Energy Resources of Australia Ltd

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ASX Interim report – 30 June 2018

Lodged with the ASX under Listing Rule 4.2A
This information should be read in conjunction with the 31 December 2017 financial report

Contents

Directors' Report

for the half-year ended 30 June 2018

The Directors of Energy Resources of Australia Ltd (**ERA or the Company**) present their report together with the financial report of the Company, for the half-year ended 30 June 2018.

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 P Dowd	Appointed October 2015
Ms Z Fisher	Appointed August 2016
Mr K McLeish	Appointed June 2018
Ms S Kaufman	Appointed November 2017 and resigned June 2018

Results for announcement to the market

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

			June 2018 $000	**June 2017 $000**
Cash flow from operating activities	-146%	to	(8,554)	18,539
Revenue from sales of uranium oxide	+6%	to	160,187	150,447
Revenue from ordinary activities	-1%	to	169,647	171,229
Profit / (Loss) from ordinary activities before tax attributable to members	-937%	to	(99,371)	(9,581)
Profit / (Loss) from ordinary activities after tax attributable to members	-717%	to	(78,322)	(9,581)
Net Profit / (Loss) for the period attributable to members	-717%	to	(78,322)	(9,581)
Earnings per share (cents)	-717%	to	(15.1)	(1.9)

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

Review of operations

ERA saw a cash outflow from operating activities of $9 million for the half-year ended 30 June 2018 as a result of increased progress on rehabilitation activities and a decline in sales receipts. This compares to positive cash flow from operating activities of $19 million in the same period in 2017. Cash flow from uranium oxide sales before rehabilitation and financing remains positive at $9 million.

ERA had total cash at bank of $385 million at 30 June 2018 compared to $395 million on 31 December 2017. In addition to cash at bank, ERA had $74 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund, bringing total cash resources to $459 million.

ERA's net loss after tax for the half-year ended 30 June 2018 was $78 million compared with a net loss of $10 million for the same period in 2017. In the June 2018 half year ERA recognised an impairment charge of $90 million (after tax) to the Jabiluka Undeveloped Property, resulting from a material decline in the long-term forecast consensus uranium price and an increase in the asset-specific discount rate reflecting recent uranium equity market volatility. Notwithstanding the impact on the carrying value, ERA's view remains that Jabiluka is a large, high quality uranium ore body of global significance.

Uranium oxide production for the half-year ended 30 June 2018 was 842 tonnes. This compares to 1,046 tonnes of uranium oxide production for the same period in 2017. In accordance with the Company's mine plan, continued uranium production is based on the processing of existing primary ore stockpiles. Production was impacted by completion of the laterite ore processing early in the June 2018 quarter, mill maintenance and the impact of declining ore grades.

Revenues from sales of uranium oxide were higher at $160 million for the half year compared to $150 million for the same period in 2017. Revenue was impacted by a higher average realised sales price. This was partially offset by a decrease in sales volume and a marginally unfavourable movement in the Australian/US dollar exchange rate.

Sales volume for the period was 1,186 tonnes, compared to 1,464 tonnes for the June 2017 half-year. As a result of timings within the contract portfolio, forecast sales volumes in 2018 are weighted towards the first half of the year, with ERA having completed approximately 80 per cent of forecast sales contracts for the year. ERA will continue to build inventory through the second half of the year for sale into the higher priced term contracts in future periods.

The average realised sales price of uranium oxide for the half-year ended 30 June 2018 was US$47.56 per pound compared with US$35.09 per pound for the same period in 2017. The increase to the average realised sales price is a result of the structure of the ongoing contract portfolio and no spot sales occurring in the first half of the year. The average long-term uranium oxide price indicator was US$29.25 per pound and the average spot price was US$21.78 per pound, compared to US$32.83 per pound and US$22.29 per pound, respectively, for the same period in 2017.

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 2017. The average Australian/US dollar exchange rate for the first half of 2018 was US78 cents compared to US75 cents in the first half of 2017.

