ERA 2007 Annual Report

ERA

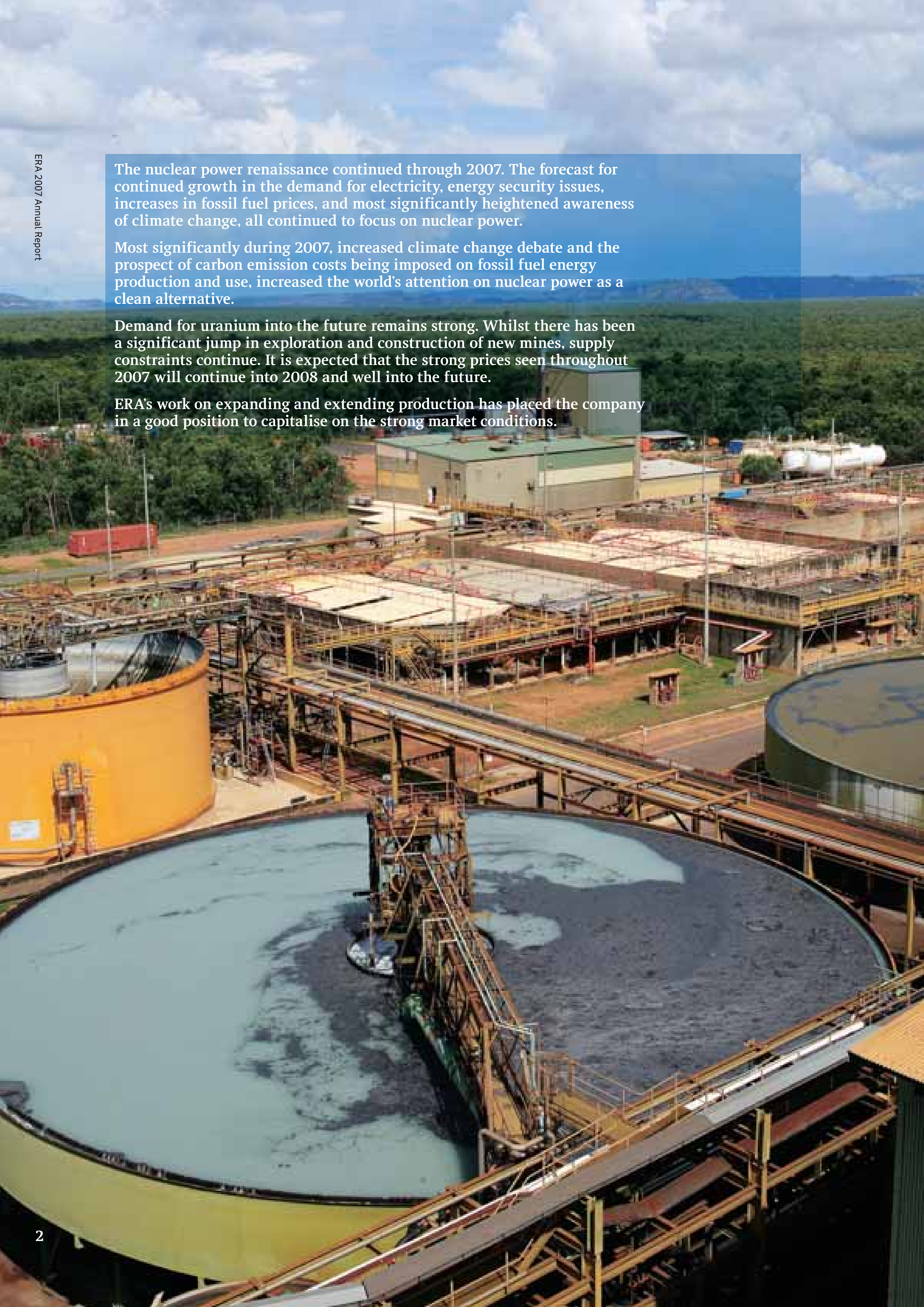
Energy Resources of Australia Ltd
ABN 71 008 550 865

2007 Highlights

- 46 per cent improvement in safety performance
- Record net profit of $76.1 million
- Produced 5,412 tonnes uranium oxide, second highest production on record
- Met all sales contract obligations whilst recovering from the February extreme rainfall event
- Indigenous employees increased by 44 per cent
- Extension of mining at Ranger (2008 to 2012) and strategies to identify further extension opportunities

2008 Objectives

- Continue the journey towards the goal of zero injuries
- Actively secure contracts for expanded production
- Conclude pre-feasibility studies into extensions of mining and processing operations at Ranger
- Strengthen community engagement and relationships with the Mirarr traditional owners
- Expand Indigenous employment and training programs to achieve target of 20 per cent by 2009
- Progress key exploration targets on the Ranger project area
- Increase water treatment capability
- Commission laterite plant and radiometric ore sorter projects



The nuclear power renaissance continued through 2007. The forecast for continued growth in the demand for electricity, energy security issues, increases in fossil fuel prices, and most significantly heightened awareness of climate change, all continued to focus on nuclear power.

Most significantly during 2007, increased climate change debate and the prospect of carbon emission costs being imposed on fossil fuel energy production and use, increased the world's attention on nuclear power as a clean alternative.

Demand for uranium into the future remains strong. Whilst there has been a significant jump in exploration and construction of new mines, supply constraints continue. It is expected that the strong prices seen throughout 2007 will continue into 2008 and well into the future.

ERA's work on expanding and extending production has placed the company in a good position to capitalise on the strong market conditions.

Company Profile

Energy Resources of Australia Ltd (ERA) is one of the largest uranium producers in the world, providing ten per cent of the world's mined uranium production.

Since 1980 the company has mined ore and produced uranium oxide at its Ranger mine, 250 kilometres east of Darwin, in Australia's Northern Territory. ERA sells its product, drummed uranium oxide, to power utilities in Asia, Europe and North America under strict international and Australian Government safeguards.

The company aims to secure profitable contracts for material mined at Ranger's open pit, and from ore stockpiles, until at least 2020.

ERA also holds title to the Jabiluka deposit, situated 22 kilometres north of Ranger. This project is under long term care and maintenance and will not be developed by ERA without the consent of the Mirarr traditional owners.

The Ranger and Jabiluka leases are located on Aboriginal land. The conditions for mining at Ranger and Jabiluka are laid down in agreements with the Northern Land Council on behalf of the Mirarr traditional owners, under the terms of the Commonwealth *Aboriginal Land Rights (Northern Territory) Act.*

68.4 per cent of the shares of ERA are owned by Rio Tinto, a diversified resources group. The balance of the company's shares are publicly held and openly traded on the Australian Stock Exchange.

Vision and Values

ERA strives to keep to the guiding principles set out in our Code of Business Conduct, namely:

- The paramount importance of the safety and wellbeing of our people
- Creation of value for our shareholders
- Building of partnerships with our customers, aiming to exceed their expectations
- Caring for our surrounding environment through exemplary management systems and commitment to the principles of sustainable development
- Respecting the culture and aspirations of indigenous people in our community, particularly the Mirarr, traditional owners of Ranger and Jabiluka
- Strengthening the culture of compliance within the regulatory framework in which we operate.

Chairman's and Chief Executive's Report

ERA's year was initially shaped by an extreme rainfall event in February, but despite this early challenge the company achieved record safety and profit performance, and near record production. The company also implemented the next steps in its aggressive growth strategy, focusing on the full utilisation of resources in the Ranger project area.

Safety performance continued to improve throughout the year, culminating in new benchmarks for the company under all measures: lost time injury rate reduced by 74 per cent to 0.33 per 200,000 hours worked, the all injury rate reduced by 46 per cent to 1.00, and the injury severity rate, a measure of the seriousness of injuries, also reduced by a factor of more than three. This result was achieved despite the pressures imposed by the February extreme rainfall event, increased construction projects and exploration activity. The company retained its certification under Australian Standard AS 4801 for its safety and health management systems, and remains committed to achieving its goal of zero injuries.

The Office of the Supervising Scientist has confirmed that the environment remained protected from environmental impacts from ERA's operations during the extreme rainfall event, and indeed throughout the year. ERA's environmental management system certified to the international standard ISO 14001 was re-certified by external auditors in 2007.

ERA produced 5,412 tonnes of drummed uranium oxide in 2007, the second highest on record (2006: 4,748 tonnes). Sales for the year were 5,324 tonnes, revenue for the year was $362.4 million, and average realised prices rose to US$25.06 per pound.

Earnings before interest and tax (EBIT) were $108.0 million and net profit after tax for the year ended 31 December 2007 was a further record of $76.1 million. The Directors declared a final dividend for the year of 20 cents per share, fully franked.

In September 2007 ERA announced the next stages in its expansion plan on the Ranger project area. Work has begun on an extension to the operational open cut pit at Ranger, which will increase the mine's life by four years from 2008 to 2012 and create another 45 full time jobs. The extension, at a capital cost of $57 million, and the optimisation of the existing pit design, will yield an additional 4,857 tonnes (or 10.7 million pounds) of contained uranium oxide.

At the same time, ERA announced a $10 million pre-feasibility study to examine further options for expanding and extending production. The pre-feasibility study is considering options for extending the existing mine (both open pit and underground), expanding the processing plant and the potential application of heap leach technology to low grade Ranger ores including existing stockpiles. The study will also consider the implications for water management and rehabilitation obligations. The pre-feasibility study is progressing well, and decisions to take identified options into full feasibility study are expected around mid 2008.

ERA commenced construction of its new radiometric sorter facility and laterite treatment plant during 2007, with the commissioning of each scheduled for mid 2008. Each project should deliver further near term growth in production from existing ore stockpiles with the laterite treatment plant expected to produce up to 400 tonnes of uranium oxide per annum from 2008 to 2013, and the radiometric sorter predicted to enhance production by a total of 1,100 tonnes to 2013 through the selective upgrading of the low grade ore stockpiles.

The final aspect of ERA's growth strategy is further exploration of the existing Ranger project area. In 2007 ERA spent $14.1 million on exploration and evaluation, with increased activity achieved through drilling throughout the wet season and the deployment of additional rigs.

The most significant operational challenge faced by ERA in 2007 was the impact and recovery from the extreme rainfall event in late February. This deluge was associated with a tropical low pressure system which ultimately formed into Cyclone George. In seven days, 850 millimetres of rain fell on the Ranger project area, while 750 millimetres of rain fell in just one 72 hour period.

The extreme rainfall event resulted in significant flooding in the surrounding region, and a large volume of water flowing into the operating pit. A shutdown of the processing plant was initiated during and immediately following the deluge. The flooding of the operating pit constrained mining operations, and in particular, access to the high grade ore at the bottom of the pit, throughout much of 2007. This directly impacted on production during the year, resulting in ERA declaring force majeure under its various sales contracts on 7 March 2007. Force majeure was lifted on 14 January 2008, once ERA's existing delivery commitments under long term contracts were met in 2007 and the company confirmed its ability to meet 2008 delivery commitments.

ERA implemented a number of mitigation and preventative measures to reduce the impact of the rainfall event including increased capacity for dewatering of the pit, increased irrigation capacity, pond water evaporation facilities, further catchment controls to minimise the increase of the site's pond and process water inventory, increased capacity in the water treatment plant, and increased process water storage capacity. ERA has committed to further expansion of water treatment to increase the robustness of the operation to major weather events and reduce the process water inventory.

