilitation provision	(6,529)	-
Financing costs	(24,949)	(34,580)
Statutory and corporate expense	(9,260)	(9,055)
Other expenses	(461)	(5,514)
Profit/(Loss) before income tax	**8,643**	**6,252**
Income tax benefit/(expense)	2,817	-
Profit/(Loss) for the year	**11,460**	**6,252**
Other comprehensive income for the year, net of tax		
Items that will be reclassified subsequently to profit or loss		
Cash flow hedging:		
Changes in the fair value of cash flow hedges	9,391	-
Income tax relating to components of other comprehensive income	(2,817)	-
Other comprehensive income for the year, net of tax	**6,574**	**-**
Total comprehensive income for the year	**18,034**	**6,252**
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	**11,460**	**6,252**
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	**18,034**	**6,252**

Preliminary balance sheet

	2020 $000	2019 $000
Current assets		
Cash and cash equivalents	204,350	208,591
Trade and other receivables	7,788	9,400
Inventories	132,704	144,281
Government security receivable*	123,316	-
Derivative financial instruments	12,423	-
Other	2,030	5,785
Total current assets	482,611	**368,057**
Non-current assets		
Inventories	15,423	28,118
Undeveloped properties	89,856	89,856
Property, plant and equipment	1,756	4,213
Government security receivable*	409,927	76,333
Derivative financial instruments	580	-
Total non-current assets	**517,542**	**198,520**
Total assets	**1,000,153**	**566,577**
Current liabilities		
Payables	39,290	41,465
Provisions	188,399	137,351
Lease liabilities	1,583	2,408
Total current liabilities	**229,272**	**181,224**
Non-current liabilities		
Provisions	556,116	658,270
Lease liabilities	186	1,770
Total non-current liabilities	**556,302**	**660,040**
Total liabilities	**785,574**	**841,264**
Net assets	**214,579**	**(274,687)**
Equity		
Contributed equity	1,177,656	706,485
Reserves	395,383	388,748
Accumulated losses	(1,358,460)	(1,369,920)
Total Equity	**214,579**	**(274,687)**

** described as Investment in Trust Fund in 31 December 2019 financial report*

Preliminary statement of changes in equity

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2019	**706,485**	**388,897**	**(1,376,172)**	**(280,790)**
Profit for the year	-	-	6,252	6,252
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,252	6,252
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(149)	-	(149)
	-	(149)	-	(149)
Balance at 31 December 2019	**706,485**	**388,748**	**(1,369,920)**	**(274,687)**
Profit for the year	-	-	11,460	11,460
Other comprehensive income	-	6,574	-	6,574
Total comprehensive income for the year	-	6,574	11,460	18,034
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction cost	471,171	-	-	471,171
Employee share options - value of employee services	-	61	-	61
	471,171	61	-	471,232
Balance at 31 December 2020	**1,177,656**	**395,383**	**(1,358,460)**	**214,579**

Preliminary statement of cash flows

	2020 $000 inflows/ (outflows)	2019 $000 inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	268,885	219,197
Payments to suppliers and employees (inclusive of goods and services tax)	(209,596)	(230,704)
	59,289	**(11,507)**
Payments for rehabilitation	(80,190)	(91,965)
Interest received	2,673	5,953
Financing costs paid	(1,052)	(1,981)
Net cash inflow/(outflow) from operating activities	**(19,280)**	**(99,500)**
Cash flows from investing activities		
Payments for property, plant and equipment	(193)	(3,623)
Proceeds from sale of property, plant and equipment	-	500
Contributions to Government security receivable	(454,000)	-
Net cash inflow/(outflow) from investing activities	**(454,193)**	**(3,123)**
Cash flows from financing activities		
Employee share option payments	(1,616)	(1,418)
Proceeds from issues of shares	476,049	-
Share issue transaction costs	(2,791)	-
Payment of lease liabilities	(2,408)	(1,087)
Net cash inflow/(outflow) from financing activities	**469,234**	**(2,505)**
Net increase/(decrease) in cash held	(4,239)	(105,128)
Cash at the beginning of the financial year	208,591	313,736
Effects of exchange rate changes on cash	(2)	(17)
Cash at the end of the financial year	**204,350**	**208,591**