Cash costs for the June 2018 half-year were marginally higher than the corresponding period in 2017. This was driven by higher diesel fuel prices and increased maintenance in mining and fixed plant.

No depreciation has been recorded in 2018 due to ERA fully impairing the Ranger Cash Generating Unit in 2016.

Capital expenditure for the June 2018 half-year was in line with the comparative period at $2 million. Capital expenditure relates to sustaining capital activities. In 2018, capital expenditure was immediately written off to the Statement of Comprehensive Income as a result of the Ranger Cash Generating Unit being fully impaired in 2016.

Rehabilitation

Progressive rehabilitation of the Ranger Project Area continued with the dredge operating to transfer tailings from the Tailings Storage Facility to Pit 3.

ERA publicly released the Ranger Mine Closure Plan during the June quarter. The feasibility study of Ranger closure, which aims to further refine scheduled rehabilitation activities and execution of plans, is also continuing, with finalisation expected in quarter 4, 2018.

At 30 June 2018, the ERA rehabilitation provision is $512 million. The strategy and estimate remain consistent with 31 December 2017, with $21 million spent on rehabilitation activities in the first half of 2018.

Progressive rehabilitation included operation of water treatment, the transfer of tailings from the Tailings Storage Facility to Pit 3 and the backfill of waste material into Pit 1.

Exploration

There was no exploration expenditure for the half-year ended 30 June 2018.

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

Dividends

ERA has decided not to declare an interim dividend in respect of the 2018 half-year. No final dividend was paid in respect to the 2017 financial year.

Outlook

ERA expects that the uranium market will remain challenging in the near term.

By the second half of 2018, the market surplus is expected to decline to its lowest level since 2007. China-led demand growth should support a rebalancing of the market over time as China and other Asian countries continue to progress their nuclear power programs in accordance with long-term energy policy objectives.

ERA continues to expect uranium production for 2018 to be within the range of 1,600 tonnes to 2,000 tonnes. Production will continue to draw from existing stockpiles. ERA's forecast sales are substantially contracted, with the average realised selling price for 2018 expected to remain broadly aligned to the first half.

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 6.

Signed at Darwin this 31st day of July 2018 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 2017 Annual Statement of Reserves and Resources which was released to the market on 30 January 2018 and is available to view at https://www.asx.com.au/asxpdf/20180130/pdf/43r4pyz70bx53d.pdf. 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.

Auditor's Independence Declaration

As lead auditor for the review of Energy Resources of Australia Ltd for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

Charles Christie
Partner
PricewaterhouseCoopers

Melbourne
31 July 2018

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	Notes	Half-year ended 30 June 2018 $'000	30 June 2017 $'000
Revenue from continuing operations	4	169,647	171,229
Changes in inventories		(29,809)	(57,612)
Materials and consumables used		(38,300)	(35,251)
Employee benefits and contractor expense		(59,699)	(58,895)
Government and other royalties		(8,631)	(8,110)
Commission and shipping expenses		(1,699)	(2,345)
Financing costs		(8,946)	(10,758)
Non-cash impairment charge	3	(113,776)	-
Statutory and corporate expenses		(5,997)	(5,429)
Other expenses		(2,161)	(2,410)
Profit/(loss) before income tax		(99,371)	(9,581)
Income tax benefit/(expense)	3	21,049	-
Profit/(loss) for the half-year		(78,322)	(9,581)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(78,322)	(9,581)
Profit/(loss) is attributable to:			
Owners of Energy Resources of Australia Ltd		(78,322)	(9,581)
		(78,322)	(9,581)
Total comprehensive income for the half-year is attributable to:			
Owners of Energy Resources of Australia Ltd		(78,322)	(9,581)
		(78,322)	(9,581)
		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	(15.1)	(1.9)
Diluted earnings per share	8	(15.1)	(1.9)

