

ASX Interim report – 30 June 2007

Lodged with the ASX under Listing Rule 4.2A

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Directors' Report

for the half-year ended 30 June 2007

The Directors of Energy Resources of Australia Ltd ("ERA") present their report together with the consolidated financial report of the consolidated entity, being the company and its controlled entity, for the half-year ended 30 June 2007.

Directors

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

Name	Period of Directorship
Dr D Klingner Chairman	Appointed Director July 2004 Appointed Chairman January 2005
Mr C Salisbury	Appointed Chief Executive and Director February 2007
Mr H Kenyon-Slaney	Appointed Chief Executive and Director January 2004, resigned February 2007
Mr R Carter	Appointed November 1999
Prof. H Garnett	Appointed January 2005
Mr C Lenegan	Appointed July 2005
Mr P Taylor	Appointed February 2007

Results for announcement to the market

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

	30 June 2007 \$000	30 June 2006 \$000	Change
Revenue from continuing activities	114,283	154,747	-26.15%
Expenses from continuing activities	(106,099)	(124,663)	-14.89%
Profit from continuing activities before tax	8,184	30,084	
Income tax expense	(2,515)	(10,222)	
Net profit for the period attributable to members	5,669	19,862	-71.46%
Earnings before interest and tax	12,375	32,921	-62.41%
Net tangible assets per security	2.81	2.90	-3.07%
U₃O₈ production - tonnes drummed	2,496	1,988	+25.55%
- pounds drummed ('000)	5,503	4,383	
Sales U₃O₈ - tonnes	2,200	3,198	-31.21%
- pounds ('000)	4,850	7,050	

Dividends

In light of the reduced profit, ERA Directors declared no interim dividend, (2006 interim: six cents per share). It is expected that a final dividend will be declared after the 2007 full year results are known.

Directors' Report

for the half-year ended 30 June 2007

Review of operations

This report is based on the financial results of the company which are prepared under the Australian equivalent to International Financial Reporting Standards (IFRS).

ERA recorded a net profit after tax of A\$5.7 million for the half-year ended 30 June 2007 compared with a profit of A\$19.9 million for the same period in 2006. Earnings before interest and tax (EBIT) were \$12.4 million (2006: \$32.9 million).

Sales for the period were 2,200 tonnes which included no borrowed material (2006 sales: 3,198 tonnes). Revenue for the period was A\$114.3 million (2006: A\$154.7 million). Revenue was adversely affected (A\$6.7 million) by the strengthening of ERA's realised A\$:US\$ exchange rate to 80.76 cents (2006: 73.81 cents). The company settled US\$33 million (2006: US\$33 million) in forward exchange contracts during the period at an average A\$:US\$ exchange rate of 66 cents (2006: 66 cents) resulting in a pre-tax gain of A\$9.4 million (2006: A\$5.9 million). No new currency exchange contracts were entered into during the period.

ERA's average contractual sales price is only partially influenced by the spot market due to the portfolio of contracts containing a range of pricing mechanisms entered into when the uranium oxide market was considerably weaker. The average realised sales price of uranium oxide for the period was US\$16.90 per pound (2006: US\$15.57 per pound).

Uranium prices remain strong and the average long term market price in June was US\$95.00 per pound (2006: US\$46.75 per pound).

Total operating costs were higher than the corresponding period last year due to the increased production during the period. Increased raw materials costs reflected ore characteristics driving increased acid usage and increased acid prices as a result of a higher imported proportion. Increased employee and contractor costs include costs incurred as a result of removing surplus water from the operating pit. Depreciation and amortisation charges were higher due to the capitalisation of projects completed during 2006, the accelerated depreciation of the acid plant, which will be closed later this year, and increased production during the first half of 2007 compared with the first half of 2006.

Drummed production for the half year was 2,496 tonnes of uranium oxide (2006: 1,988 tonnes of uranium oxide), an increase of 26 percent. The improved production compared to the same period for 2006 was due to an increase in ore milled of five percent and significantly higher mill head grade (22 percent higher than first half 2006). The half year results for 2007 were affected by exceptionally heavy rainfall at the Ranger mine site and processing plant in late February and early March. This caused ERA to declare *force majeure* on its sales contracts on 7 March 2007.

Ore stockpiled in late 2006 and early 2007 contributed significantly to production in the first half of this year, however, the high water levels in the pit constrained mining activity in the second quarter of 2007. The acid plant continued to operate albeit at lower levels than the first quarter. However, acid supply was supplemented through external purchases. Bulk acid imports will commence in the third quarter after which the acid plant will be decommissioned.