ERA's commitment to engagement with the local Mirarr traditional owners and other Indigenous communities within the region remains vital to its business. In 2007 a number of key initiatives were implemented, including the successful introduction of a revised monthly cross cultural awareness course for ERA management, staff and contractors, developed for ERA by the Gundjeihmi Aboriginal Corporation and the Mirarr, traditional owners of Ranger and Jabiluka. Jabiluka remains under long term care and maintenance following an agreement in 2005 giving the Mirarr the right of consent over the company's future development of the mine.

ERA's employment and training programs have also resulted in an increased percentage of Indigenous employees from 13 per cent in 2006 to 16 per cent in 2007. The company remains committed to sustainable outcomes for Indigenous Australians and has set a direct employment target of 20 per cent by the end of 2009.

Dr David Klingner, Chairman
Mr Chris Salisbury, Chief Executive (appointed 1 February 2007)


2005: $266m
2006: $317m
2007: $362m
Revenue
$362m
2005: $65.5m
2006: $68.7m
2007: $108.0m
EBIT
$108m
2005: $41.1m
2006: $43.6m
2007: $76.1m
Net Profit
$76.1m

Financial Highlights & Performance

YEAR ENDED 31 DECEMBER	2007	2006	CHANGE %
Revenue ($ million)	**362.4**	317.2	+14.2
Earnings before interest and tax ($ million)	**108.0**	68.7	+57.2
Net profit after tax ($ million)	**76.1**	43.6	+74.5
Total dividends (cents per share)	**20.0**	17.0	+17.6
Uranium oxide drummed			
Production (tonnes)	**5,412**	4,748	+14.0
Production (thousand pounds)	**11,931**	10,467	
Total tonnes U_3O_8 sold			
Sales (tonnes)	**5,324**	5,760	–7.6
Sales (thousand pounds)	**11,737**	12,698	

Financial Performance

These financial results have been prepared in accordance with the Australian equivalent to International Financial Reporting Standards (AIFRS). All figures are Australian dollars unless otherwise noted.

Earnings

ERA recorded a net profit after tax of $76.1 million for the full year ended 31 December 2007 compared with $43.6 million for the same period in 2006.

Revenue

Sales for the year were 5,324 tonnes (2006: 5,760). Revenue from the sale of uranium oxide for the year was $358.1 million (2006: $312.7 million) while total revenue rose to $362.4 million (2006: $317.2 million). ERA met all delivery commitments by the end of 2007 and force majeure, declared after the February extreme weather event, has been lifted.

ERA's contractual sale price is only partially influenced by the current market prices due to its diversified and long term sales contract portfolio. The average realised sale price of uranium oxide was US$25.06 per pound (2006: US$18.36 per pound). On 31 December 2007 the spot market price was US$89.50 per pound (2006: US$72.00 per pound).

ERA's effective A$:US$ exchange rate in 2007 negatively impacted revenue by approximately A$38.6 million when compared with ERA's effective 2006 exchange rate.

Foreign Currency Hedges

The company settled US$40 million (2006: US$42 million) in forward exchange contracts during the year at an average A$:US$ exchange rate of 65 cents (2006: 65 cents) resulting in a gain of A$12.9 million (2006: A$8.4 million). No new currency exchange contracts were entered into during the year.

Costs

While revenues rose as a consequence of the rise in the average realised price, this was partially offset by a rise in employee and contractor numbers and associated costs, and increased expenditure on key consumables, particularly sulphuric acid. ERA incurred increased costs associated with the removal of water from the operational pit. In addition, the costs associated with pre-feasibility into Ranger expansion options were expensed.

Uranium Loans

ERA had no short term uranium loans outstanding at the end of the year (2006: 316 tonnes).

Dividends

ERA Directors have declared a final dividend for the year of 20 cents per share, fully franked at 30 per cent. The record date for the dividend was 15 February 2008 and it was paid on 29 February 2008. There was no interim dividend paid in 2007. The total dividend paid to shareholders for the year was therefore 20 cents per share, fully franked (2006: 17 cents per share).

Production

Processing Operations

Drummed production of uranium oxide of 5,412 tonnes was achieved, approximately 14 per cent higher than the previous year's total of 4,748 tonnes and the second highest on record. This production level was reached despite the plant shutdown due to the extreme rainfall event in February which constrained access to higher grade ore at the bottom of the pit, and lower than planned milling rates caused by hard ore.

Bulk importation of acid commenced in the third quarter of 2007 to supplement the production from the acid plant. The acid plant has now been shut down, due to age, following the consumption of the sulphur inventory.

The volume of pond water treated through the water treatment plant was approximately six per cent higher than the previous year. Water was discharged in accordance with environmental requirements. Improvements were made to the water treatment plant in order to deal with higher water inventories arising from the February rainfall event. These included upgrades to pumping systems, turnaround times on maintenance, and improvements to membrane cleaning processes.

In the second half of the year the plant maintenance and processing departments were integrated into a single team to focus on improving planning processes, reducing variation and consistent delivery of critical plant parameters.

Mining Operations

A total of 9.5 million tonnes of material was excavated from the operating pit. This was 27 per cent lower than the previous year, primarily due to the extreme rainfall event in February and restricted access to the flooded pit. A total of 2.9 million tonnes of ore was mined from the pit grading an average of 0.258 per cent uranium oxide. The mine plan was primarily dictated by the effectiveness of water removal and disposal efforts.

A number of water removal, disposal and management initiatives were implemented to regain access to the pit and in particular to high grade ore at the bottom of the pit. More than 3,000 mega litres of water were removed from the pit through 2007. Prior to the onset of the 2007/08 wet season, significant catchment reduction work was completed around the Ranger operating pit. Some of this work continues around the previous operating pit in an effort to further reduce the impact of surface run off on the process water inventory. A further three metre lift to the tailings storage facility was completed on schedule in December.

The approval of a $57 million pit extension in September 2007 triggered the procurement of heavy mobile equipment including nine 130 tonne haul trucks, two excavators and various ancillary units. The first two new haul trucks were put into service in December with the remaining units scheduled to arrive on site in early 2008.

Major overhaul work on the truck fleet and excavator was completed in 2007. Accountability for the mobile fleet maintenance was transferred to the mining operations department and further programs to improve equipment reliability and availability were initiated.

Exploration and Evaluation

During 2007 ERA continued to intensify its exploration efforts on the Ranger project area with exploration and evaluation expenditure increasing to $14.1 million, up from $7.2 million in 2006.

Drilling was carried out through both the wet and dry seasons, focusing on extensions of the operating pit orebody. Drilling was undertaken within and adjacent to the Ranger operating pit to evaluate near term extension opportunities, and beyond the access road to test mineralisation at depth (the area known as Ranger 3 Deeps).

At the operating pit, extensive studies of the geology of the orebody has highlighted the potential for mineralisation to occur at depth, north of the previously drilled Ranger 3 Deeps holes and this area will form the basis of exploration and evaluation studies in the first half of 2008.

The Jabiluka site remains under long term care and maintenance. A desktop exercise was undertaken aimed at applying knowledge gained at Ranger to the previous drill results, and resulted in a significant remodelling of the Jabiluka resource.

Ranger Reserves and Resources

During 2007 an additional 8,275 tonnes of contained uranium oxide was converted from measured resources to reserves, following Board approval of the extension of the operating pit. After accounting for the low grade ore which cannot be treated until beyond 2020, the current limit on tenure, and depletion via processing, the final reserves as at 31 December 2007 were 49,671 tonnes.

The evaluation drilling program focused on the near mine extensions to the current operating pit ore body resulted in the identification of additional resources, while optimisation of the resource pit shell resulted in a net increase in resources in addition to reserves (outside the current approved final pit design).

Jabiluka Reserves and Resources

Jabiluka remains under long term care and maintenance and will not proceed without the consent of the Mirarr traditional owners.

The 2007 Jabiluka reserves and resources report includes tonnes and grade from an updated grade model, while changes to the reserve definition process have resulted in some material being excluded. The existing mine plan, including stope design, has not yet been optimised to take into account changes in the underlying resource model.

The update to the Jabiluka grade model followed a detailed revision of the geological model, complete validation of the historical database and revision of the estimation parameters and resource classification scheme. The geological interpretation of the model was modified where drilling data is relatively sparse, and the mineral resource has been classified based on an assessment of geological confidence, sample spacing and data quality. The vertical and lateral extensions from the mineralisation of the existing orebody are considered to be highly prospective for additional ore grade material, as the deposit remains open at depth and along strike.

Ranger ore reserves reconciliation 2007

	CONTAINED U_3O_8 (TONNES)
Reserves at 1 January 2007	50,869
Additional reserves from pit extension	8,275
Low grade ore displaced	(3,418)
Reserves depleted by processing	(6,056)
Reserves as at 31 December 2007	49,671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Ore Reserves and Mineral Resources

	AS AT 31 DECEMBER 2007 CUT-OFF GRADE – IN SITU ORE 0.08% U_3O_8 CUT-OFF GRADE – STOCKPILE ORE 0.06% U_3O_8			AS AT 31 DECEMBER 2006 CUT-OFF GRADE – IN SITU ORE 0.08% U_3O_8 CUT-OFF GRADE – STOCKPILE ORE 0.06% U_3O_8		
	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)
Ranger ore reserves						
Current Stockpiles	**20.33**	**0.12**	**23,740**	25.93	0.11	27,692
Ranger No. 3 pit						
In situ ore						
Proved	**4.84**	**0.22**	**10,857**	4.86	0.24	11,729
Probable	**6.93**	**0.22**	**15,074**	4.78	0.24	11,448
Sub-total Proved and Probable Reserves	**11.77**	**0.22**	**25,931**	9.64	0.24	23,177
Total Ranger No. 3 Stockpiles, Proved and Probable Reserves	**32.11**	**0.15**	**49,671**	35.57	0.14	50,869
Ranger mineral resources						
IN ADDITION TO THE ABOVE RESERVE						
Current Mineralised Stockpiles	**12.03**	**0.06**	**7,680**	6.97	0.07	4,842
In situ resource						
Measured	**2.56**	**0.15**	**3,894**	3.18	0.16	5,167
Indicated	**13.49**	**0.15**	**20,235**	14.18	0.15	21,323
Sub-total Stockpiles, Measured and Indicated Resources	**28.08**	**0.11**	**31,809**	24.34	0.13	31,332
Inferred Resources	**14.31**	**0.13**	**18,759**	7.51	0.16	11,921
Total Resources	**42.39**	**0.12**	**50,567**	31.84	0.14	43,253

	AS AT 31 DECEMBER 2007 CUT-OFF GRADE 0.20% U_3O_8			AS AT 31 DECEMBER 2006 CUT-OFF GRADE 0.20% U_3O_8		
	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)
Jabiluka ore reserves						
Proved	**0**	**0**	**–**	6.40	0.59	38,000
Probable	**11.80**	**0.50**	**59,000**	6.42	0.45	29,000
Total Proved and Probable Reserves	**11.80**	**0.50**	**59,000**	12.82	0.52	67,000
Jabiluka mineral resources						
IN ADDITION TO THE ABOVE RESERVE						
Measured	**0.34**	**0.49**	**1,660**	1.80	0.41	7,000
Indicated	**4.71**	**0.43**	**20,053**	3.57	0.39	14,000
Sub-total Measured and Indicated	**5.05**	**0.43**	**21,713**	5.37	0.39	21,000
Inferred	**10.13**	**0.54**	**54,690**	15.70	0.48	75,000
Total Resources	**15.18**	**0.50**	**76,403**	21.07	0.46	96,000

Rounding differences may occur.