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Inventories	**2020 $’000**	**2019 $’000**
Inventories - current		
Stores and spares	5,931	16,214
Work in progress at cost	776	3,808
Finished product U_3O_8 at cost	125,997	124,259
Total current inventory	132,704	144,281
Inventories – non-current		
Finished product U_3O_8 at cost	15,423	28,118

Inventories are carried at the lower of cost or net realisable value in accordance with AASB 102. When necessary, a net realisable value adjustment is included in ‘Changes in inventories’ in the statement of comprehensive income.

No net realisable value adjustment was recorded at 31 December 2020 (Nil: 2019).

Financial instruments

Financial assets – current

Forward exchange contracts	9,391	-
Gasoil swap contracts	3,032	-
Total Current Financial assets	12,423	-

Financial assets – non-current

Gasoil swap contracts	580	-
Total Non-current Financial assets	580	-

Financial instruments

Financial assets and financial liabilities are recognised in ERA’s Balance Sheet when ERA becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case Management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

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Derivative financial instruments

ERA enters into both forward foreign exchange contracts and gasoil swap contracts. These contracts are used to manage ERA's exposure to US dollar sales and the price of diesel used to run major mine infrastructure.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless ERA has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge Accounting

ERA designates forward exchange contracts as hedging instruments in the form of cash flow hedges. At the inception of the hedge relationship, ERA documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, ERA documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that ERA actually hedges and the quantity of the hedging instrument that ERA actually uses to hedge that quantity of hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item. Sources of ineffectiveness include the effect of credit risk on the hedging instrument and the mismatch of the timing of settlements between the hedged item and the hedging instrument.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

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ERA discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. If the forecast transactions are no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve in equity is reclassified to profit or loss immediately.

Unrecognised gains and losses recorded in the hedge reserve will give rise to a deferred tax asset or liability. This is recorded in the cash flow hedge reserve. ERA then considers if this is recoverable in the event it is a deferred tax asset. In the event if is a deferred tax liability, ERA considers weather unrecognised deferred tax assets should be recognised to offset the liability. Where this occurs the recognition of the deferred tax asset is recorded through income tax benefit in the profit and loss statement.

Movements in the cash flow hedging reserve is as follows:

	2020 $'000	2019 $'000
Balance 1 January	-	-
Unsettled change in fair value (before tax)	9,391	
Tax on unsettled change in fair value	(2,817)	
Gain on changes in fair value of settled hedges	4,707	
Gain on changes in fair value reclassified to profit or loss	(4,707)	-
Hedge Reserve at end of period	6,574	-

Forward foreign exchange contracts
The forward exchange contracts have been designated and are effective as a hedging instrument.

The forward exchange contracts are measured at fair value on a recurring basis using a Discounted Cash Flows methodology. The contracts are valued, using market quoted forward exchange rates as inputs and when material discounted based on applicable yield curves derived from market quoted interest rates.

All forward foreign exchange contracts will mature in less than 12 months and so are recorded as a current asset. The following table details the ERA's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted cash flows. Settlement of the forward foreign exchange contract occurs on a gross cash flow basis.

Sell USD/Buy AUD	**AUD Notional (A$ million)**	**Average Exchange rate**
Less than 1 year	63.4	0.66

At 31 December 2020, had the Australian Dollar weakened/strengthened by 10 per cent against the US Dollar with all other variables held constant, the change in financial assets would have affected pre-tax other comprehensive income for the half year by $4.9 million.

Gasoil swap contracts

Additional information for announcement to the market

The Gasoil swaps have been measured at fair value, with the resulting gains recorded in the profit and loss.

