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ASX Interim report – 30 June 2021

Lodged with the ASX under Listing Rule 4.2A
This information should be read in conjunction with the 31 December 2020 financial report

Contents

Directors' Report

for the half-year ended 30 June 2021

The Directors of Energy Resources of Australia Ltd (**ERA or the Company**) present their report together with the interim financial report of the Company, for the half-year ended 30 June 2021.

Directors

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

Name	***Period of Directorship***
Mr P Mansell (Chairman)	Appointed October 2015
Mr P Arnold	Appointed Chief Executive and Managing Director August 2017
Mr S Charles	Appointed October 2015
Mr J Carey	Appointed August 2019
Mr P Dowd	Appointed October 2015
Mr J van Tonder	Appointed May 2020
Mr M Hanrahan	Appointed May 2020 and resigned April 2021

Results for announcement to the market

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

			June 2021 $000	**June 2020 $000**
Cash flow from operating activities	-150%	to	(12,734)	25,329
Revenue from sales of uranium oxide	-68%	to	53,470	168,161
Revenue from ordinary activities	-66%	to	60,206	176,465
(Loss) / Profit from ordinary activities before tax attributable to members	-106%	to	(2,448)	38,469
(Loss) / Profit from ordinary activities after tax attributable to members	-113%	to	(5,265)	40,215
Net (Loss) / Profit for the period attributable to members	-113%	to	(5,265)	40,215
(Loss) / Earnings per share (cents)	-107%	to	(0.1)	1.5

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 2021

Review of operations

Energy Resources of Australia Ltd (**ERA** or the **Company**) incurred a cash outflow from operating activities of $13 million for the half-year ended 30 June 2021 compared to positive cash flow of $25 million for the same period in 2020. Rehabilitation costs incurred for the half-year ended 30 June 2021 were $70 million compared to $38 million for the same period in 2020.

Uranium oxide production for the half-year ended 30 June 2021 was 34 tonnes, compared to 798 tonnes for the same period in 2020. Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activity on the Ranger Project Area afters 40 years of operation, during which time more than $500 million of Royalty payments have been made to governments and Indigenous interests.

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 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 sales volumes and Ranger rehabilitation. The Company continues to monitor all COVID-19 developments to assess the impact, if any, on Ranger rehabilitation.

ERA held total cash resources of $725 million at 30 June 2021, comprised of $191 million in cash at bank and $534 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund. The Company has no debt.

ERA's net loss after tax for the half-year ended 30 June 2021 was $5 million compared with $40 million net profit after tax for the same period in 2020. The half-year ended 30 June 2021 reflects lower sales volumes, with long term sales contracts progressively coming to an end in 2021. This was partially offset by lower cash costs resulting from the cessation of processing on 8 January 2021 and continued successful execution of ERA's business Transformation Program (**Transformation Program**).

Revenues from sales of uranium oxide were $54 million for the half-year compared to $168 million for the same period in 2020.

Sales volume for the period was 351 tonnes, compared to 1,044 tonnes for the June 2020 half-year. Contracted sales were significantly lower with all long term sale contracts approaching completion. ERA continues to hold a substantial inventory of uranium oxide and will progressively sell into the spot market. The average realised sales price on contracted sales in the June 2021 half-year was US$54.31 per pound compared to US$52.99 per pound in 2020. The average realised price on all sales (including uncontracted material sold into the spot market) in 2021 was US$51.39. The average realised price compares favourably against the average spot price of US$30.15 per pound.

The average realised Australian/US dollar exchange rate for the first half of 2021 was 74 US cents compared to 65 US cents in the first half of 2020. As sales of uranium oxide are denominated in US dollars, the strengthening of the Australian dollar has had an unfavourable impact on revenue when compared to 2020.

Forward foreign exchange contracts entered into by ERA in April 2020 to manage exposure to foreign exchange risks arising from USD denominated sales have been completed with the final instalment fully settled in March 2021. The forward exchange contracts were entered into at an average exchange rate of 65 US cents for 70 per cent of the contracted US denominated sales proceeds.

Cash costs for the June 2021 half-year were lower than the corresponding period in 2020. This was mainly driven by the cessation of Ranger production and the successful ongoing delivery of ERA's business Transformation Program. The second phase of the program "Transformation 2.0", which has been underway since the first half of 2020, has greater focus on the rehabilitation . The program targets idea generation and initiative implementation, with the objectives to deliver cost reductions and avoidance, without compromising safety or environmental outcomes.