As required by the Australian Stock Exchange, the above tables contain details of other mineralisation that has a reasonable prospect of being economically extracted in the future but which is not yet classified as Proven or Probable Reserves. This material is defined as Mineral Resources under the JORC Code. Estimates of such material are based largely on geological information with only preliminary consideration of mining, economic and other factors. While in the judgment of the Competent Person there are realistic expectations that all or part of the Mineral Resources will eventually become Proven or Probable Reserves, there is no guarantee that this will occur as the result depends on further technical and economic studies and prevailing economic conditions in the future.

The information in this report that relates to Ranger Mineral Resources or Ore Reserves is based on information compiled by Geologist James Pocoe (a full time employee of Energy Resources of Australia) and Mining Engineer David Varcoe (a full time employee of Rio Tinto) who are both members of the Australasian Institute of Mining & Metallurgy. The information in this report that relates to Jabiluka Mineral Resources or Ore Reserves is based on information compiled by Geologist Perry Collier (a full time employee of Rio Tinto) and Mining Consultant Michael Thomas (a full time employee of AMC Consultants) who are both members of the Australasian Institute of Mining & Metallurgy. James Pocoe, David Varcoe, Perry Collier and Michael Thomas have sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". James Pocoe, David Varcoe, Perry Collier and Michael Thomas consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.


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Projects

In addition to the extension to the Ranger operating pit and the pre-feasibility study into further Ranger extension options, work continued on the laterite treatment plant ($34 million) and radiometric sorter ($17 million). Both projects are scheduled for commissioning in mid 2008.

Approximately 1.6 million tonnes of lateritic ore have been stockpiled since the mine began operating, and due to the clay like nature of this material, it has to be introduced into the main processing plant through a dedicated lateritic ore handling facility. This material is included in the Ranger reserves.

The radiometric sorter facilitates the upgrading and earlier processing of lower grade ores, and subject to performance, additional sorter units could be added to further increase production capacity.

Water Treatment

ERA has committed a further $29 million to increase the capacity of the existing water treatment plant and to upgrade the lime softening circuit to commission the process water treatment facility. This project will be completed in 2008. In combination with an increase in tailings storage capacity and catchment management plans to divert clean water away from disturbed areas, the increased capacity of the water treatment plant will further minimise the risk of business interruption arising from potential high rainfall events. Studies continue on determining the water treatment requirements to support the operation into the future.

Tailings Storage

During the year, ERA approved the expenditure of $18 million to lift the wall of the current tailings storage facility to provide additional storage capacity for process water. The lift was completed in December.

Marketing

The strong upward momentum that has characterised the uranium market of the past three years continued for the first half of 2007. However, the second half of the year saw a fundamental change in market behaviour as the spot price became de-linked from the long term market. Historically, the spot market has traded at a nominal discount to the term market, but last year saw substantial volatility in spot prices.

The spot price for U3O8 increased from US$72.00 at the end of 2006 to a record high of US$136.00 in June 2007, before moving downwards and ending the year at US$89.50; an increase of 24 per cent on December 2006. This price volatility appeared to be predominantly investor driven as hedge funds and investors took, and liquidated, positions in the spot market. The spot market remains inherently volatile.

The long term uranium market price exhibited very strong growth in the early part of the year, rising to a high of US$95.00 in May. The long term price remained stable at US$95.00 for the rest of the year.

The average realised price achieved in 2007 continued to be below the current market price indicators because of the damping effect of contracts negotiated several years ago at a time when market prices were considerably lower. These contracts which are gradually expiring over the next few years are being replaced by contracts more representative of prevailing market prices.

The key drivers for the continued strength of the uranium oxide price remain unchanged as the near term supply situation cannot adequately meet the near term demand requirements. This is due to the restrictions on secondary market supplies, a shortage of existing primary supply and increased market projections for future nuclear fuel demand. Traditionally, secondary supply sources have supplemented primary supply considerably, up to 40 per cent, resulting in a stagnant low price market. The contribution of secondary supply sources remains restricted, but is expected to lessen considerably over the next few years; to less than 20 per cent of global requirements by 2020. Global primary production has not increased significantly in the past five years and although substantial new production is forecast to come on stream this will take time to reach the market. It is this imbalance and the desire of many utilities to secure long term supply contracts in a period of nuclear power supply growth that continues to hold the price of uranium at high levels.

Estimates for future nuclear fuel demand vary considerably, but it has become clear over the past two to three years that a nuclear renaissance is underway. Concerns about climate change issues and greenhouse gas emissions, security of energy supplies and the increasing costs of fossil fuels are all factors prompting a change in attitude towards nuclear energy as a base load electricity source. Many countries are now re-evaluating their energy policies and nuclear energy, seen by many as a clean, efficient energy source which produces no greenhouse gases, is becoming increasingly popular. Initial growth is expected from Russia and China with India following suit. In Northern Europe, political opinion has shifted considerably in a very short time and countries such as the United Kingdom and Germany, which had originally planned to phase out nuclear power, are now seriously re-evaluating its role. Plans in the United States are more advanced with several new reactors in the process of being proposed or planned. This theme is echoed through South East Asia, South America, parts of Africa, and the Middle East.

ERA aims to develop a portfolio of long term contracts that will help sustain future investment in mining operations and deliver strong shareholder returns. The company, through its marketing service contract with Rio Tinto Uranium, seeks to negotiate contracts that provide exposure to future market price increases, while also providing optimal downside protection through the introduction of competitive floor prices. In addition to this, ERA seeks to maintain a diverse contract portfolio through the continued development of an international customer base, while minimising risk and strictly complying with all Australian Government and international safeguard regimes. The company seeks to maintain mutually beneficial long term relationships with the world's leading nuclear utilities.

Employees

Permanent employees of ERA (including Earth Water Life Sciences) increased from 385 at the end of 2006 to 420 at the end of 2007. Employee turnover remained stable at or below 20 per cent throughout the year. In light of the company's location and the tightness of the external labour market, this turnover rate is considered reasonable.

Significant human resources initiatives for 2007 included the:

- implementation of the frontline leadership development program,
- implementation of a workplace diversity program designed to attract and retain Indigenous employees,
- update and review of key human resource policies and procedures, and
- continued training of leaders in core leadership modules.

An extensive review of shift rosters was carried out to support the impending expansion of the workforce, alleviate pressure on accommodation, increase efficiency and productivity, and meet employee needs.

Recruitment continued to be a challenge due to a tight labour market for mining professionals across Australia. The company will continue to offer competitive employment conditions in order to attract and retain employees in the Northern Territory and has been assisted by Rio Tinto to access the broader market for professionals.

As a result of consultation and negotiations with local stakeholders including the Mirarr traditional owners, the Jabiru Town Council and the Jabiru Town Development Authority, the most effective method of providing additional accommodation in Jabiru was the construction of further "fly in fly out" (FIFO) accommodation.

Indigenous Employment

Indigenous employment increased during the year. During a period when overall employee numbers were increasing, the percentage of Indigenous employees in the workforce increased from 13 per cent to 16 per cent. The number of Indigenous employees was 65 at the end of the year, the highest number of any time since the commencement of the mine. During the year an Indigenous liaison officer was appointed in order to help with efforts to increase both the recruitment and retention of Indigenous employees, particularly those local in the region.

Sustainable Development

ERA is committed to:

- ensuring that no one comes to any harm whilst working for ERA,
- ensuring sustainability of its activities by minimising impact so that the land can be productively used after mining,
- consulting and engaging with local communities and stakeholders in a transparent, inclusive and appropriate manner, and
- providing an ongoing contribution to biodiversity in the region through research and the implementation of management plans.

ERA's adoption and implementation of sustainable development principles is reflected by a commitment to continuous improvement in all facets of environmental, social and economic development.

Safety and Health

ERA's safety and health performance improved significantly in 2007. The number of recordable injuries dropped from ten in 2006 to six in 2007.

This is best represented by a 46 per cent drop in the all injury frequency rate and a 74 per cent reduction in the lost time injury frequency rate. Also pleasing was the reduction in the injury severity rate, the measure of injury significance.

ERA focused on improving and embedding its safety and health procedures established in 2005 and engaging employees to support the company's drive towards zero injuries or illness.

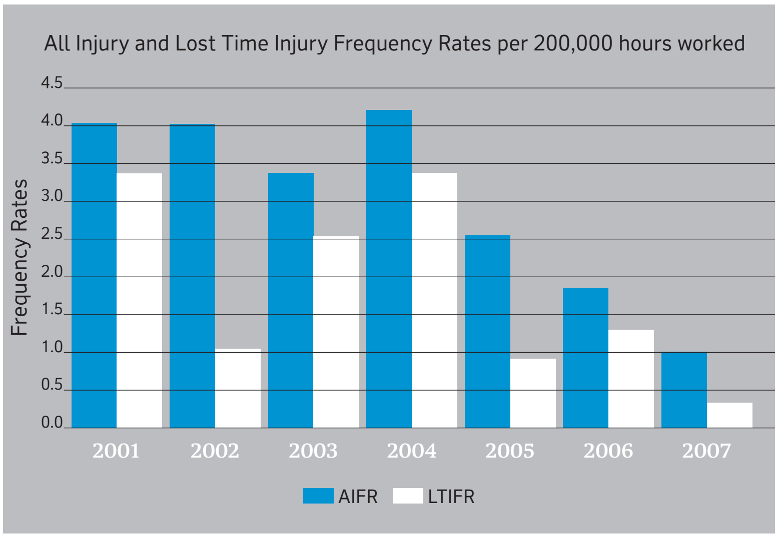
ERA maintained certification of its safety and health management system to Australian Standard 4801: Occupational Health and Safety Management Systems.

Specific safety and health initiatives in 2007 included:

- initiation of an ERA safety leadership development program,
- completion of a semi quantitative risk assessment to highlight ongoing opportunities to further reduce risk to ERA's team members in the workplace,
- completion of a site wide ergonomic assessment, and
- introduction of an ERA wellness program.

For the second consecutive year, the Ranger operation received recognition in the Northern Territory Minerals Council Resource Awards of Excellence 2007 for Safety and Health. The award was given for a practical and innovative application of the recognition systems in place at ERA that assisted in reductions in the all injury frequency rate over the previous two year period.

ERA's emergency response team from Ranger competed successfully at the 11th Annual Northern Territory mines rescue competition in August, winning the road accident rescue event. An ERA team member won the overall best individual award.



Radiation Management

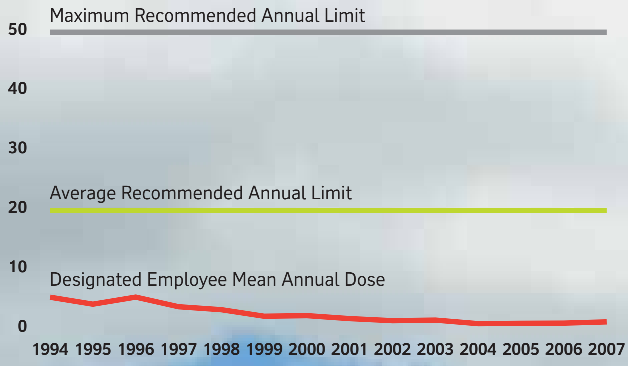
The Radiation management system forms part of the safety and health management system that was audited during 2007.

The radiation exposure pathways at ERA's operations are comprehensively measured and reported throughout the year. The results of this monitoring are compared to limits recommended by the International Commission on Radiological Protection (ICRP). These limits are 100 millisieverts (mSv) over five years (average of 20 mSv per year) or a maximum of 50 mSv in any one year. Designated workers are those employees and contractors who have the potential to exceed 5 mSv per year from occupational exposure to radiation. There are over 240 designated employees at the Ranger operation and they received a mean radiation dose of 1.3 mSv during 2007. The following graph depicts the mean annual radiation dose assessed for designated workers working throughout the operation in comparison with the recommended limits.