The Gasoil swap contracts are measured at fair value on a recurring basis using a Discounted Cash Flows methodology. The contracts are valued, using market quoted forward exchange rates as inputs and when material discounted based on applicable yield curves derived from market quoted interest rates.

Gasoil swap contracts will mature as follows and are recorded as a non current asset when maturity is greater than 1 year. The following table details the ERA's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted cash flows. Settlement of the Gas Oil swap contracts occurs on a net cash flow basis, based on the spot price at settlement.

Buy Gasoil	**Notional US$**	**US$ per barrel**
Less than 1 year	5.6	40.30
Greater than 1 year less than 2 years	2.4	48.81

At 31 December 2020, had the Gasoil forward price weakened/strengthened by 10 per cent with all other variables held constant, the change in financial assets would have effected pre-tax profit for the half year by $1.4 million.

Provisions	**2020 $'000**	**2019 $'000**
Provisions – current		
Employee benefits	25,471	13,856
Rehabilitation	162,928	123,495
Total current provisions	188,399	137,351
Movement in current rehabilitation provision		
Carrying value at the start of the year	123,495	91,876
Payments	(80,190)	(91,965)
Right of Use assets depreciation	(2,104)	(877)
Transfers from non-current provisions	121,727	124,461
Carrying amount at the end of the year	162,928	123,495
Provisions – non-current		
Employee benefits	745	11,598
Rehabilitation	555,371	646,672
Total non-current provisions	556,116	658,270
Movement in non-current rehabilitation provision		
Carrying value at the start of the year	646,672	738,535
Unwind of discount	23,897	32,598
Change in estimate	(2,572)	-
Change in discount rate	9,101	-
Transfers to current provisions	(121,727)	(124,461)
Carrying amount at the end of the year	555,371	646,672

Additional information for announcement to the market

Employee Benefits

During the year ended 2020, the Company continued to develop and plan for the restructure of the workforce post production. This has now reached a level of detail where a provision for benefits payable on termination has been recognised in line with Australian Accounting Standards. The total provision recognised is $11.2 million. This is considered a current liability based on the balance forecast to be payable within one year.

Potential termination payments beyond 2021 are yet to be recognised due to the level of uncertainty regarding quantum and timing.

Rehabilitation Provision

The calculation of the rehabilitation provision relies on estimates of costs and their timing to rehabilitate and restore disturbed land to establish an environment similar to the adjacent Kakadu National Park in line with the Company's statutory obligations.

In estimating the rehabilitation provision, a risk-free discount rate is applied to the underlying cash flows. At 31 December 2020, the real discount rate was reduced from 2 per cent to 1.5 per cent. This reflects overall forecast changes seen in risk free rates and inflationary assumptions. This change in discount rate resulted in an increase in the provision of $9.1 million. This was partially offset by a reduction in the provision of $2.6 million based on amendment to inflationary assumptions and the timing of spend impacting the discounted costs.

The costs are estimated on the basis of a closure model, taking into account considerations of the technical closure options available to meet ERA's obligations. The provision for rehabilitation represents the net present cost at 31 December 2020 of the preferred plan within the requirements of the Ranger Authority. The Ranger Authority requires ERA to cease mining and processing activities by 8 January 2021 and complete rehabilitation of the Ranger Project Area by 8 January 2026.

The closure model is based on the 2019 feasibility study which expanded on the earlier prefeasibility study completed in 2011. The estimate has been reviewed at 31 December 2020 and updated to incorporate any identified changes in cost, scope or schedule and where impacts have been identified, reflected as a drawdown or return in overall project contingency.

Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping, design and backfill, construction and commissioning of the tailings dredging system and construction of water treatment infrastructure including the brine concentrator and brine squeezer.

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.

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

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Selected risks on the Ranger rehabilitation provision are detailed below.