Interest income for the period was $1 million, compared to $2 million for the June 2020 half-year. The weighted average interest rate received on term deposits for the period was 0.35 per cent. This compares to 1.5 per cent assumed in the recently completed entitlement offer.

Cessation of production on the Ranger Project Area

Production at the Ranger Mine ceased, in accordance with the Ranger Authority on 8 January 2021. This concluded processing activities on the Ranger Project Area after 40 years of operation, totalling greater than 132,000 tonnes of drummed uranium and during which time more than $500 million of royalty payments have been made to governments and Indigenous interests.

In 2018, the Company initiated the "My Future Plan" employee support program to prepare mining and processing 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 explore other opportunities or retire. The Company has supported the preparation of career plans for approximately 95 per cent of the workforce. Following cessation of production in January 2021, ERA successfully redeployed a number of employees into other Rio Tinto business units with the remainder of employees not required to execute the rehabilitation phase progressing the plans made through the "My Future Plan" program.

Rehabilitation

At 30 June 2021, the ERA rehabilitation provision is $656 million[1]. During the first half of 2021, ERA incurred expenditure of $71 million on rehabilitation activities ($70 million in cashflow and $1 million in utilisation of leased assets).

On 15 February 2021 a significant milestone was achieved with the completion of the bulk dredging works at the Tailings Storage Facility (TSF). Following this, works are progressing on floor and wall cleaning activities. This process has been more complex than planned and has pushed final floor and wall cleaning later into the second half of 2021. This is a critical path activity as material from the TSF floor and walls are deposited in Pit 3 prior to final pit capping. ERA is progressing the final design and execution of the Pit 3 wicking, capping, and bulk backfill works. Work is under way to evaluate progressing this in parallel to final TSF floor and wall cleaning in order to condense the required schedule.

Other key rehabilitation activities continued including water treatment as well as the completion of the Brine Concentrator upgrade project and revegetation activities with first plantings undertaken at Pit 1.

On 26 June 2021, a ceremony was held to celebrate the successful granting of land and execution of the Section 19A township lease for Jabiru to the Mirarr Traditional Owners. ERA is currently progressing a housing refurbishment program in Jabiru.

For key updates on the rehabilitation progress and risks refer to note 2 Critical Accounting Estimates and Judgements.

Ranger 3 Deeps

Given the current uranium market environment, the Ranger 3 Deeps project faces material barriers to development. Due to ongoing constrained market conditions the project remains uneconomic. Consequently, ERA is progressing backfill works on the Ranger 3 Deeps decline.

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

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[1] 30 June 2021 provision discounted at 1.5% per cent and presented in real terms ($676 million undiscounted in real terms). This equates to an estimated $729 million in undiscounted nominal terms.

Exploration

There was no exploration expenditure for the half-year ended 30 June 2021.

Dividends

ERA has decided not to declare an interim dividend in respect of the 2021 half-year. No final dividend was paid in respect to the 2020 financial year.

Outlook

The strategic priority of ERA is the rehabilitation of the Ranger Project Area, which ERA believes will demonstrate ERA's commitment to 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:

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

ERA continues to hold substantial inventories of uranium oxide that it aims to sell down opportunistically. ERA's long term contracts will be completed in 2021, with revenue from long term contracts having now been fully paid and recorded as deferred income in the balance sheet, with the associated sale to occur in the second half of 2021.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 and in accordance with that Class Order, amounts in this Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditors' independence declaration

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

Signed at Perth this 27th day of July 2021 in accordance with a resolution of the Directors.