Workers at the mine site who are not working in areas of high exposure (non-designated employees) are subject to the same dose limits as designated workers and in 2007 the maximum dose was 0.6 mSv. The exposure of Jabiru residents and surrounding communities is also monitored and the contribution from the mine was assessed as 0 mSv in 2007. The natural background in the area is 2-3 mSv. A radiation practice must not expose members of the public to more than 1 mSv per year above natural background under ICRP recommendations.

The United Nations scientific committee on the effects of atomic radiation reports (2000 report to the UN General Assembly) that the: *"worldwide annual exposures to natural radiation sources would generally be expected to be in the range 1 to 10 mSv, with 2.4 mSv being the present estimate of the central value".*

Designated employee mean annual radiation dose




02
FOR USE IN NON CONTROLLED AREAS ONLY

Environment

The Commonwealth Office of the Supervising Scientist has confirmed that water quality monitoring in Magela Creek demonstrated that the environment downstream of the Ranger mine remained protected. Uranium concentrations in Magela Creek throughout the 2006/07 wet season were on average 1.8 per cent of the limit set by the Office of the Supervising Scientist.

ERA's environmental management system is certified to the international standard ISO 14001 and was subject to a re-certification audit by external auditors in 2007.

ERA's weed management plan was further expanded in 2007 in response to weed proliferation in the atypical wet season. ERA's weed management plan in 2007 resulted in a record decline in weed populations. This was achieved with the assistance of Kakadu Native Plant Supplies and the Gundjeihmi Aboriginal Corporation.

Waste management at Ranger was significantly improved through increased recycling, resulting in a seven per cent decrease in the landfill waste produced per person at Ranger.

The Jabiluka lease remained under care and maintenance with programs of rehabilitation and fire management conducted at Djarr Djarr. The Mirarr traditional owners assisted ERA by providing advice to ERA in adopting a traditional approach to fire management. Monitoring of water downstream of Jabiluka continued, with uranium levels in nearby Swift Creek on average some 0.3 per cent of the limit recommended by the Office of the Supervising Scientist.

ERA team members conducted a very successful ERA bird watch. The event, in association with Birds Australia naturalists and local birders, attracted over 40 community participants who identified some 71 species. Bird spotting highlighted that the Ranger mine site and its water management facilities remain a rich habitat hosting a diverse cross section of the region's avifaunal biodiversity. The 71 species spotted was the highest number of observations for the five years the event has been run at Ranger.

The impact of closure has been integrated into all aspects of Ranger operations and the closure model was updated to incorporate the operating pit extension and feedback provided by stakeholders.

Community Relations

During 2007 a revised cross cultural awareness course was introduced for all new ERA staff and contractors which was developed with the assistance of the Gundjeihmi Aboriginal Corporation (GAC) representing the Mirarr traditional owners. Feedback from those attending the course has been very positive and it is planned to offer further opportunities for employees to gain cross cultural awareness in the future. It is recognised that this program compliments the building of better understandings and mutual respect between employees and the traditional owners of areas affected by ERA's operations.

ERA and the GAC worked together to establish a protocol for archaeological survey work and the development of an agreement to involve traditional owners in the provision of labour services to ERA. The agreement resulted in the GAC working with ERA on fire management, flora/fauna surveys, environmental rehabilitation and revegetation programs, weed management, civil works and other tasks.

In addition, an agreement with the GAC was established to enable traditional owners access to non-operational areas of the Ranger project area to conduct essential activities associated with the retention of important cultural, environmental and traditional Aboriginal knowledge and practice.

Payments – Ranger and Jabiluka

ERA makes royalty payments to the Commonwealth Government of 4.25 per cent of its net sales revenue plus an annual rental of $200,000 for use of the land. The Commonwealth Government distributes this money to Northern Territory based Aboriginal groups, including the Mirarr traditional owners. An additional 1.25 per cent of net sales revenue is paid to the Commonwealth and distributed to the Northern Territory Government.

In 2007, ERA's royalty expenses totalled $18.3 million (2006: $16.0 million) which resulted in payments of $14.1 million (2006: $12.4 million) from the Commonwealth Government to Northern Territory based Aboriginal groups.

Sponsorships

In 2007 ERA contributed more than $150,000 in sponsorships and donations including:

- continued sponsorship of the Australian Football League Indigenous All Stars game played in February in Darwin,
- continued support and sponsorship of the Kakadu Mahbilil Festival, and
- sponsorship of the 2007 Indigenous Music Awards held at the Darwin Festival.

ERA provided support for the Gunbalanya Open Day in August and the quarterly "Welcome to Jabiru" functions for new residents in the town.

Photo.
Mirarr Traditional Owners, Yvonne Margarula with May Nango.

These pictures of the traditional owners and of Mt Brockman appear with the permission of the Gundjeihmi Aboriginal Corporation.

Earth Water Life Sciences Pty Ltd

Earth Water Life Sciences (EWLS), a specialist environmental consulting business based in Darwin, and wholly owned by ERA, undertakes project work and provides strategic environmental advice for ERA and external parties.

The focus of EWLS in 2007 was to:

- continue assessment of seasonal and long term trends in the comprehensive environmental datasets collected at Ranger and Jabiluka to ensure that there is no detriment to the surrounding environments from mining operations;
- progress investigative work and relevant approvals from regulators and stakeholders relating to changes to the Ranger operation;
- prepare and secure approval for Ranger and Jabiluka statutory annual wet season reports, environment reports and rehabilitation plans;
- develop plans to successfully close and rehabilitate Ranger and Jabiluka, specifically focusing on seepage and water management, ecosystem re-establishment, control of fire, weeds and feral animals, final landform designs and closure criteria that meet ERA's requirements and the expectations of stakeholders including Mirarr traditional owners; and
- contribute to improvements in water management at Ranger through ongoing evaluations of water treatment performance and use of a specialised predictive water balance model.

Key project work was undertaken on a number of strategic environmental initiatives:

- devising and obtaining regulator approval for strategies to dispose of the significant excess of pond water that accumulated in the operating pit during the 2006-07 wet season. This included the expansion of land application (irrigation) capacity, ongoing treatment and disposal of pond water by means of the water treatment plant, and increased evaporation and dust suppression;
- approval from the regulators was obtained to deposit tailings in the operating pit once mining has been completed, and to construct the laterite treatment plant and the radiometric sorting plant;
- studies of the environmental aspects of extending the operating pit and presentation of relevant applications to the supervising authorities for approval to proceed;
- conceptual studies on Ranger closure were completed and summarised, the estimated costs, in a new version of the Ranger closure model including closure at the end of mine life;
- developed and assisted with the implementation of management strategies leading to a 50 per cent reduction in weed infestation on the leases measured between 2006 and 2007; and
- development of a tool, based on readily identified habitats, to assist mine personnel in assessing the potential risk that any land disturbance activity may have on flora and/or fauna of conservation significance.

Work continued on selected external projects that benchmark scientific capability and enhances ERA's reputation for strategic environmental management.

EWLS continued to represent ERA on the Alligator Rivers Region Technical Committee (ARRTC) which oversees the nature and extent of research being undertaken to protect and restore the environment in the Alligator Rivers Region from any effects of uranium mining. The ARRTC reports directly to the Commonwealth Minister for the Environment and Heritage.

EWLS maintained ISO 9001-2000 certification for its quality management system and retained its Registered Research Agency status with AusIndustry (Commonwealth Government).

Directors' Outlook

The nuclear power renaissance continued through 2007. The forecast for continued growth in the demand for electricity, energy security issues, increases in fossil fuel prices, and most significantly heightened awareness of climate change, all continued to focus on nuclear power. Most significantly during 2007, increased climate change debate and the prospect of carbon emission costs being imposed on fossil fuel energy production and use, increased the world's attention on nuclear power as a clean alternative.

Demand for uranium into the future remains strong. Whilst there has been a significant jump in exploration and construction of new mines, supply constraints continue. It is expected that the strong prices seen throughout 2007 will continue into 2008 and well into the future. ERA's work on expanding and extending production has placed the company in a good position to capitalise on the strong market conditions.

Despite the impact of the weather in 2007, production was recovered to support the sales of 5,324 tonnes. With the Ranger operating pit emptied of water late in 2007, production in 2008 is expected to return to normal levels. Sales for the year, after allowing for replenishment of inventory, are expected to be in line with 2007.

Additional production capacity will come on line in 2008 with the addition of the laterite and radiometric sorting plants.

ERA is continuing to pursue contracts for expansion announced over the last two years, including the most recent mine extension. New contracts, at the improved market prices seen over the last two years, are now starting to affect the average realised price of ERA's sales.

The pre-feasibility study into further mine and processing expansions will be concluded in 2008. The selected expansion option or options will then be progressed to the next stage of study.

Relationships with the community and particularly the Mirarr traditional owners continued to improve throughout the year. The future of the township of Jabiru is also being debated amongst all stakeholders.

ERA continues to actively encourage sustainable outcomes for Indigenous Australians, particularly those local to the region in which the company operates. This focus will increase in 2008.

The Company will also continue its active engagement in the broader industry activities through the Australian Uranium Association and Uranium Industry Framework.

With the outlook for uranium demand being positive, ERA is well positioned to benefit from this by seeking opportunities to add value by expanding and extending production from its resources.

The Directors of Energy Resources of Australia Ltd ("ERA") present their report together with the financial report of the company and the consolidated financial report of the consolidated entity, being the company and its controlled entity, for the year ended 31 December 2007.

DIRECTORS

The Directors of the company at any time during or since the end of the financial period are:

Current Directors

NAME & QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Dr D Klingner BSc(Hons), PhD, FAusIMM Chairman	Appointed as a Director in July 2004 and as Chairman in January 2005. Dr Klingner is a Director and Chairman of Codan Limited. Member of the Audit Committee.
Mr R Carter CitWA, BCom, FTSE, FAusIMM, FAIM, FAICD Director	Appointed as a Director in November 1999. Mr Carter is Chairman of Macmahon Holdings Ltd, Zeal Consulting and Prahran Mission – UnitingCare, and Deputy Chair of UCA Funds Management. Chairman of the Audit Committee.
Prof. H Garnett BSc(Hons), PhD, PSM, FTSE, FAICD Director	Appointed as a Director in January 2005. Professor Garnett is Vice Chancellor of Charles Darwin University, Director of the Business Higher Education Round Table Board, Director and Chair of the Darwin Symphony Orchestra Inc, Director of Universities Australia, Director of the Charles Darwin University Council and Director of the Museum and Art Gallery, NT Foundation. Member of the Audit Committee.
Mr C Salisbury B.Eng (with Distinction), Met Eng Chief Executive	Appointed Chief Executive and a Director on 1 February 2007. Mr Salisbury was previously General Manager Operations at ERA. Mr Salisbury is currently Chairman of the Australian Uranium Association and President of the Northern Territory Minerals Council.
Mr P Taylor BA, BSc, LLB, LLM Director	Mr Taylor was appointed a Director on 14 February 2007. Mr Taylor is currently Chairman and Managing Director of Bougainville Copper Limited. He is a director of a number of unlisted Rio Tinto Group companies and has held executive positions in the Rio Tinto Group in Exploration, Project Development, Commercial and Legal.