Tailings consolidation
Following the completion of transfer of tailings to Pit 3 the final capping of Pit 3 will commence. During the capping process the tailings in Pit 3 will consolidate and express process water that will need to be collected and treated. The consolidation process will be aided by the installation of vertical wicks and the knowledge of the consolidation timeframes is backed up by a detailed model based on in situ testing of site tailings. The consolidation model accuracy and predictions of rates of process water expression is impacted by many factors including: tailings density and other characteristics, deposition method and free process water volume in the pit during deposition.

ERA continues to monitor the rate of tailings consolidation in Pit 3 compared to the consolidation model assumed for the purposes of the rehabilitation feasibility study. It is apparent that a greater proportion of process water is being retained within the tailings than forecast. Further studies and testing are ongoing to validate the consolidation model assumptions used. The impact to the Ranger rehabilitation program, if any, will be further evaluated once studies and detailed design are completed during the first half of 2021. Should mitigating actions be required, these could include implementing a higher density wicking program to support process water expression and / or use of process water treatment capacity for longer than previously planned, both of which have not been allowed for in either the schedule or cost estimate.

Process water
In order to increase process water treatment capacity, ERA has progressed both re-commissioning activity of the high density sludge (**HDS**) plant, the commissioning of the brine squeezer (including conducting process water treatment trials) and brine concentrator expansion project. The recommissioning of the HDS plant has been impacted by both the timing of external consents and a number of technical commissioning issues. Subject to future process water inventory volumes, this may necessitate the HDS operating longer than previously planned. The brine squeezer commissioning has progressed, albeit with production limited due to low pond water volumes through the year. Trials to evaluate the potential for the brine squeezer to treat process water are ongoing. The brine concentrator expansion project is progressing with commissioning expected in quarter 1, 2021.

Treatment of process water remains on the projects' critical path. As previously noted, the feasibility study assumed a long term average annual rainfall for the region in forecasting future water treatment requirements. Annual rainfall can vary from year to year. Historically, the region has seen higher than average rainfall in years in periods of 'La Nina'. The Bureau of Meteorology has forecast the 2020/2021 wet season to be an 'La Nina'. Rainfall wet season to date, would support this assessment, with higher than average rainfall. The impact on the overall rehabilitation program is unknown and will be sensitive to rainfall for the remainder of the wet season and future years.

Overall, process water volumes are sensitive to many factors. Any additional water would require treating through ERA's process water treatment infrastructure, in large part the brine concentrator. Water volumes can vary due to:

- additional rainfall above an average wet season;
- the performance of water treatment plants, including new smaller scale plants that are yet to be fully commissioned;
- the timing of closure of which water catchments occurs; and
- the volume and timing of water expressed from tailings.

If water treatment volumes exceed the available capacity, it may be necessary to expand treatment capacity. This may involve the construction of additional process water treatment capacity or other alternate technology. This has not been allowed for in the estimate and would

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come at significant additional cost. Furthermore, any significant delay may further compress the schedule requiring alteration to other closure activities.

Process water salt disposal
As a result of treating process water, a waste stream of contaminated salt is generated. This is ultimately to be stored below tailings in Pit 3 via injecting the brine through bore holes. Recommissioning activities for this infrastructure have successfully occurred although the long-term performance is yet to be fully confirmed. Should the disposal of salt in this manner not prove viable, an alternate method of salt disposal would be required. This could require significant additional capital expenditure which has not been allowed for in either the schedule or cost estimate and may not be available to ERA.

Bulk material movement
Pit 3 bulk material movements are sensitive to the volume of material which is to be moved and the schedule of movement.

Other factors
In addition to the factors identified above there are many additional items that the estimate could be impacted by, including: evaporation rates, stakeholder requirements, engineering studies, other site contaminants, plant mortality and project support costs. These represent a possible obligation from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or a present obligation that arises from past events but are not recognised because the amount of the obligation cannot be measured with sufficient reliability.