Mr P Mansell
Chairman

Competent Person

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is extracted from the ERA 2020 Annual Statement of Reserves and Resources which was released to the market on 15 February 2021 and is available to view at Annual Reserves and Resources Statement 2021. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Energy Resources of Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Energy Resources of Australia Ltd for the half-year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Derek Meates
Partner

Perth

27 July 2021

	Notes	Half-year ended **30 June 2021 $'000**	 30 June 2020 $'000
Revenue from continuing operations	3	60,206	176,465
Changes in inventories		(34,406)	(19,717)
Materials and consumables used		(1,132)	(37,184)
Employee benefits and contractor expense		(9,264)	(50,454)
Government and other royalties		(2,676)	(8,737)
Commission and shipping expenses		(2,587)	(2,548)
Financing costs		(9,810)	(14,208)
Depreciation and amortisation expenses		(176)	(176)
Statutory and corporate expenses		(1,701)	(4,592)
Other expenses		(902)	(380)
(Loss)/Profit before income tax		(2,448)	38,469
Income tax (expense)/ benefit	5	(2,817)	1,746
(Loss)/Profit for the half-year		(5,265)	40,215
Other comprehensive income for the half-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	5	(9,391)	5,818
Income tax relating to components of other comprehensive Income	5	2,817	(1,746)
		6,574	4,072
Total comprehensive (loss)/income for the half-year		(11,839)	44,287
(Loss)/Profit is attributable to:			
Owners of Energy Resources of Australia Ltd		(5,265)	40,215
		(5,265)	40,215
Total comprehensive (loss)/ income for the half-year is attributable to:			
Owners of Energy Resources of Australia Ltd		(11,839)	44,287
		(11,839)	44,287
		Cents	Cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	9	(0.1)	1.5
Diluted (loss)/earnings per share	9	(0.1)	1.5

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

Energy Resources of Australia Ltd
Balance Sheet
As at 30 June 2021

	Notes	Half-year ended 30 June 2021 $'000	31 Dec 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents		190,532	204,350
Trade and other receivables		6,436	7,788
Inventories	4	85,986	132,704
Government security receivable	11	147,234	123,316
Derivative financial instruments	5	5,710	12,423
Other		2,505	2,030
Total current assets		438,403	482,611
Non-current assets			
Inventories	4	29,232	15,423
Undeveloped properties	2	89,856	89,856
Property, plant and equipment		528	1,756
Government security receivable	11	386,945	409,927
Derivative financial instruments	5	386	580
Total non-current assets		506,947	517,542
Total assets		945,350	1,000,153
LIABILITIES			
Current liabilities			
Payables		23,906	39,290
Provisions	6	148,574	188,399
Deferred income	5	49,720	-
Lease liabilities		545	1,583
Total current liabilities		222,745	229,272
Non-current liabilities			
Provisions	6	519,865	556,116
Lease liabilities		-	186
Total non-current liabilities		519,865	556,302
Total liabilities		742,610	785,574
Net assets		202,740	214,579
EQUITY			
Contributed equity		1,177,656	1,177,656
Reserves		388,809	395,383
Accumulated losses		(1,363,725)	(1,358,460)
Total equity		202,740	214,579

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

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2021		**1,177,656**	**395,383**	**(1,358,460)**	**214,579**
Loss for the half-year		-	-	(5,265)	(5,265)
Other comprehensive loss		-	(6,574)	-	(6,574)
Total comprehensive loss for the half-year		**-**	**(6,574)**	**(5,265)**	**(11,839)**
Transactions with owners in their capacity as owners:					
Contributed equity received net of transaction costs	7	-	-	-	-
Dividends provided for or paid		-	-	-	-
		-	-	-	-
Balance at 30 June 2021		**1,177,656**	**388,809**	**(1,363,725)**	**202,740**

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2020		**706,485**	**388,748**	**(1,369,920)**	**(274,687)**
Profit for the half-year		-	-	40,215	40,215
Other comprehensive income		**-**	4,072	**-**	4,072
Total comprehensive income for the half-year		**-**	**4,072**	**40,215**	**44,287**
Transactions with owners in their capacity as owners:					
Contributed equity received net of transaction costs	7	471,171	-	-	471,171
Dividends provided for or paid		-	-	-	-
		-	-	-	-
Balance at 30 June 2020		**1,177,656**	**392,820**	**(1,329,705)**	**240,771**