Previous Directors

NAME AND QUALIFICATIONS	EXPERIENCE AND RESPONSIBILITIES
Mr C Lenegan BSc(Econs) (Hons) (Lon), ACA Director	Appointed as a Director in July 2005. Mr Lenegan was Managing Director Rio Tinto Australia, and a Director of various Rio Tinto Group companies and several industry associations. Mr. Lenegan resigned as a director on 31 January 2008.
Mr H Kenyon-Slaney BSc Chief Executive	Appointed Chief Executive and a Director in January 2004. Mr Kenyon-Slaney resigned as Chief Executive and as a director on 31 January 2007.

Company Secretaries

The company secretaries are Mr Chris Bateman and Mr Charlie Ritchie.
Mr Ritchie was appointed to replace Mr Neville Henwood who resigned in November 2007.

NAME & QUALIFICATIONS	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mr C Bateman B.Eng (Hons)	Appointed as a Company Secretary in July 2006. Mr Bateman is the company's Chief Financial Officer, and before joining the company was employed by Rio Tinto in the USA.
Mr C Ritchie LLB (Hons), BA	Appointed as a Company Secretary in November 2007. Mr Ritchie is the company's legal counsel. Before joining the company, Mr. Ritchie was employed by Rio Tinto Limited in Melbourne from 2004, and in private legal practice in Melbourne and London since 1995.

L to R: Dr David Klingner, Mr Chris Salisbury, Mr Richard Carter, Prof. Helen Garnett, Mr Peter Taylor, Mr Charlie Lenegan.

Meetings of Directors

The number of Directors and Audit Committee meetings held and the number of meetings attended by each of the Directors of the company during the financial year is shown below:

DIRECTOR	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	ATTENDED	HELD*	ATTENDED	HELD*
D Klingner	6	6	3	3
R Carter	6	6	3	3
H Garnett	6	6	3	3
P Taylor	5	5	–	–
C Lenegan	6	6	–	–
C Salisbury	5	5	–	–
H Kenyon-Slaney	1	1	–	–

**Reflects the number of meetings held during the time the Director held office in the 2007 year.*

Mr Salisbury and Mr. Kenyon-Slaney were each invited to Audit Committee meetings and each attended all meetings held whilst they successively held the office of Chief Executive.

Interests of Directors

The interests of each Director in the share capital of the company, other companies within the consolidated entity or in a related party as at 23 February 2008 are shown below:

Shares in Energy Resources of Australia Ltd		
R Carter	25,000	ordinary shares
Shares in a Related Body Corporate		
Rio Tinto Limited		
D Klingner	39,959	ordinary shares
C Lenegan	3,286	ordinary shares
R Carter	3,025	ordinary shares
P Taylor	600	ordinary shares
C Salisbury	5,577	ordinary shares
Options in Ordinary Shares of a Related Body Corporate		
Rio Tinto Limited		
D Klingner	4,117	
C Lenegan	40,781	
P Taylor	20,037	
C Salisbury	7,416	
Conditional Interests in Ordinary Shares of a Related Body Corporate		
Rio Tinto Limited		
C Lenegan	16,605	
P Taylor	8,968	
C Salisbury	7,513	

Remuneration report

The Remuneration Report is set out under the following main headings:

A Principles used to determine non-executive Directors' remuneration
B Principles used to determine executive remuneration
C Details of remuneration
D Executive service agreements
E Share-based compensation
F Additional information

The information provided in the Remuneration Report has been audited as required by section 308(3c) of the *Corporations Act 2001*.

A Principles used to determine non-executive Directors' remuneration

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the non-executive Directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

The following principles are applied in determining the amount of remuneration for non-executive Directors:

- The amount of time required for Directors to consider ERA Board matters including preparation time;
- Acknowledgement of the personal risk borne as a Director;
- Comparison with professional market rates of remuneration to remain competitive with the market having regard to companies of similar size and complexity; and
- The desire to attract Directors of a high calibre with appropriate levels of expertise and experience.

At the 2001 Annual General Meeting, shareholders determined that the aggregate remuneration for non-executive Directors of ERA would be $500,000 per annum. The aggregate amount of non-executive Directors' remuneration paid in 2007 was $414,386 inclusive of statutory superannuation.

The Directors' fees were reviewed and revised by the Board in November 2007. The annual fees for non-executive Directors for 2008 will be as follows:

Chairman	$126,000
Director	$70,000
Audit Committee Chairman	$17,000
Audit Committee Member	$11,000

Retirement allowances for non executive Directors

The entering into of contracts with Directors for the provision of a retirement allowance was approved by shareholders on 18 October 1990. A retirement allowance provides benefits to certain non-executive Directors who have served for three years or less, an amount equal to the fees; or longer than three years, an amount equal to the statutory three years emoluments plus for each year or part of a year of service exceeding three years, an additional amount equal to five per cent of the statutory three years emoluments.

In April 2004, the Board resolved to remove this retirement allowance for non-executive Directors appointed after this date and for existing Directors with accrued entitlements, freeze those entitlements until that Director retires, when it will be paid out. Non-executive Directors appointed after this date are only entitled to statutory superannuation contributions.

The company's liability for Directors' retirement benefits, which is based on the number of years service provided at the balance date, has been included in employee entitlements.

B Principles used to determine executive remuneration

The remuneration of the Chief Executive and other key management personnel is set by reference to the wider Rio Tinto context, determined following review by the Rio Tinto Remuneration Committee. For the purposes of disclosures under the Corporations Act and relevant Accounting Standards, the Company's five highest paid executives below Board level and the Company's "key management personnel" apart from the executive and non-executive directors have been determined to be the General Managers of the Company reporting directly to the Chief Executive.

Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include fringe benefits such as medical insurance and car and other allowances, superannuation, retirement and termination entitlements and short and long term incentives. The company secretaries of the Company are not entitled to long term performance-based incentives (unless they are also key management personnel of the Company) but are otherwise subject to the same pay and reward framework.

The executive pay and reward framework has four components:

- Base salary and benefits
- Short-term incentives
- Long-term incentives through participation in the Rio Tinto share option plan (SOP), Rio Tinto mining companies comparative plan (MCCP) and Rio Tinto management share plan (MSP).
- Other remuneration such as superannuation.

The short term and long term incentives are the variable components of the total remuneration package and are therefore "at risk", as they are tied to achievement of specific measures of business performance and personal performance and service. The other components of the package are referred to as "fixed" as they are not at risk, although some, e.g. level of base salary, are also related to performance.

The composition of the total remuneration package is designed to provide an appropriate balance between fixed and variable components in line with the objectives of aligning total remuneration with delivered personal and business performance and the attraction and retention of key staff in an increasingly tight and competitive labour market.

Excluding post employment, expatriate relocation, secondment and employment costs and other benefits, the proportion of total direct remuneration provided by way of variable components related to performance, assuming target levels of performance, as at 31 December 2007 was approximately 35 per cent for the Chief Executive (of which, approximately 3.5 per cent consisted of options), and approximately 30 per cent for the other key management personnel (options consisting of approximately two per cent). The actual proportion of total direct remuneration provided by way of variable performance related components may differ from these percentages depending on company and personal performance.

Base salary

Base salary is set at a level consistent with market expectations within the wider Rio Tinto remuneration framework and may be delivered as a mix of cash and prescribed non-financial benefits. Base salary is reviewed annually and adjusted taking into account the nature of the role, external market trends and business and personal performance.

Short term incentive programme

The short term incentive programme provides cash bonus opportunities and is designed to support the overall remuneration policy by:

- Focusing management personnel on achieving performance and service goals which contribute to sustainable shareholder value in an increasingly tight and competitive labour market, and
- Providing a significant bonus differential based on delivered performance against challenging personal, business and other targets including environment, safety and health.

Short term incentives performance conditions

Reflecting the intent of the short term incentive programme, all key management personnel have a significant percentage (up to 17 per cent) of their performance-based cash bonus linked to the safety performance of ERA. The financial performance of the company, and production performance at the operating site, constitutes at least another 35 per cent of the performance-based remuneration. The success of value creation projects and the addressing of key strategic issues are further used to measure individual performance.

Retention Bonus

In 2007, Rio Tinto introduced a retention bonus programme, which may vest upon fulfilment of a time-based vesting condition and not dependent on performance, for senior Rio Tinto employees, designed to further support the Rio Tinto Group's ability to attract and retain key staff in an increasingly tight and competitive labour market. The current uncertainty in the market coming on top of the extremely active market for senior executives and professionals in the resources sector, magnified the risk to Rio Tinto of losing key senior employees with direct impacts on business performance.

Long term incentive programme

Share based remuneration dependent on performance

Rio Tinto Share Option Plan (SOP)

An annual grant of options to purchase shares (in Rio Tinto Limited and Rio Tinto plc) in the future at current market prices is made by Rio Tinto to eligible senior management personnel within the Rio Tinto Group, including the key management personnel of the consolidated entity.

Each year, the Rio Tinto Remuneration Committee considers whether a grant of options should be made under the SOP, and if so, at what level. In arriving at a decision, the Rio Tinto Remuneration Committee takes into consideration personal performance as well as local remuneration practice. The maximum potential grant under the SOP for the Chief Executive of the consolidated entity is 60 per cent of base salary, and for the other key management personnel of the consolidated entity between 30 and 40 per cent of base salary, calculated using the average share price of Rio Tinto over the previous financial year. Under the SOP, options are granted to purchase shares at a weighted average closing share price over five days preceding the grant. No options are granted at a discount and no amount is paid or payable by the recipient upon grant of the options.

No options under the SOP become exercisable unless Rio Tinto has met stretching performance conditions. In addition, before approving any vesting and regardless of performance against the respective performance conditions, the Rio Tinto Remuneration Committee retains discretion to satisfy itself that Rio Tinto's Total Shareholder Return (TSR) performance is a genuine reflection of underlying financial performance.

Under the SOP, vesting is subject to Rio Tinto's TSR equalling or outperforming the HSBC Global Mining Index over a three-year performance period. The HSBC Global Mining Index covers the mining industry globally. If TSR performance equals the index, one third of the grant will vest. The full grant vests if the TSR performance is equal to or greater than the HSBC Global Mining Index plus five per cent per annum. Between these points, options vest on a sliding scale, with no options becoming exercisable for a three year TSR performance below the index.

Options granted under the 2004 plan before 31 December 2006 are subject to a single fixed base re-test five years after grant if they do not vest after the initial three year performance period. Options granted after 31 December 2006 are not subject to any re-test and will lapse if they do not vest at the conclusion of the initial three year performance period.

Prior to any options being released to participants for exercise, the Rio Tinto Group's performance against the criteria relevant to the SOP is examined and verified by Rio Tinto's external auditors.

If Rio Tinto were subject to a change of control or a company restructuring, options would become exercisable subject to the satisfaction of the performance condition measured at the time of the takeover or restructuring. However, the Rio Tinto Remuneration Committee may at its discretion and with the agreement of participants determine that options will be replaced by equivalent new options over shares in the acquiring company.

Where an option holder dies in service, subsisting option grants vest immediately, regardless of whether the performance conditions have been satisfied. The estate will have 12 months in which to exercise the options.

All SOP grants made prior to 2004 under the rules approved by shareholders in 1998 have now vested in full. The SOP grant made in 2004 was tested against the performance condition in 2007. The performance condition was not achieved and these options, therefore, did not vest at that time. The 2004 SOP grant will, in accordance with the Rules, be retested in 2009. The SOP grant made in 2005 was tested against the performance condition in 2008. The performance condition was achieved and these options will vest in full.

SOP options may, upon exercise, be satisfied by Rio Tinto treasury shares, the issue of new shares or the purchase of shares in the market.