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

	Notes	**Half-year ended** **30 June 2018 $'000**	31 Dec 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		385,048	395,477
Trade and other receivables		6,535	8,903
Inventories	5	85,161	115,926
Other		3,812	473
Total current assets		480,556	520,779
Non-current assets			
Undeveloped properties		89,856	203,632
Property, plant and equipment		-	-
Investment in trust fund		73,766	72,901
Total non-current assets		163,622	276,533
Total assets		644,178	797,312
LIABILITIES			
Current liabilities			
Payables		42,046	36,777
Provisions	6	86,453	80,930
Income received in advance		-	45,981
Total current liabilities		128,499	163,688
Non-current liabilities			
Provisions	6	439,114	457,688
Deferred tax liabilities	3	-	21,049
Total non-current liabilities		439,114	478,737
Total liabilities		567,613	642,425
Net assets		76,565	154,887
EQUITY			
Contributed equity		706,485	706,485
Reserves		389,300	389,300
Accumulated Losses		(1,019,220)	(940,898)
Total equity		76,565	154,887

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

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2018	**706,485**	**389,300**	**(940,898)**	**154,887**
Loss for the half-year	-	-	(78,322)	(78,322)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	**-**	**-**	**(78,322)**	**(78,322)**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	-	-
	-	-	-	-
Balance at 30 June 2018	**706,485**	**389,300**	**(1,019,220)**	**76,565**

Balance at 1 January 2017	**706,485**	**389,440**	**(897,366)**	**198,559**
Loss for the half-year	-	-	(9,581)	(9,581)
Other comprehensive income	-	-	-	-
Total comprehensive income for the half-year	**-**	**-**	**(9,581)**	**(9,581)**
Transactions with owners in their capacity as owners:				
Employee share options – value of employee services	-	-	-	-
	-	-	-	-
Balance at 30 June 2017	**706,485**	**389,440**	**(906,947)**	**188,978**

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

	Half-year ended	
	30 June 2018 $'000	30 June 2017 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	131,025	150,685
Payments to suppliers and employees (inclusive of goods and services tax)	(121,566)	(124,525)
Payments for rehabilitation	(21,471)	(10,125)
	(12,012)	16,035
Interest received	4,486	3,199
Financing costs paid	(1,028)	(695)
Net cash inflow/(outflow) from operating activities	(8,554)	18,539
Cash flows from investing activities		
Payments for property, plant and equipment	(1,868)	(1,781)
Proceeds from sale of property, plant and equipment	-	169
Net cash outflow from investing activities	(1,868)	(1,612)
Net increase / (decrease) in cash and cash equivalents	(10,422)	16,927
Cash and cash equivalents at the beginning of the half-year	395,477	395,598
Effects of exchange rate changes on cash and cash equivalents	(7)	9
Cash and cash equivalents at end of the half-year	385,048	412,534

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

1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2018 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 2017, and in the corresponding interim period, except for the change in accounting requirements set out below all of which were effective as at 1 January 2018 without restatement of prior years.

The new accounting standards and interpretations adopted on 1 January 2018 were AASB 9 "Financial Instruments", AASB 15 "Revenue from Contracts with Customers" and IFRIC 22 "Foreign Currency Transactions and Advance Consideration" are mandatory in 2018. AASB 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" are mandatory in 2019 and AASB 17 "Insurance Contracts" is mandatory in 2021. The impact of the transition and new accounting policies are disclosed in pages 11 - 14 below.

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 2017.

Australian Accounting standards mandatory beyond 2018
AASB 16 "Leases" – work continues on further understanding of the provisions of the standard which will most impact the Company, adapting the contract review process to identify items relevant to the measurement of new leases, performing financial reporting impact analysis and determining system requirements.

AASB 16 will impact the primary statements of the Company at transition and in future years meaning all leases come on to the balance sheet as a right of use asset and lease liability, with operating expenses now replaced by interest and amortisation. It must be implemented retrospectively, either with the restatement of comparatives or with the cumulative effect of initial application recognised as at 1 January 2019. The Company expects to use the modified retrospective approach for transition to the standard.