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

	Notes	**Half-year ended** **30 June 2021 $'000**	30 June 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		118,993	172,371
Payments to suppliers and employees (inclusive of goods and services tax)		(61,142)	(109,915)
Payments for rehabilitation		(70,385)	(38,185)
		(12,534)	24,271
Interest received		208	2,096
Financing costs paid		(408)	(1,038)
Net cash (outflow) / inflow from operating activities		(12,734)	25,329
Cash flows from investing activities			
Payments for property, plant and equipment		(43)	(233)
Proceeds from sale of property, plant and equipment		-	-
Contributions to Government security receivable		-	(454,000)
Net cash outflow from investing activities		(43)	(454,233)
Cash flows from financing activities			
Proceeds from share issues	7	-	476,049
Share issue transaction costs		-	(2,791)
Payment of lease liabilities		(1,038)	(1,195)
Net cash (outflow) / inflow from financing activities		(1,038)	472,063
Net (decrease) / increase in cash and cash equivalents		(13,815)	43,159
Cash and cash equivalents at the beginning of the half-year		204,350	208,591
Effects of exchange rate changes on cash and cash equivalents		(3)	(3)
Cash and cash equivalents at end of the half-year		190,532	251,747

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The interim financial statements have been drawn up on the basis of accounting policies, consistent with those applied in the financial statements for the year ended 31 December 2020, and in the corresponding interim period.

The Company has adopted all accounting standards and pronouncements that were mandatory for periods beginning on or after 1 January 2021 in this interim financial report. There was no impact on the measurement or disclosure of any balances or transactions presented.

The Company has not early adopted any amendments, standards or interpretations that have been issued but are not yet effective.

The critical accounting judgements and key sources of estimation uncertainty for the half-year are the same as those disclosed in the Company's financial statements for the year ended 31 December 2020.

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.

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.

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 30 June 2021 of the preferred plan within the requirements of the Ranger Authority. In accordance with the Ranger Authority, mining and processing activities ceased on 8 January 2021 and rehabilitation of the Ranger Project Area is required to be completed by 8 January 2026.

The closure model is based on the 2019 Feasibility Study which expanded on the earlier prefeasibility study completed in 2011. As at 30 June 2021, the estimate for rehabilitation has been reviewed for any material changes that may have crystallised to a degree that inclusion is necessary. Any identified changes in cost, scope or schedule and where impacts have been identified, have been incorporated and reflected as a drawdown or return in overall project contingency.

Since the Feasibility Study was completed in February 2019, there have been a number of changes between assumptions made during the study, and those that have actually or may materialise during execution. Those changes are both favourable and unfavourable. Given this, ERA is conducting a reforecast of both cost and schedule data utilising suitable subject matter experts to re-base key packages and confirm the full project estimate. This is likely to occur in either Quarter 3 or Quarter 4 of this year.

Key packages of work completed since 2012 include preliminary Pit 3 backfill, Pit 1 capping including design and backfill, completion of bulk dredging works at the Tailings Storage Facility (TSF) and construction of water treatment infrastructure including the brine concentrator, high density sludge (HDS) plant and brine squeezer.

Major activities to complete the rehabilitation plan include: material movements, water treatment, tailings transfer, demolition and revegetation. Major cost sensitivities include Pit 3 capping, 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.

Selected risks for the Ranger rehabilitation provision are detailed below.

Tailings consolidation

Bulk dredging works at the Tailings Storage Facility (TSF) were completed in February 2021, with works then shifting to progressing floor and wall cleaning activities. This process has been more complex than planned and has pushed final floor and wall cleaning later into the second half of 2021. This is a critical path activity as material from the TSF floor and walls are deposited in Pit 3 prior to final pit capping. ERA is progressing the final design and execution of the Pit 3 wicking, capping, and bulk backfill works. Work is under way to evaluate progressing this in parallel to final TSF floor and wall cleaning in order to condense the required schedule.

During the final 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 installing 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 becoming apparent that a greater proportion of process water is being retained within the tailings than planned. The impact to the Ranger rehabilitation program, if any, will be further evaluated during the second 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

Projects continue to progress in order to increase process water treatment capacity, including the completion of re-commissioning of the high density sludge (HDS) plant and the brine concentrator expansion project. The HDS plant was impacted by a number of technical commissioning issues. Subject to future process water inventory volumes, this may necessitate the HDS operating longer than previously planned. A trial is well progressed to evaluate the potential for the brine squeezer to treat process water.

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 periods of 'La Nina' and this continued in 2020/21 with higher than average rainfall recorded. The impact on the overall rehabilitation program is unknown and will be sensitive to rainfall in 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 have recently come online;
- 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 an additional brine concentrator plant or other alternate technology. This has not been allowed for in the estimate and would 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 and unit cost 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, higher costs of refurbishing Jabiru township housing, 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.