Share capital	**2020 ’000**	**2019 ’000**
A Class shares fully paid		
Share capital at the start of the year	517,725	517,725
Shares issued during the year (at $0.15 per share)	3,173,658	-
Share capital at the end of the financial year	3,691,383	517,725
Total contributed equity		
Contributed equity at the start of the year	706,485	706,485
Additional contribution of equity ($0.15 per share for 3,173,658 shares)	476,049	-
Share issuance costs	(4,878)	-
Contributed equity at the end of the year	1,177,656	706,485

As announced on 20 February 2020, ERA’s fully underwritten 6.13 for 1 pro rata renounceable Entitlement Offer of new fully paid shares to raise approximately $476 million closed successfully on 18 February 2020. The proceeds, to be used primarily to fund ERA’s statutory rehabilitation obligations for the Ranger Project Area, have been invested in short duration term deposits across a variety of Australian deposit taking institutions and held in trust.

Retained earnings	**2020 $’000**	**2019 $’000**
Retained earnings at the beginning of the financial year	(1,369,920)	(1,376,172)
Net profit/(loss) attributable to members of Energy Resources of Australia	11,460	6,252
Retained profits at the end of the financial year	(1,358,460)	(1,369,920)

Asset Carrying Values

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ERA has two cash generating units (**CGUs**), the Ranger Project Area and the Jabiluka Mineral Lease. The Ranger CGU includes all assets and liabilities related to activities on the Ranger Project Area, including the rehabilitation provision. The Jabiluka Undeveloped Property relates to the Jabiluka Mineral Lease which is currently under a Long Term Care and Maintenance Agreement with Traditional Owners.

At 31 December 2020, the property, plant and equipment in the Ranger CGU continues to be fully impaired. When capital expenditure is incurred it is immediately expensed to the Statement of Comprehensive Income. For the year ended 31 December 2020, $0.2 million in capital expenditure was expensed.

At the end of each reporting period, ERA assesses whether there are any indications that ERA's CGUs may be impaired, or circumstances have changed to indicate reversal of prior impairments. This requires judgment in analysing possible impacts caused by factors such as the price of uranium oxide, foreign exchange movements, operating and capital estimates, discount rate, project progression, Traditional Owner relationships.

ERA 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.

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 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, based on post-tax cash flows expressed in real terms, estimated until the end of the life of mine plan and discounted using an asset-specific, post-tax real discount rate. Results are cross checked against market valuations 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 previously reviewed by an external valuation expert.

ERA regularly reviews and updates these assumptions and assesses potential impairment indicators and impairment reversal indicators. In 2020, the review did not identify any indicators that the carrying amount of the Jabiluka Undeveloped Property may not be recovered in full from successful development or sale. While some improvement in macro-economic factors has been identified, it was determined it was too early to conclude whether these would be sustained. As such, no indicators were identified that the previously recorded impairment should be reversed. This review primarily considered the following key factors:

- uranium consensus price changes based on a set of brokers that regularly provide a view on the long term uranium oxide price and the ongoing presence of a contract price premium;
- long term consensus forecast Australian/US dollar exchange rates;
- probability and timing of development and ongoing stakeholder relations; and
- applicable discount rate.

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The review of these factors did not identify any material changes that would warrant a full impairment or impairment reversal review to be conducted. As a result, the carrying value of the Jabiluka Undeveloped Property remains at $90 million.

Key assumptions to which the Jabiluka model is sensitive include: the probability of future development (which includes an assessment of obtaining any required approval and/or support of various stakeholders, including the Traditional Owners, regulatory bodies and shareholders), uranium oxide prices (including term contract price premiums in the future), foreign exchange rates, production and capital costs, discount rate, ore reserves and mineral resources, lease tenure renewal and development delays. A change in these assumptions may result in further impairment. Selected downside sensitivities to the fair value of the Jabiluka CGO at 31 December 2020 are summarised below. Based on current assumptions, no single change in the below sensitivities would result in further impairment, however should all occur full impairment would result.