Rio Tinto Mining Companies Comparative Plan (MCCP)

Rio Tinto's performance share plan, the MCCP, provides for an annual grant of a conditional right to Rio Tinto shares to eligible senior management personnel within the Rio Tinto Group, including the key management personnel of the consolidated entity. The maximum conditional award under the MCCP for the Chief Executive of the consolidated entity is 60 per cent of base salary, and for the other key management personnel of the consolidated entity between 30 and 40 per cent of base salary, calculated using the average share price of Rio Tinto over the previous financial year.

The conditional awards only vest if the performance condition set by the Rio Tinto Remuneration Committee is satisfied by Rio Tinto, although the Rio Tinto Remuneration Committee retains discretion to satisfy itself that satisfaction of the performance condition is a genuine reflection of underlying financial performance. Rio Tinto's TSR performance against the performance condition is calculated independently (by Watson Wyatt in 2008). Furthermore, prior to the vesting of conditional awards, Rio Tinto's external auditors independently review Rio Tinto's TSR performance compared to that of the comparator group.

The performance condition compares Rio Tinto's TSR with the TSR of a comparator group of 15 other international mining companies over the same four year period. The composition of this comparator group is reviewed regularly by the Rio Tinto Remuneration Committee to ensure that it continues to be relevant in a consolidating sector, and is determined by the Rio Tinto Remuneration Committee prior to making the conditional award. Due to recent consolidation in the sector, the Rio Tinto Remuneration Committee has reduced the comparator group for the 2004 Conditional Award to 10 companies (including Rio Tinto), and has determined that this revised comparator group is still adequate for the purposes of measuring Rio Tinto's relative performance and constitutes the best basis of comparison for the Rio Tinto Group.

If Rio Tinto were subject to a change of control or a company restructuring, the conditional awards would only vest subject to the satisfaction of the performance condition measured at the time of the takeover or restructuring. Additionally, if a performance period is deemed to end during the first 12 months after the conditional award is made, that award will be reduced pro-rata.

Rio Tinto releases awards to participants as either Rio Tinto plc or Rio Tinto Limited shares or as an equivalent amount in cash. Rio Tinto shares to satisfy the vesting may be treasury shares, shares purchased in the market, by subscription, or, in the case of Rio Tinto Limited, transfers of existing shares.

Share based remuneration not dependent on performance

Rio Tinto Management Share Plan (MSP 2007)

In 2007, the Rio Tinto Remuneration Committee introduced a restricted share plan for senior employees of the Rio Tinto Group below director level, known as the Management Share Plan 2007. This plan is designed to support the Rio Tinto Group's ability to attract and retain key staff in an increasingly tight and competitive labour market.

Under the MSP 2007, a conditional grant of Rio Tinto shares was awarded to eligible key management personnel of the consolidated entity which will vest, wholly or partly, upon expiry of a time-based vesting condition. Rio Tinto shares to satisfy the vesting will be purchased in the market.

Other Share Plans

The key management personnel of the consolidated entity, together with all employees of ERA, may participate in Rio Tinto share and share option plans applicable at particular locations. These include the Rio Tinto Limited share savings plan for key management personnel employed from the Rio Tinto Limited part of the Rio Tinto Group and the Rio Tinto plc share savings plan for key management personnel employed from the Rio Tinto plc part of the Rio Tinto Group. Further details are at Note 39 to the Financial Statements.

Share dealing policy

The participation of key management personnel in the Rio Tinto SOP, MCCP and MSP long term incentive plans, involving the awarding of Rio Tinto securities at a future date, is subject to the Rio Tinto policy prohibiting the limiting of their exposure to risk in relation to the securities. This is contained in the 'Rules for dealing in Rio Tinto securities', available on the Rio Tinto website at http://www.riotinto.com/documents/Securities_trading_policy.pdf. Any grants of shares and options under the Rio Tinto plans are conditional upon compliance with the Rules.

C Details of remuneration

Details of the remuneration of each Director and each of the other specified key management personnel in respect of their services to the consolidated entity are set out in the following tables.

Non-executive directors of Energy Resources of Australia Ltd

2007	SHORT TERM BENEFITS:			POST EMPLOYMENT BENEFITS	
	CASH SALARY /FEES	CASH BONUS	NON-MONETARY BENEFITS	SUPER-ANNUATION	TOTAL
	$	$	$	$	$
D Klingner	122,500	–	–	11,025	133,525
R Carter	77,500	–	–	6,975	84,475
H Garnett	72,500	–	–	6,525	79,025
C Lenegan	62,500[1]	–	–	–	62,500[1]
P Taylor[2]	54,861[1]	–	–	–	54,861[1]
Total	389,861	–	–	24,525	414,386

2006					
D Klingner	90,000	–	–	8,100	98,100
H Garnett	60,000	–	–	5,400	65,400
R Carter	65,000	–	–	5,850	70,850
P Chiaro[3]	35,054[1]	–	–	–	35,054[1]
A Lloyd[4]	48,777[1]	–	–	–	48,777[1]
C Lenegan	50,000[1]	–	–	–	50,000[1]
Total	348,831	–	–	19,350	368,181

Note 1 Amounts paid directly to Rio Tinto Limited.
Note 2 Appointed as a Director on 14 February 2007.
Note 3 Resigned as a Director on 12 September 2006.
Note 4 Resigned as a Director on 22 December 2006.

Other key management personnel of the consolidated entity

2007

	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
	CASH SALARY /FEES	CASH BONUS	NON-MONETARY AND OTHER BENEFITS*	SUPER-ANNUATION	CASH AND EQUITY SETTLED	TOTAL
	$	$	$	$	$	$
Executive Directors						
H Kenyon-Slaney[1]	38,706	240,840	88,062	–	144,985	512,593
C Salisbury[2]	350,578	134,759	143,380	58,530	160,686	847,933
Other Key Management Personnel						
D Gibson[3]	68,850	77,613	41,997	29,525	35,137	253,123
A Milnes[4]	246,000	89,607	27,876	51,396	83,052	497,931
D Paterson[5]	214,583	70,841	86,831	59,373	76,068	507,696
C Bateman[6]	195,150	81,227	105,702	12,306	63,565	458,504
S Rajapakse[7]	300,063	8,868	81,360	–	52,194	442,485
G Sinclair[8]	149,831	–	62,635	28,468	–	240,934
Total	1,563,761	704,309	637,844	239,598	615,687	3,761,199

1 *Resigned as Chief Executive and as a director on 31 January 2007. 79% of performance related cash bonus was paid on achievement of 2006 performance criteria; 21% forfeited. The company also incurred tax equalisation costs, but these have not been disclosed as remuneration.*
2 *Appointed as Chief Executive and as a director on 1 February 2007. 74% of performance related cash bonus was paid on achievement of 2006 performance criteria; 26% forfeited.*
3 *Resigned on 30 April 2007. 79% of performance related cash bonus paid on achievement of 2006 performance criteria; 21% forfeited.*
4 *78% of performance related cash bonus was paid on achievement of 2006 performance criteria; 22% forfeited.*
5 *71% of performance related cash bonus was paid on achievement of 2006 performance criteria; 29% forfeited.*
6 *80% of performance related cash bonus paid on achievement of 2006 performance criteria; 20% forfeited. The company also incurred tax equalisation costs, but these have not been disclosed as remuneration.*
7 *Appointed on 22 January 2007. No performance related cash bonus was paid in respect of 2006 service to ERA. The company also incurred tax equalisation costs, but these have not been disclosed as remuneration.*
8 *Appointed on 1 May 2007. No performance related cash bonus was paid in respect of 2006 service to ERA.*
Note Non-monetary and other benefits includes relocation, accommodation and other allowances and other employment related benefits.*

2006

	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
	CASH SALARY /FEES	CASH BONUS	NON-MONETARY AND OTHER BENEFITS*	SUPER-ANNUATION	CASH AND EQUITY SETTLED	TOTAL
	$	$	$	$	$	$
Executive Directors						
H Kenyon-Slaney[1]	392,420	194,805	78,800	36,670	150,553	853,248
Other Key Management Personnel						
R Antal[2]	121,896	70,850	9,919	35,892	34,018	272,575
D Gibson[3]	225,367	26,269	40,083	43,624	17,696	353,039
A Milnes[4]	227,750	79,172	38,963	55,104	37,559	438,548
D Paterson[5]	228,700	57,256	18,527	48,069	33,753	386,305
C Salisbury[6]	306,883	111,540	43,647	77,601	50,549	590,220
C Bateman[7]	131,224	–	59,413	–	–	190,637
Total	1,634,240	539,892	289,352	296,960	324,128	3,084,572

1 *72% of cash bonus paid on achievement of 2005 performance criteria; 28% forfeited.*
2 *Resigned 27 July 2006. 74% of cash bonus paid on achievement of 2005 performance criteria; 26% forfeited.*
3 *56% of cash bonus paid on achievement of 2005 performance criteria; 44% forfeited .*
4 *75% of cash bonus paid on achievement of 2005 performance criteria; 25% forfeited.*
5 *62% of cash bonus paid on achievement of 2005 performance criteria; 38% forfeited.*
6 *85% of cash bonus paid on achievement of 2005 performance criteria; 15% forfeited.*
7 *Appointed on 1 June 2006. No cash bonus was paid in respect of 2005 performance.*
Note Non-monetary and other benefits includes relocation, accommodation and other allowances and other employment related benefits.*

D Executive service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. These agreements provide for participation in the Rio Tinto short term incentive programme including cash bonus opportunities upon achieving performance and service goals and performance related share plans within the wider Rio Tinto context. The agreements may also provide for other benefits, including: medical insurance; vehicle and accommodation allowances; relocation expenses and travel allowances for expatriates.

Key management personnel will also be entitled to a range of pre-existing redundancy entitlements, depending on the region from where they were originally employed:

- Notice may be worked or fully or partly paid in lieu, at Company discretion.
- Additional capped service related payments may apply.
- Pro rata short term incentive programme payments may be paid based on the proportion of the Performance Period worked.
- Long term incentive programme benefits may be paid or vest to the extent provided by the relevant programme.
- Share options or conditional share awards held for less than 12 months at date of termination may be reduced pro-rata.

There is no contractual entitlement to payments in the event of a change of control.

Other major provisions of the agreements relating to remuneration are set out below:

C Salisbury – Chief Executive

Term of agreement – Open, commenced 1 February 2007

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2007 of $345,000 per annum. Maximum performance-related cash bonus upon meeting performance criteria is 70 percent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is two month's notice in writing or by the employer giving six month's notice or equivalent notice in lieu.

C Bateman – Chief Financial Officer

Term of agreement – Open, commenced 1 June 2006

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2007 of USD$182,000 per annum. Maximum performance related cash bonus upon meeting performance criteria is 70 percent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one month's notice in writing or by the employer giving three month's notice or equivalent notice in lieu.

A Milnes – General Manager EWLS

Term of agreement – Open, commenced 1 July 1996

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2007 of $249,000 per annum. Maximum performance related cash bonus upon meeting performance criteria is 50 percent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one month's notice in writing or by the employer giving three month's notice or equivalent notice in lieu.

D Paterson – General Manager Business Development

Term of agreement – Open, commenced 18 October 2004

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2007 of $217,500 per annum. Maximum performance related cash bonus upon meeting performance criteria is 50 percent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one month's notice in writing or by the employer giving three month's notice or equivalent notice in lieu.

S Rajapakse – General Manager Operations

Term of agreement – Open, commenced 22 January 2007

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2007 of GBP102,500 Sterling per annum. Maximum performance related cash bonus upon meeting performance criteria is 60 percent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is three month's notice in writing or by the employer giving three month's notice or equivalent notice in lieu.