In estimating the rehabilitation provision a risk-free discount rate is applied to the underlying cash flows. At 30 June 2021, the real discount rate was 1.5 per cent, which remains consistent with 31 December 2020.

Cash flow timing

The company estimates the presentation of its rehabilitation provision between current and non-current liabilities, based on anticipated timing of expenditure from updated cash flow forecasts.

Asset carrying values

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 and the associated asset capitalised within property, plant and equipment. The Undeveloped Property relates to the Jabiluka Mineral Lease, which is currently subject to a Long Term Care and Maintenance Agreement with Traditional Owners.

At 30 June 2021, 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. In the half-year ended 30 June 2021, $0.04 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 judgement 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 and 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 Judgements

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 judgement. 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 previously been reviewed by an external valuation expert.

ERA regularly reviews and updates these assumptions and assesses potential impairment indicators and impairment reversal indicators. In the June 2021 half-year, 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 since the prior impairment it was determined it was too early, and significant volatility remains, to conclude whether these would be sustained. As such, no indicators were identified that previously recorded impairment should be reversed. This review primarily considered the following key factors:

- uranium price changes based on the average of two reputable market analysis firms 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.

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 CGU at 30 June 2021 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	(71)
+20 per cent change in development capital	(125)
+5 per cent change in forecast Australian/US dollar exchange rates	(66)
+1 per cent change in discount rate	(74)

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

Taxation

ERA has approximately $210 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 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.

Fair value of financial instruments (hedging)

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.

3 Segment information

Description of Segment

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

The Chief Executive considers the business from a product prospective and has identified only one reportable segment in the half-year ended 30 June 2021, being the selling of uranium oxide and site rehabilitation. There are no other unallocated operations.

Segment Revenue

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

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

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

	Half-year ended	
	30 June 2021 $'000	30 June 2020 $'000
Sales to customers		
Asia	53,470	168,161
Total Sale of Goods	53,470	168,161
Other Revenue	6,736	8,304
Total Other Revenue	6,736	8,304
Total revenue from continuing operations	60,206	176,465

Segment revenues are allocated based on the country in which the customer is based. ERA places all sales through a marketing agreement with Rio Tinto Uranium based in Asia.

4 Inventories

	30 June 2021 $'000	31 Dec 2021 $'000
(a) Inventories – current		
Stores & spares	7,427	5,931
Work in progress at cost	-	776
Finished product U_3O_8 at NRV	49,291	-
Finished product U_3O_8 at cost	29,268	125,997
Total current inventory	85,986	132,704
(b) Inventories – non-current		
Finished product U_3O_8 at cost	29,232	15,423

Inventories are carried at the lower of cost or net realisable value in accordance with AASB 102 *Inventories*. When necessary, a net realisable value adjustment is included in 'Changes in inventories' in the statement of comprehensive income. At 30 June 2021 finished goods inventory was tested by comparing the carrying value against the price which is expected to be realised from sale which resulted in a $3.2 million write-down of finished product inventory to net realisable value (Nil: 2020).

5 Financial assets

(a) Financial assets – current

Forward exchange contracts	-	9,391
Gasoil swap contracts	5,710	3,032
Total Current Financial assets	5,710	12,423

(b) Financial assets – non-current

Gasoil swap contracts	386	580
Total Non-current Financial assets	386	580

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.

Forward foreign exchange contracts
The forward exchange contracts have been designated and are effective as a hedging instrument. All forward exchange contracts were completed during the half-year ended 2021.

Amounts previously recognised in the statement of comprehensive income and accumulated in equity are reclassified to the profit or loss in the period when the hedge items affects the profit or loss, in the same line as the recognised hedged item. When sales revenue is received in advance, it is recorded as deferred income. When this occurs any hedge gain or loss is also recognised as deferred revenue and released to the profit or loss when the sale is recognised.