Sensitivity	Impact on value $million
-5 per cent change in forecast uranium oxide price	(60)
+20 per cent change in development capital	(109)
+5 per cent change in forecast Australian/US dollar exchange rates	(56)
+1 per cent change in discount rate	(61)

ERA's view remains that Jabiluka is a large, high quality uranium ore body of global significance.

Taxation

ERA has approximately $188 million of 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 at each reporting date. Should future taxable profits eventuate this treatment will not impact ERA's ability to utilise available tax losses in future periods.

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.

Liquidity

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The future liquidity and capital requirements of ERA will depend on many factors. As a result of the increase to the rehabilitation provision in 2018, ERA successfully completed an Entitlement Offer on 18 February 2020 and raised $476 million. Following the finalisation of the Entitlement Offer, ERA considers that it has adequate cash available to rehabilitate the Ranger Project Area in line with regulatory requirements. ERA's funding of rehabilitation is sensitive to multiple factors including operating cashflows, technological developments, economic factors including interest rates, weather, regulatory and stakeholder expectations and environmental factors. See below for further commentary on the Government security receivable from the Commonwealth Government.

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In April 2016, ERA entered into a $100 million credit facility agreement with Rio Tinto. This agreement remains in place. No amount of the facility is in use at the balance date (31 December 2020: $nil).

Government security receivable

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.

The Commonwealth Government finalised its review in February 2020, the relevant Commonwealth Government Minister confirmed a revised security amount of $655 million. In order to meet its statutory obligation, ERA contributed $454 million from the Entitlement Offer proceeds during the period, adding to balances held in the prior period of $77 million, with a total of $531 million as cash held on deposit with the Department of Industry, Science, Energy and Resources (**DISER**) and $125 million in bank guarantees.

The cash held as security is invested in term deposits to optimise returns whilst providing appropriate security. This is disclosed as a Government Security Receivable in the Balance Sheet and was previously entitled Investment in Trust Fund in the Company's financial reports. The 45th Annual Plan of Rehabilitation is currently being prepared to align with the conclusion of processing on 8 January 2021. This review will revise the determined security position. Despite this presenting as the final Annual Plan of Rehabilitation, ERA and/or the Commonwealth Government are expected to retain the right to seek review of the security position in the future, should material change in the cost estimate take place.

As rehabilitation progresses, the security requirement is forecast to decrease largely in line with the annual rehabilitation spend and cash and/or bank guarantees will be withdrawn from the Trust Fund. Drawdown is subject to approval by the Commonwealth Government, consequently, there remains a risk to the Company's liquidity and financial position should the Trust Fund security value not reduce broadly in line with the Company's forecast rehabilitation spend.

It is estimated that a portion of the Government Security Receivable will be returned to the Company during 2021. In determining the magnitude of this and the resulting portion that will be held as a current asset, the Company has determined it appropriate to consider that the estimated rehabilitation spend for the first three quarters of 2021 will be returned in 2021. This portion has been recorded as a current asset. This will be impacted by any return of security resulting from a change in security requirement, as well as any decision made by the Company to provide security through a varied mix of cash on deposit or bank guarantees.

The Company has recorded this reimbursable amount under the guidance of AASB Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds. Under Interpretation 5, the Company accounts for the amounts as a non-financial asset, or reimbursement, under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Measurement of the reimbursement is at the company's share of the fair value of the net assets of the fund, which is 100 per cent of the cash deposits held in the fund plus accrued interest. The fund carries no other balances but short-term deposits. This amount was previously disclosed as a financial asset measured at fair value through profit or loss. Other than the renaming of the balance, there is no impact on the reported asset balance, profit or loss or cash flows for the prior period comparative.

In this financial report, the balance is presented as a current and non-current asset as the Company anticipates being reimbursed for a portion of the security amount within 12-months from balance date.

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Cash flows to/from the fund are considered to be advances to/from a third party and therefore disclosed under Investing Activities.

Net Tangible Asset Backing	**2020 $**	**2019 $**
Net tangible asset backing per ordinary share	0.06	(0.5)

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