G Sinclair – General Manager Technical

Term of agreement – Open, commenced 1 May 2007.

Base salary (excluding superannuation, allowances and other benefits) as at 31 December 2007 of $224,746 per annum. Maximum performance related cash bonus upon meeting performance criteria is 50 percent of base salary. Base salary and short term incentive targets to be reviewed annually. Termination by the employee is one month's notice in writing or by the employer giving three month's notice or equivalent notice in lieu.

H Kenyon-Slaney – Chief Executive to 31 January 2007

Term of agreement – Appointed 20 January 2004, appointment ceased on 31 January 2007.

Base salary (excluding superannuation, allowances and other benefits) as at date of cessation with the company on 31 January 2007 of GBP160,000 Sterling per annum. Maximum performance related cash bonus upon meeting performance criteria was 70 percent of base salary.

D Gibson – General Manager Technical Projects to 30 April 2007

Term of agreement – Appointed 1 May 2005, ceased on 30 April 2007.

Base salary (excluding superannuation, allowances and other benefits) as at date of cessation with the company on 30 April 2007 of $216,500 per annum. Maximum performance related cash bonus upon meeting performance criteria was 50 percent of base salary.

E Share-based compensation

Rio Tinto Share Option Plan

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE
RIO TINTO LIMITED				
7 March 2003	7 March 2013	$33.33	$6.68	7 March 2006
22 April 2004	22 April 2014	$34.41	$6.17	22 April 2007
9 March 2005	9 March 2015	$47.04	$8.93	9 March 2008
7 March 2006	7 March 2016	$71.06	$17.09	7 March 2009
13 March 2007	13 March 2017	$74.59	$14.23	13 March 2010
RIO TINTO PLC				
7 March 2003	7 March 2013	£12.63	£2.97	7 March 2006
22 April 2004	22 April 2014	£13.29	£2.81	22 April 2007
9 March 2005	9 March 2015	£18.26	£4.09	9 March 2008
7 March 2006	7 March 2016	£27.11	£7.40	7 March 2009
13 March 2007	13 March 2017	£27.01	£6.17	13 March 2010

Options are granted at the discretion of the Rio Tinto remuneration committee in line with Rio Tinto guidelines. Model inputs for options granted during the year ended 31 December 2007 are further discussed at Note 39 to the Financial Statements, at page 71.

Rio Tinto Mining Companies Comparative Plan

Share awards under the MCCP are granted at the discretion of the Rio Tinto Remuneration Committee in line with Rio Tinto guidelines. The terms and conditions of each right to Rio Tinto Limited or Rio Tinto plc shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	VESTING DATE
1 January 2002	1 January 2006
1 January 2003	1 January 2007
1 January 2004	1 January 2008
1 January 2005	1 January 2009
1 January 2006	1 January 2010
1 January 2007	1 January 2011

Conditional awards of performance shares in either Rio Tinto plc or Rio Tinto Limited shares were made by Rio Tinto to eligible key management personnel of the consolidated entity under the MCCP on 1 January 2007. The Rio Tinto Remuneration Committee reviewed the performance condition applicable to the conditional award and confirmed that vesting will be dependent on Rio Tinto's TSR relative to 15 other mining companies. The prices for Rio Tinto Limited and Rio Tinto plc shares as at 31 December 2007 were $133.95 and £53.17, respectively.

Rio Tinto Management Share Plan 2007

Share awards are granted at the discretion of the Rio Tinto remuneration committee in line with Rio Tinto guidelines. Conditional awards of shares under the MSP 2007 were made by Rio Tinto to the key management personnel of the consolidated entity on 13 March 2007. These conditional awards vest in January 2010 dependent upon continued employment with a Rio Tinto Group company on 31 December 2009. The prices for Rio Tinto Limited and Rio Tinto plc shares as at 31 December 2007 were $133.95 and £53.17, respectively.

Share-based compensation – employee share scheme

The Directors of ERA and key management personnel of the consolidated entity who elected to participate in the Rio Tinto employee share scheme as at 31 December 2007 are set out below:

H Kenyon-Slaney	2002 Rio Tinto plc scheme commencing 1 January 2002
	2004 Rio Tinto plc scheme commencing 1 January 2004
D Paterson	2006 Rio Tinto Limited scheme commencing 1 January 2007
A Milnes	2005 Rio Tinto Limited scheme commencing 1 January 2006
	2006 Rio Tinto Limited scheme commencing 1 January 2007
	2007 Rio Tinto Limited scheme commencing 1 January 2008
D Gibson	2002 Rio Tinto Limited scheme commencing 1 January 2003
	2004 Rio Tinto Limited scheme commencing 1 January 2005
	2005 Rio Tinto Limited scheme commencing 1 January 2006
	2006 Rio Tinto Limited scheme commencing 1 January 2007
G Sinclair	2002 Rio Tinto Limited scheme commencing 1 January 2008

Equity instrument disclosures relating to Directors and key management personnel

Options provided as remuneration [SOP]

No options over shares in either the parent entity or in Rio Tinto Limited or Rio Tinto plc were provided during the year as remuneration to any of the non-executive directors of the parent entity.

Details of options over ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to the key management personnel of the consolidated and parent entity in respect of their duties as officers of the consolidated and parent entity are set out below. When exercisable, each option is convertible into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

2007

					BALANCE AT THE END OF THE YEAR**	
NAME	BALANCE AT START OF THE YEAR OR ON JOINING*	GRANTED DURING THE YEAR AS REMUN-ERATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR**	VESTED AND EXERCISABLE	UNVESTED
RIO TINTO PLC						
Chief Executive						
H Kenyon Slaney[1]	27,110	–	–	7521	16,668	17,963
Other key management personnel						
C Bateman	–	1,416	–	–	–	1,416
S Rajapakse	1,761	1,468	–	–	–	3,229
RIO TINTO LIMITED						
Chief Executive						
C Salisbury	4,667	2,749	–	–	1,153	6,263
Other key management personnel						
D Gibson[2]	1,181	862	–	–	–	2,043
A Milnes	10,538	992	1,781	–	6,207	3,542
D Paterson	8,460	866	–	–	6,242	3,084
G Sinclair	4,173	–	–	–	1,059	3,114

1 *Upon resignation as Chief Executive on 31 January 2007, balance of 27,110.*
2 *Upon resignation on 30 April 2007, balance of 2,043.*
**Note: Where a KMP joined during the year, balance reflects holdings at time of commencement with ERA.*
***Note: Other changes include changes made in relation to service within the wider Rio Tinto group, including after ceasing with ERA.*

2006

					BALANCE AT THE END OF THE YEAR	
NAME	BALANCE AT START OF THE YEAR OR ON JOINING*	GRANTED DURING THE YEAR AS REMUN-ERATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR**	VESTED AND EXERCISABLE	UNVESTED
RIO TINTO PLC						
Chief Executive						
H Kenyon-Slaney	22,130	4,980	–	–	11,413	15,697
RIO TINTO LIMITED						
Other key management personnel						
R Antal	2,016	1,304	–	–	–	3,320
D Gibson	–	1,181	–	–	–	1,181
A Milnes	9,150	1,388	–	–	6,808	3,730
C Salisbury	7,459	2,179	4,971	–	–	4,667
D Paterson	7,259	1,201	–	–	5,047	3,413

**Note: Where a KMP joined during the year, balance reflects holdings at time of commencement with ERA.*
***Note: Other changes include changes made in relation to service within the wider Rio Tinto group, including after ceasing with ERA.*

Conditional awards provided as remuneration [MCCP / MSP]

No conditional awards of ordinary shares of either the parent entity or of Rio Tinto Limited or Rio Tinto plc were provided during the year as remuneration to any of the non-executive directors of the parent entity.

Details of conditional awards of ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to each of the key management personnel of the consolidated and parent entity in respect of their duties as officers of the consolidated and parent entity are set out below. When exercisable, each award converts into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

2007

NAME	BALANCE AT START OF THE YEAR OR ON JOINING*	GRANTED DURING THE YEAR AS REMUN-ERATION**	CRYSTALLISATION OF PRIOR AWARD VESTED	CRYSTALLISATION OF PRIOR AWARD LAPSED	AWARDS CANCELLED	BALANCE AT THE END OF THE YEAR**
RIO TINTO PLC						
Chief Executive						
H Kenyon-Slaney[1]	15,697	7,034	–	–	–	22,731
Other key management personnel						
C Bateman	–	2,241	–	–	–	2,241
S Rajapakse	1,761	2,432	–	–	–	4,193
RIO TINTO LIMITED						
Chief Executive						
C Salisbury	4,667	3,999	–	–	–	8,666
Other key management personnel						
D Gibson[2]	1,181	862	–	–	–	2,043
A Milnes	3,730	1,642	–	–	–	4,722
D Paterson	3,413	1,516	–	–	–	4,279
G Sinclair	3,764	–	–	–	–	3,764

**Note: Where a KMP joined during the year, balance reflects holdings at time of commencement with ERA*

*** Note: Awards granted and balance does not include grants made after ceasing service with ERA.*

1 *Upon resignation as Chief Executive on 31 January 2007, balance of 22,731.*

2 *Upon resignation on 30 April 2007, balance of 2,043.*

2006

NAME	BALANCE AT START OF THE YEAR OR ON JOINING*	GRANTED DURING THE YEAR AS REMUN–ERATION**	CRYSTALLISATION OF PRIOR AWARD VESTED	CRYSTALLISATION OF PRIOR AWARD LAPSED	AWARDS CANCELLED	BALANCE AT THE END OF THE YEAR**
RIO TINTO PLC						
Chief Executive						
H Kenyon–Slaney	10,717	4,980	–	–	–	15,697
RIO TINTO LIMITED						
Other key management personnel						
R Antal	2,016	1,304	–	–	–	3,320
D Gibson	–	1,181	–	–	–	1,181
A Milnes	2,342	1,388	–	–	–	3,730
C Salisbury	2,488	2,179	–	–	–	4,667
D Paterson	2,212	1,201	–	–	–	3,413

**Note: Where a KMP joined during the year, balance reflects holdings at time of commencement with ERA.*

*** Note: Awards granted does not include grants made after ceasing service with ERA.*

Share holdings

The number of shares held in Energy Resources of Australia Ltd or Rio Tinto Limited held during the financial year by each Director of Energy Resources of Australia Ltd and each of the other key management personnel of the consolidated and parent entity are set out below.

2007

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
ENERGY RESOURCES OF AUSTRALIA LTD				
Directors of Energy Resources of Australia Ltd				
R Carter	25,000	–	–	25,000
RIO TINTO LIMITED				
Directors of Energy Resources of Australia Ltd				
R Carter	–	–	3,025	3,025
D Klingner	5,608	38,351	(4,000)	39,959
C Lenegan	877	557	23	1,457
C Salisbury	4,971	–	30	5,001
P Taylor	600	–	–	600

2006

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
ENERGY RESOURCES OF AUSTRALIA LTD				
Directors of Energy Resources of Australia Ltd				
R Carter	25,000	–	–	25,000
RIO TINTO LIMITED				
Directors of Energy Resources of Australia Ltd				
D Klingner	4,000	–	1,608	5,608
A Lloyd	–	4,054	(4,054)	–
C Lenegan	319	558	–	877

F Additional information

Loans and other transactions with Directors and other key management personnel

There are no loans with Directors and other key management personnel. Other transactions with Director related entities are disclosed in Note 30 – related parties

Principal activities

The principal activities of the consolidated entity during the course of the year consisted of:

(i) Mining, processing and sale of uranium; and

(ii) Providing of environmental consulting services by EWL Sciences Pty Ltd.