Movements in the cash flow hedging reserve is as follows:

Balance 1 January	6,574	-
Unsettled change in fair value (before tax)	(9,391)	9,391
Tax on unsettled change in fair value	2,817	(2,817)
Gain on changes in fair value of settled hedges	9,560	4,707
Gain on changes in fair value reclassified to profit or loss	(1,999)	(4,707)
Gain on changes in fair value reclassified to deferred income	(7,561)	-
Hedge Reserve at end of period	-	6,574

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

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 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 Gasoil 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	6.7	48.39
Greater than 1 year less than 2 years	1.8	66.88

At 30 June 2021, had the Gasoil forward price weakened/strengthened by 10 per with all other variables held constant, the change in financial assets would have affected pre-tax profit for the half-year by $1.7 million.

6 Provisions

	30 June 2021 $'000	31 Dec 2020 $'000
(a) Provisions – current		
Employee benefits	11,576	25,471
Rehabilitation	136,998	162,928
Total current provisions	148,574	188,399
Movement in current rehabilitation provisions		
Carrying value at the start of the year	162,928	123,495
Payments	(70,385)	(80,190)
Utilisation of leased assets	(1,052)	(2,104)
Transfers from non-current provision	45,507	121,727
Carrying amount at the end of the period	136,998	162,928
(b) Provisions – non-current		
Employee benefits	601	745
Rehabilitation	519,264	555,371
Total non-current provisions	519,865	556,116
Movement in non-current rehabilitation provisions		
Carrying value at the start of the year	555,371	646,672
Unwind of discount	9,400	23,897
Change in estimate	-	(2,572)
Change in discount rate	-	9,101
Transfers to current provision	(45,507)	(121,727)
Carrying amount at the end of the period	519,264	555,371

Employee Benefits

During the half-year ended 30 June 2021, the company continued to restructure the work force post production. The total remaining provision is $2.4 million (2020: $11.2 million). This represents a current liability for the balances being payable within the remainder of 2021. Potential additional termination payments beyond 2021 are yet to be recognised due to the level of uncertainty regarding quantum and timing.

7 Share capital

	30 June 2021 $'000	31 Dec 2020 $'000
A Class shares fully paid		
Share on issue at the start of the year	3,691,383	517,725
Shares issued during the year (at $0.15 per share)	-	3,173,658
Total shares on issue at the end of the half-year	3,691,383	3,691,383
Total contributed equity		
Contributed equity at the start of the year	1,177,656	706,485
Additional contributions 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 half-year	1,177,656	1,177,656

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 including $454 million as government security over the Annual Plan of Rehabilitation (APR).

8 Contingencies

Legal actions against ERA

Unresolved legal action commenced (in 1999) by the Mirarr Traditional Owners in the Federal Court against the former Federal Minister for Resources and ERA, claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative, is dormant. Should ERA proceed with the Jabiluka Mill Alternative, notice will be given to the applicant who may or may not wish to pursue the argument further. No material losses are anticipated in respect of this legal dispute.

There is a matter currently in mediation with the Commonwealth Government regarding the Company's contribution to research into uranium mining in the region. This matter is in a confidential mediation process. Any possible future settlement or cost to the Company remains uncertain.

9 Earnings per share

	Half-year ended	
	30 June 2021 Cents	30 June 2020 Cents
Basic (loss)/earnings per share	(0.1)	1.5
Diluted (loss)/earnings per share	(0.1)	1.5

Weighted average number of ordinary shares on issue used in the calculation basic earnings per share 2021: 3,691,383,198 (2020: 2,704,598,144).

10 Liquidity and capital risk

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 fully 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 Note 11 below for further commentary on the Government Security Receivables from the Commonwealth Government.

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).

11 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 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. 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 retain the right to seek review of the security position in the future should material change in cost estimates 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 of 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 within the next 12 months. 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 for the last three quarters of 2021 and first quarter of 2022 will be returned within the next 12 months. 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.

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

The applicable weighted average interest rate for the year ended 30 June 2021 was 0.35 percent (31 December 2020: 0.85 per cent).

12 Events occurring after the reporting period

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

In the Directors' opinion:

(a) The interim financial statements and notes set out on pages 8 to 20 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 including Australian Accounting Standard AASB 134 Interim Financial Reporting; and

  (ii) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the half-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.

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

Mr P Mansell
Chairman
Perth
27 July 2021

Independent Auditor's Review Report

To the shareholders of Energy Resources of Australia Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Energy Resources of Australia Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Energy Resources of Australia Ltd does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Balance sheet as at 30 June 2021
- Statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Derek Meates
Partner

Perth

27 July 2021