2 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers on the Company's interim financial report and also discloses the new accounting policies applied from 1 January 2018, where these differ from those applied in prior periods.

The impact on equity attributable to owners of ERA as at 1 January 2018 of the adoption of AASB 9 and AASB 15 is immaterial.

AASB 9 Financial Instruments – Accounting policy applied from 1 January 2018

The standard replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; de-recognition of financial instruments; impairment of financial assets and hedge accounting. The new accounting policies relating to financial instruments are set out on page 11 – 12.

Financial Assets

<u>Classification and measurement</u>
The Company classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through other comprehensive income (**FVOCI**) or through the income statement (**FVPL**)) and those to be held at amortised cost.

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. The Company's policy with regard to financial risk management is set out in Note 28 of the 2017 Annual Report. Generally, ERA does not acquire financial assets for the purpose of selling in the short term. The Company's business model is primarily that of 'Hold to collect' (where assets are held in order to collect contractual cash flows).

Financial assets held at fair value through profit or loss (FVPL)
This classification applies to the following financial assets, in all cases, transactions costs are immediately expensed to the income statement.

The Company is required to maintain with the Commonwealth Government the Ranger Rehabilitation Trust Fund (**Trust Fund**) to provide security against the estimated costs of closing and rehabilitating the mine immediately (rather than upon the planned cessation of mining operations). Each year, the Company is required to prepare and submit to the Commonwealth Government an Annual Plan of Rehabilitation. Once accepted by the Commonwealth Government, the annual plan is then independently assessed and costed and the amount to be provided by the Commonwealth into the Trust Fund is then delivered. The Trust Fund includes both cash and financial guarantees. The cash funds are invested in local Australian deposit taking institutions and earn interest. The cash fund has previously been held at cost and under AASB 9 will be held at through profit & loss.

Trade receivables include provisionally priced receivables relating to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract. At 31 December 2017, the quotational period exposure was considered to be an embedded derivative, which was separated from the host receivable and measured at fair through the income statement. On adoption of IFRS 9, the embedded derivative is no longer separated and the entire balance is accounted for as one instrument and measured at fair value. Revenue from contracts with customers is recognised on provisionally priced sales based on the selling price for the period stipulated in the contract, with subsequent fair value movements reported as revenue. At the end of June 2018, the provisionally priced receivables were immaterial.

Impairment of financial assets
A forward looking expected credit loss (**ECL**) review is required for; debt instruments measured at amortised cost or held at fair value through other comprehensive income; loan commitments and financial guarantees not measured at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

As permitted by AASB 9, the Company applies the ‘simplified approach’ to trade receivable balances and the ‘general approach’ to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates. For trade receivables, the assessment takes into account the use of credit enhancements for example, letters of credit.

Financial liabilities

Borrowings and other financial liabilities (including trade payables) are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost.

Impact of transition to AASB 9 Financial Instruments as at 1 January 2018

The Company adopted AASB 9 Financial Instruments on 1 January 2018, which resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements as at this date.

For transition, the Company has elected to apply the limited exemption in AASB 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods. No resulting adjustments were required to carrying values in the opening balance sheet.

At the end of June 2018, any adjustment to provisionally priced receivables was expected to be immaterial.

The Company applies the new forward looking expected credit loss model required by AASB 9, using the simplified approach for its trade receivables portfolio review and the general approach for all other financial assets as required by the standard.

There was no material impact of transition to AASB 9 on the Company’s opening retained earnings as at 1 January 2018.

Impact of transition to AASB 15 Revenue from contracts with customers

AASB 15 replaces IAS 18 Revenue. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

ERA places all sales through a marketing agreement with Rio Tinto Marketing PTE Limited based in Singapore (**Marketing Agreement**). The Company reviewed the Marketing Agreement to identify potential changes in: timing of revenue recognition, measurement of the amount of revenue and note disclosure between IAS 18 and AASB 15.