Net cash inflow for the half year was A\$3.0 million (2006: A\$23.2 million) which reflected a decrease in receivables as sales were deferred to the second half of 2007. Payments for the first half increased to A\$117.4 million (2006 A\$92.6 million) reflecting increased production costs.

ERA has undertaken a number of strategies to increase the rate of water removal from the operational pit. Approval has been received for a new land application area for irrigation that will be commissioned in the third quarter of 2007. Combined with other water disposal mechanisms and efforts to increase uranium recovery from ore in the processing plant, this means that the full year production in 2007 is likely to exceed 5,200 tonnes, while production in 2008 is likely to be in excess of 5,000 tonnes. ERA will continue to work on strategies to further reduce the impact of the weather event, including the potential installation of additional water treatment capacity.

Sales volumes in the second half of the year are expected to be higher than in the first half as commitments deferred from the first half are met in the last quarter of 2007. 2007 full year sales are expected to be generally in line with production.

Directors' Report

for the half-year ended 30 June 2007

Construction on a laterite processing plant and a radiometric sorter commenced in the first half of 2007. The laterite processing plant will be used to process stockpiled lateritic ore, ore containing a large proportion of clay minerals. This ore is not compatible with the current processing plant. The radiometric sorter is able to sort ore according to contained uranium and will be used to increase throughput grade. Both projects remain on track for commissioning in early 2008.

Exploration drilling to the east of the existing operational pit continued during the first half of 2007 and will continue in the second half of 2007. Results have been encouraging and feasibility work is well underway on an extension to the existing Ranger pit 3. The study will be completed in late 2007.

Rounding of Amounts

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

Auditors' independence declaration

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

Signed at Darwin this 25th day of July 2007 in accordance with a resolution of the Directors.



Dr D Klingner
Chairman

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Auditors' Independence Declaration

As lead auditor for the review of Energy Resources of Australia Ltd for the half-year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

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



D Smith
Partner
PricewaterhouseCoopers
Melbourne

25 July 2007

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Consolidated Income Statement

for the half-year ended 30 June 2007

	30 June 2007 \$'000	30 June 2006 \$'000
Operating revenues	111,936	152,360
Other income	2,347	2,387
Revenue	114,283	154,747
Changes in inventories of finished goods and WIP	34,955	(8,248)
Raw materials and consumables used	(37,284)	(29,452)
Employee benefits and contractor expenses	(55,060)	(43,372)
Government and other royalties	(5,318)	(7,749)
Commission and shipping expenses	(4,811)	(6,054)
Depreciation and amortisation expenses	(21,974)	(16,483)
Financing costs	(6,498)	(5,175)
Statutory and corporate expenses	(6,765)	(6,460)
Other expenses	(3,344)	(1,670)
Profit/(loss) before income tax	8,184	30,084
Income tax benefit/(expense)	(2,515)	(10,222)
Net profit/(loss) for the period attributable to members of ERA Ltd	5,669	19,862
Total changes in equity other than those resulting from transactions with owners as owners	5,669	19,862
Basic earnings per share	3.0	10.4
Diluted earnings per share	3.0	10.4

The above consolidated income statement should be read in conjunction with the accompanying notes

Consolidated Balance Sheet

As at 30 June 2007

	30 June 2007 \$'000	31 December 2006 \$'000
Current Assets		
Cash and cash equivalents	17,621	14,629
Trade and other receivables	33,320	104,632
Inventories	91,069	90,117
Derivative financial instruments	11,056	10,645
Other	3,072	1,072
Total Current Assets	156,138	221,095
Non-Current Assets		
Inventories	91,598	60,595
Exploration, evaluation and development expenditure	203,212	203,212
Property, plant and equipment	326,377	325,957
Non-current investment	46,659	44,953
Derivative financial instruments	10,341	13,476
Total Non-Current Assets	678,187	648,193
Total Assets	834,325	869,288
Current Liabilities		
Payables	31,459	37,285
Interest bearing liabilities	5,000	5,000
Current tax liabilities	119	11,129
Provisions	8,241	7,752
Total Current Liabilities	44,819	61,166
Non-Current Liabilities		
Provisions	185,302	179,740
Deferred tax liabilities	58,345	65,586
Other liabilities	10,305	10,305
Total Non-Current Liabilities	253,952	255,631
Total Liabilities	298,771	316,797
Net Assets	535,554	552,491
Shareholders Equity		
Share Capital	214,585	214,585
Reserves	406,360	407,985
Retained Profits	(85,391)	(70,079)
Total Shareholders Equity	535,554	552,491