The Company has adopted the modified transitional approach to implementation and the new standard has therefore been applied to the Marketing Agreement as that remained in force at 1 January 2018.

The change in accounting has no impact on the commercial arrangement or current or future cash flows. Under AASB 15, sales revenue is recognised in the income statement when uranium is received at the converter dictated by the customer. There is no material impact as a result of the transition to the new standard.

AASB 15 Revenue from contracts with customers – Accounting policy applied from 1 January 2018

Sales revenue as reported in the income statement comprises sales to third parties. Certain sales may be provisionally priced at the date revenue is recognised. Sales revenue includes revenue from contracts with customers, which are accounted for under AASB 15 ‘Revenue from Contracts with Customers’ and subsequent movements in provisionally priced receivables is accounted for under AASB 9 ‘Financial Instruments’.

Revenue from contracts with customers is recognised on provisionally priced sales based on the selling price for the period stipulated in the contract, with subsequent fair value movements reported as revenue. This is because it is highly probable that the revenue would not be subject to a significant revenue reversal. Sales revenue as disclosed in these accounts includes revenue from movements in provisionally priced receivables, consistent with the treatment in prior periods.

ERA recognises sales revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Company is or expects to be entitled in exchange for those goods or services.

Sales revenue is recognised on individual sales when control transfers to the customer. Judgement is required and generally the Company would consider the following indicators (acknowledging the standard does not have a hierarchy). The customer has control if:

- the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the good or service;
- a present obligation to pay in accordance with the terms of the sales contract;
- accepted the asset. Sales revenue may be subject to adjustment if the product specification does not conform to the terms specified in the sales contract but this does not impact the passing of control and is immaterial. Assay and specification adjustments have been immaterial historically;
- legal title to the asset. The Company usually retains legal title until payment is received for credit risk purposes only; and
- physical possession of the asset. This indicator may be less important as the customer may obtain control of an asset prior to obtaining physical possession, which may be the case for goods in transit.

After consideration of these five indicators, control passes and sales revenue is recognised on delivery of the product, generally to the uranium converter, at which stage the risks of ownership are transferred.

Sales revenue excludes any applicable sales taxes. Mining royalties payable are presented as an operating cost.

The Company sells a significant proportion of its products on Delivered at Place (**DAP**), where control of the goods passes when the product is delivered to the agreed destination. There is only one performance obligation, being for provision of product at the point where control passes.

The Company's products are sold to customers under contracts which vary in tenure and pricing mechanisms, including some volumes sold in the spot market.

As noted above, certain sales may be provisionally priced at the date revenue is recognised, however, substantially all Uranium sales are reflected at final prices in the results for the period due to the majority of sales being settled prior to the period end. The final selling price for all provisional priced products is based on the price for the quotational period stipulated in the contract. The change in value of the provisionally priced receivable is based on relevant market prices and is included in sales revenue as noted above.

The Company considers that the impact of economic factors on its sales revenue, particularly pricing and volumes, is best understood by reference to the disclosure of sales revenue on pages 13 - 14. This price uncertainty is largely resolved at the period end.

Typically ERA has a right to payment before or at the point that control of the goods passes including a right, where applicable, to payment for provisionally priced products. Cash received before control passes is recognised as a contract liability. The amount of consideration does not contain a significant financing component as payment terms are significantly less than one year.

3 Critical accounting estimates and judgments

Estimates and judgments 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 original condition.

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 2018 of the preferred plan within the requirements of the Ranger Authority. The Ranger Authority requires ERA to cease mining and processing activities by January 2021 and complete rehabilitation of the Ranger Project Area by January 2026.