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

Consolidated Statement of Changes in Equity

As at 30 June 2007

	30 June 2007 \$'000	30 June 2006 \$'000
Total equity at the beginning of the half-year	552,491	534,850
Cash flow hedges, net of tax	(2,035)	(2,215)
Employee share options	410	-
Adjustment on change of rehabilitation accounting policy	-	4,904
Net income recognised directly in equity	(1,625)	2,689
Profit for the half-year	5,669	19,862
Total recognised income and expense for the half year	4,044	22,551
Dividends paid	(20,981)	(20,981)
Total equity at the end of the half-year	535,554	536,420

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

Consolidated Statement of Cash Flows

for the half-year ended 30 June 2007

	30 June 2007 \$'000	30 June 2006 \$'000
Cash flows from operating activities		
Receipts from customers	183,248	199,144
Payments to suppliers and employees	(117,370)	(92,653)
	65,878	106,491
Interest received	2,324	1,027
Interest and other costs of finance paid	(1,538)	(172)
Income taxes paid	(20,068)	(29,685)
Net cash inflow/(outflow) from operating activities	46,596	77,661
Cash flows from investing activities		
Payment for property, plant and equipment	(22,394)	(24,290)
Proceeds from sale of property, plant and equipment	50	49
Net cash inflow/(outflow) from investing activities	(22,344)	(24,241)
Cash flows from financing activities		
Borrowings repaid	-	(10,000)
Dividends paid	(20,981)	(20,981)
Net cash inflow/(outflow) from financing activities	(20,981)	(30,981)
Net increase (decrease) in cash and cash equivalents	3,271	22,439
Cash and cash equivalents at the beginning of the financial period	14,629	18,123
Effect of exchange rate changes on cash	(279)	742
Cash and cash equivalents at the end of the financial period	17,621	41,304

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

Note 1: Basis of preparation of half-year ended 30 June 2007

This general purpose financial report for the interim half-year reporting period ended 30 June 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2006 and any public announcements made by Energy Resources of Australia Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

ERA has reclassified the comparative period on the consolidated income statement in order to correct prior period classification errors and improve the relevance and reliability of the information presented. Details of the changes are set out below:

Classification of comparative information (2006)	Reported during 2006 \$000	Adjustment on reclassification \$000	Reported during 2007 \$000
Changes in inventories of finished goods and WIP	(18,445)	10,197	(8,248)
Raw materials and consumables used	(26,272)	(3,180)	(29,452)
Employee benefits and contractor expenses	(31,451)	(11,921)	(43,372)
Statutory and corporate expenses	(11,364)	4,904	(6,460)

Note 2: Segment Information

Primary Reporting – Business Segments

Half-year June 2007	Uranium \$000	Consulting \$000	Eliminations \$000	Consolidated \$000
Sales to external customers	111,699	237	-	111,936
Inter-segment sales	-	1,902	(1,902)	-
Total sales revenue	111,699	2,139	(1,902)	111,936
Other revenue	2,340	7	-	2,347
Total segment revenue	114,039	2,146	(1,902)	114,283
Operating profit/(loss) before tax	8,993	(809)	-	8,184
Half-year June 2006	Uranium \$000	Consulting \$000	Eliminations \$000	Consolidated \$000
Sales to external customers	152,109	251	-	152,360
Inter-segment sales	-	1,177	(1,177)	-
Total sales revenue	152,109	1,428	(1,177)	152,360
Other revenue	2,384	3	-	2,387
Total segment revenue	154,493	1,431	(1,177)	154,747
Operating profit/(loss) before tax	29,992	92	-	30,084

Notes to the Financial Statements

Note 3: Dividends

Dividends provided for or paid during the half-year

	Cents per share	Total amount \$000	Date of payment	Franked tax rate	Percentage Franked
2007					
Final - ordinary	11.0	20,981	1 March 2007	30% (Class C)	100%
2006					
Final - ordinary	11.0	20,981	1 March 2006	30% (Class C)	100%

Since the end of the half-year the directors declared that no interim dividend will be paid for 2007(2006: 6.0 cents per share).

Note 4: Contingent liabilities

Legal actions against ERA

Unresolved legal action commenced 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.

Note 5: Earnings per share

	2007 Cents	2006 Cents
Basic earnings per share:	3.0	10.4
Diluted earnings per share	3.0	10.4

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share: 2007: 190,737,934 shares; (2006: 190,737,934 shares).

Note 6: Events occurring after reporting date

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

Directors' Declaration

In the directors' opinion:

- a) the financial statements and notes set out on pages 6 to 11 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Energy Resources of Australia Ltd will be able to pay its debts as and when they become due and payable.

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



Dr D Klingner
Director
Darwin

25 July 2007

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, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Energy Resources of Australia Group (the consolidated entity). The consolidated entity comprises both Energy Resources of Australia Ltd (the company) and the entity it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



D Smith
Partner
Melbourne

25 July 2007