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

ERA has commenced and will progress a feasibility study of rehabilitation that is due for completion in the second half of 2018. The feasibility study will increase the level of certainty regarding forecast rehabilitation expenditure. To date the study continues to support the strategy that was identified and progressed in the 2011 prefeasibility study. As part of the study, a further assessment of rehabilitation costs is being undertaken. No material issues have yet been adequately evaluated or concluded that would warrant a revision of the prefeasibility estimate. An emerging risk is the completion of tailings transfer activities within the required timeframe and further studies regarding this issue are planned for quarter 3, 2018. No additional provision has been raised for an expansion of dredging capacity should it be determined that it is required.

Major activities to complete the rehabilitation plan include: material movements, water treatment, tailings transfer, demolition and revegetation. Major cost sensitivities include: material movements, water treatment and tailings transfer costs. Material movement costs are sensitive to the forecast volume of material to be moved and the estimated cost to move it. Water treatment costs are sensitive to the volume of process water to be treated which is impacted by rainfall, water in flows, and the performance of water treatment infrastructure. Tailings transfer includes costs to dredge tailings from the Tailings Storage Facility to Pit 3 and is sensitive to the efficiency and operation of the dredge and quantity of tailings. The current cost estimate may require material adjustment should the assumptions used change or not be realised.

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

In estimating the rehabilitation provision a risk-free discount rate is applied to the underlying cash flows. At 30 June 2018, the real discount rate was 2.00 per cent. The overall rehabilitation strategy remains unchanged.

Taxation

The income tax benefit recorded for the 30 June 2018 half-year of $21 million comprises $23.4 million write-back of the deferred tax liability from the partial impairment of the Jabiluka Undeveloped Property. This is partially offset by $2.4 million write-off of the remaining deferred tax assets on temporary differences.

ERA has approximately $183 million tax losses (at 30 per cent) that are not recognised as deferred tax assets due to uncertainty regarding ERA's ability to generate adequate levels of future taxable profits. This treatment is reviewed periodically. Should future taxable profits eventuate this treatment will not impact the 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.

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. The Jabiru Undeveloped Property relates to the Jabiluka Mineral Lease which is currently under a Long Term Care and Maintenance Agreement with Traditional Owners.

At 30 June 2018, 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 2018, $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, discount rate, operating and capital estimates, project progression, Traditional Owner relationships and weather impacts on process water inventories.

Previously ERA has assessed the recoverable amount using a fair value less costs of disposal (**FVLCD**) method. ERA conducts impairment testing using a probability-weighted discounted cash flow model.

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 reviewed by an external valuation expert.

ERA regularly reviews and updates these assumptions and assesses potential impairment indicators. For the current period, the review identified indicators that the carrying amount of the Jabiluka Undeveloped Property may not be recovered in full from successful development or sale, following the significant reduction in the forecast long-term consensus uranium price.

As a result, the Company, as required by the Australian Accounting Standard AASB 136 Impairment of Assets, completed a full impairment test. ERA commissioned an external assessment of the forecast long-term uranium oxide price. ERA has finalised its review and concluded that the fair value of the Jabiluka Undeveloped

Property amounted to $89.9 million, resulting in an after tax impairment charge of $90.4 million, comprising impairment charge of $113.8 million, partially offset by a deferred tax liability of $23.4 million.

The reduction in fair value and resulting impairment charge were primarily driven by external factors including a material decline in long-term broker consensus uranium price and an increase in the asset-specific discount rate, reflecting recent volatility in the uranium equity market.

Key assumptions to which the Jabiluka model is sensitive include: the probability of future development, 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 and the potential further impact on impairment testing at 30 June 2018 are summarised below:

Sensitivity	Potential further impairment
-10 per cent change in the forecast uranium oxide prices	$88 million further impairment
+20 per cent change in development capital	$89 million further impairment
+5 per cent change in forecast Australian/US dollar exchange rates	$41 million further impairment
+1 per cent change in discount rate	$40 million further impairment

Notwithstanding the impact on the carrying value, ERA's view remains that Jabiluka is a large, high quality uranium ore body of global significance.

Inventory net realisable value

The calculation of net realisable value is sensitive to key assumptions about the future including: uranium price, Australia/US dollar exchange rate and where applicable costs to complete. The sales price of uranium oxide is denominated in US dollars, so fluctuations in the Australia/US dollar exchange rate will affect the proceeds received from sales and consequently the recoverable amount.

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

Total net realisable value adjustments recorded at 30 June 2018 was $NIL (pre-tax) (2017: $4.5 million). When necessary, a net realisable value adjustment is included in 'Changes in inventories' in the statement of comprehensive income.

4 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 2018, being the mining, processing and selling of uranium oxide. 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 oxide. Segment revenue reconciles to total revenue from continuing operations with the addition of other income, which includes interest revenue and rent received.

ERA is domiciled in Australia. The profile of its revenue from external customers is outlined in the table below:

	Half-year ended	
	30 June 2018 $'000	30 June 2017 $'000
Sales to customers		
Asia	160,187	150,447
Total Sale of Goods	160,187	150,447
Other revenue	9,460	20,782
Total revenue from continuing operations	169,647	171,229

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.

5 Inventories

(a) Inventories – current

	30 June 2018 $'000	31 Dec 2017 $'000
Stores & spares	16,226	17,182
Ore stockpiles at cost	-	8,863
Work in progress at cost	3,012	3,737
Finished product U_3O_8 at cost	65,923	86,144
Total current Inventory	85,161	115,926

ERA has considerable low grade stockpiled ore that is available for milling. The cost of this ore was reconsidered as an expense in a prior reporting period and as such has no carrying value recorded.

6 Provisions

(a) Provisions – current

Employee benefits	10,180	9,290
Rehabilitation	76,273	71,640
Total current provisions	86,453	80,930

Movement in current rehabilitation provisions	
Carrying value at the start of the year	71,640
Payments	(21,471)
Transfers from non-current provision	26,104
Carrying amount at the end of the half-year	76,273

(b) Provisions – non-current

Employee benefits	3,259	3,639
Rehabilitation	435,855	454,049
Total non-current provisions	439,114	457,688

	30 June 2018 $'000
Movement in non-current rehabilitation provisions	
Carrying value at the start of the year	454,049
Unwind of discount	7,910
Change in estimate	-
Transfers to current provision	(26,104)
Carrying amount at the end of the half-year	435,855

7 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.

8 Earnings per share

	Half-year ended	
	30 June 2018 Cents	30 June 2017 Cents
Basic earnings per share	(15.1)	(1.9)
Diluted earnings per share	(15.1)	(1.9)

Weighted average number of ordinary shares on issue used in the calculation basic earnings per share 2018: 517,725,062 (2017: 517,725,062).

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

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

Each year, the Company is required to prepare and submit to the Commonwealth Government an Annual Plan of Rehabilitation. Once accepted by the Commonwealth Government, the annual plan is then independently assessed and costed and the amount to be provided by the Company into the Ranger Rehabilitation Trust Fund is then delivered. The Trust Fund includes both cash and financial guarantees.

The Company's ability to continue to access these financial guarantees can be influenced by many factors including future cash balance, cash flows and shareholder support. Guarantees are subject to periodic review by the banks. Should the Company at any point be unable to access financial guarantees, substantial additional cash would be required to be deposited into the Trust Fund. In the scenario where this occurs the Company's cash resources available to fund operations would reduce. The Company has plans in place to address these risks.

10 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 financial statements and notes set out on pages 7 to 19 are in accordance with the *Corporations Act 2001* (Cth), including:
 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 (ii) giving a true and fair view of the Company's financial position as at 30 June 2018 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
Darwin
31 July 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Energy Resources of Australia Ltd (the Company), which comprises the balance sheet as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001. This* includes giving a true and fair view of the entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Energy Resources of Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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.

Independence

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

Conclusion

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

1. giving a true and fair view of the entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;

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2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 30 June 2018 included on Energy Resources of Australia Ltd's web site. The Company's directors are responsible for the integrity of the Energy Resources of Australia Ltd web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
31 July 2018