Dividends

Details of the dividends paid by ERA to members in respect of the 2007 financial year are included in the "Chairman's and Chief Executive's Report" on page 5. As disclosed in the 2006 Annual Report on page 32, a final ordinary dividend was declared in respect of the 2006 financial year of 11.0 cents per share, fully franked at 30 per cent, totalling $20,981,173, paid on 1 March 2007 with a record date of 15 February 2007.

Review and results of operations

Details of ERA's review and results of operations are included in the "Chairman's and Chief Executive's Report" on page 5 and the "Financial Performance" and "Production" sections at pages 7 and 8, respectively.

Environmental regulation and policy

ERA strives to be at the forefront of environmental management in the uranium industry. It operates in accordance with relevant Federal and Territory environmental legislation as well as site-specific environmental licences, permits and statutory authorisations. ERA's environmental management system is ISO14001 compliant.

ERA is required to report any incident that is a divergence from strict compliance with statutory requirements, even if the incident has no detrimental environmental impact, to the Minister for Primary Industry, Fisheries and Mines (NT), the Commonwealth Department of Industry, Tourism and Resources, the Supervising Scientist Division of the Commonwealth Department of Environment and Water Resources, and the Northern Land Council.

The Supervising Scientist confirmed in his most recent report, relating to the operating year to 30 June 2007, that there were no reported incidents that resulted in any environmental impact off the immediate mine site, and that the environment remained protected through the period.

Further details of ERA's environmental performance are included in the "Environment" section of the Annual Report on page 19.

Significant changes to the state of affairs

In the opinion of the Directors, other than matters reported in the Directors' Report and in the Chairman's and Chief Executive's Report, there were no significant changes in the state of affairs of the consolidated entity during the year ended 31 December 2007.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material nature, that has significantly affected or may significantly affect:

(i) the operations of the consolidated entity;

(ii) the results of those operations; or

(iii) the state of affairs of the consolidated entity subsequent to the financial year ended 31 December 2007.

Likely developments

In the opinion of the Directors any other likely developments in the operations of the consolidated entity known at the date of this report have been covered within the Annual Report and notes to the financial statements.

A general review of developments for ERA is presented in the "Chairman's and Chief Executive's Report", "Projects" and "Directors' Outlook" sections in the Annual Report.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

Indemnification and insurance of officers and auditors

Indemnification

Clause 11 of the company's constitution provides that every Director, manager, officer or employee of the company shall be indemnified out of the funds of the company against all liability incurred by them in defending any proceedings in which they are successful.

The *Corporations Act 2001* prohibits a company from indemnifying Directors, secretaries, executive officers and auditors from liability except for liability to a party, other than the company or a related body corporate, where the liability does not arise out of conduct involving a lack of good faith and except for liability for costs and expenses incurred in defending proceedings in which the officer or auditor is successful. An indemnity for officers or employees who are not Directors, secretaries or executive officers, is not expressly prohibited by the *Corporations Act 2001*.

The Directors and secretaries of the company, and all former Directors and secretaries, have the benefit of the indemnity in Clause 11 of the company's constitution.

The indemnity also applies to executive officers of the company (being the Chief Financial Officer and General Managers and other key management personnel and managers who are concerned with, or take part in the management of the company) as well as other employees.

Insurance

Since the end of the previous financial year, the company has paid insurance premiums in respect of a Directors' and officers' liability policy of insurance.

The policy indemnifies all Directors and officers of ERA and its controlled entities (including the Directors, secretaries, and executive officers referred to above) against certain liabilities.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and officers' liability insurance as such disclosure is prohibited under the terms of the contract.

CORPORATE GOVERNANCE

The Board of ERA considers high standards of corporate governance to be critical to business integrity and performance. The corporate governance structures and practices in place at ERA are substantially in compliance with the Principles of Good Corporate Governance developed by the Australian Stock Exchange ("ASX") Corporate Governance Council ('Council').

Areas where the corporate governance practices do not follow the Council's Principles arise due to Rio Tinto's 68.4 per cent ownership of the company and the management direction and services this provides. The extent to which ERA does not comply is detailed in the Corporate Governance Statement at page 38.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Class Order 98/0100 and in accordance with that Class Order amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amount paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor's independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-audit related firms.

	CONSOLIDATED 2007 $000	CONSOLIDATED 2006 $000
AUDIT SERVICES		
PricewaterhouseCoopers – Australian firm		
Audit and review of financial reports	290	303
Other audit work under the *Corporations Act 2001*	–	15
Total Remuneration for audit services	290	318
Taxation Services	–	–
Non-audit Services	–	–
Total Remuneration	290	318

INFORMATION ON AUDITOR

PricewaterhouseCoopers continues in office in accordance with Section 327 of the *Corporations Act 2001*.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 37.

Signed at Melbourne this 5th day of March 2008 in accordance with a resolution of the Directors.

Dr. D. Klingner
Director

Melbourne
5 March 2008

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Energy Resources of Australia Ltd for the year ended 31 December 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 audit; and

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

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

Debbie Smith
Partner
PricewaterhouseCoopers

Melbourne
5 March 2008

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate governance statement for the year ended 31 December 2007

Corporate governance

The Board of ERA considers high standards of corporate governance to be critical to business integrity and performance.

The Board seeks to ensure that ERA meets the objectives of its shareholders, while paying proper regard to the interests of employees and external stakeholders. The corporate governance structures and practices in place at ERA are substantially in compliance with the Principles of Good Corporate Governance developed by the Australian Stock Exchange ("ASX") Corporate Governance Council ('Council').

Areas where the corporate governance practices do not follow the Council's Principles arise due to Rio Tinto's ownership of 68.4 per cent of the shares of the company and the management direction and services this provides.

The Board has considered the Council's Principles and ERA does not comply with the following:

- Recommendation 2.1 and 2.2 – There is not a majority of independent Directors nor an independent Chairman;
- Recommendation 2.4 – There is no established nominations committee; and
- Recommendation 9.2 – There is no remuneration committee.

The Corporate Governance section of the company's website sets out the information required by the Council's Principles at http://www.energyres.com.au/investors/corporate_governance.

The Board

Responsibilities & Charter

In carrying out its responsibilities and powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the company's shareholders and employees and the community. The Board's Charter underpins the strategic guidance and effective management oversight provided by the Board. The Charter is available on ERA's website.

The Board Charter defines the division of responsibility by formal delegation and a system of Board reserve powers.

The Board reviews the Charter on an annual basis.

The Directors approve strategy and business plans and monitor the performance of the company against these plans. The Directors also monitor compliance with policies prescribed by the Board in areas such as health and safety, environment, business ethics, internal control and risk management. These policies are designed to ensure that ERA meets or exceeds the regulatory requirements governing its operations.

Composition

At the date of this report the Board of ERA consists of five Directors, four of whom are non-executive. The Chairman is Dr D. Klingner who is a non-executive Director and a former executive of Rio Tinto. One additional non-executive Director, Mr. P Taylor, is an executive of Rio Tinto. Mr R. Carter and Prof H. Garnett are independent non-executive Directors. Mr C. Salisbury is an executive Director and holds the position of Chief Executive.

Details of the Directors, their qualifications and other appointments are set out on page 24.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of ERA and all of its shareholders. Decisions relating to appointment of Directors are made by the full Board. Directors appointed by the Board are required by ERA's constitution to submit themselves for election by shareholders at the Annual General Meeting following their appointment. There is no share ownership qualification for appointment as a Director. The Board has not established a nominations committee. The Board recognises that this is not compliant with recommendation 2.4 of the Council's Principles, but considers existing practices satisfactory in view of the company's ownership structure.

Non-executive Directors are subject to retirement at least every three years and by rotation in accordance with ERA's constitution, but may offer themselves for re-election.

Independence

Mr R Carter and Prof. H Garnett are independent non-executive Directors.

The Board of Directors does not consist of a majority of independent Directors. This is not in compliance with recommendation 2.1 of the Council. The composition of the Board recognises Rio Tinto's majority shareholding. It is considered appropriate that Directors associated with the controlling shareholder constitute a majority of Directors on the Board. The Directors are required to, and do, act in accordance with their statutory duties of good faith and for a proper purpose, and in the interests of all shareholders.

All related party transactions, including those with Rio Tinto, have been determined by the independent directors to be in the interests of ERA.

Chairman and Chief Executive

The Chairman, Dr D. Klingner, was until 2004 a Rio Tinto executive. Whilst this is not compliant with recommendation 2.2 of the Council's Principles, the Board considers that Rio Tinto's 68.4 per cent shareholding warrants this position. The Chief Executive is Mr C Salisbury, who is also a Director. This is consistent with recommendation 2.3 of the Council's Principles that the Chief Executive and Chairman be different people.

Board Meetings

The Board normally has six scheduled meetings per year and may meet at other times to deal with urgent issues. The Board meeting attendance details for Directors in 2007 are set out on page 25.

Performance Self-Assessment

In 2007 the Board performed an annual evaluation of itself that:

(a) Considered the performance of the Board and the adequacy of its structures and processes, including the Board Charter;

(b) Set out goals and objectives of the Board for the upcoming year; and

(c) Considered whether any improvements or changes to the Board structures and processes, including the Board Charter, were necessary or desirable.

Independent Professional Advice

The Board has adopted a procedure for Directors wishing to seek independent professional advice at the company's expense, in the furtherance of their duties. The Board recognises that there may be circumstances in which individual Directors are entitled to independent professional advice at the company's expense, in the furtherance of their duties, and any Director may do so by arrangement with the company secretary.

Directors' Remuneration

At the 2001 Annual General Meeting shareholders determined that the aggregate remuneration for non-executive Directors of ERA would not exceed $500,000 per annum.

Audit committee

The Audit Committee is appointed by the Board and comprises three non-executive Directors of whom two are required to be independent. Two Directors constitute a quorum. The present members of the Audit Committee are Mr R. Carter (Chairman), Prof. H. Garnett and Dr D. Klingner.

The Audit Committee Charter sets out the role and terms of reference of the Audit Committee and is reviewed regularly.

The Committee provides a formal structure for reviewing ERA's financial statements, accounting policies, control systems, risk management practices and taxation issues, and for liaison with the external and internal auditors. The Committee also reviews the adequacy of internal and external audit arrangements.

The Committee advises the Board of any matters that might have a significant impact on the financial condition of ERA and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of ERA to fulfil its function. Related party transactions are considered by the Audit Committee and, where they relate to Rio Tinto, by the independent members of the Audit Committee only. The Committee reviews compliance with the Corporations Act, and the requirements of the Australian Stock Exchange and other regulatory requirements.

Attendance details of the 2007 meetings of the Audit Committee are set out on page 25.

Any work to be conducted by the external auditor other than the audit is approved by the Audit Committee.

Code of business conduct

ERA has a Code of Business Conduct to be met by all employees and Directors. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia and in every other country in which the company engages in business.

The Code of Business Conduct is reviewed regularly to ensure it adequately addresses the issues facing the company and is available for inspection on Corporate Profile section of the company's website at http://www.energyres.com.au/investors/corporate_overview/profile.

In addition to the company's Code of Business Conduct, the company's employees are required to comply with Rio Tinto's statement of business practice – The way we work, available at Rio Tinto's website at http://www.riotinto.com/documents/The_way_we_work.pdf.

The company has a confidential whistleblower program known as 'Speak-Out'. Employees are encouraged to report any suspicion of unethical or illegal practices.

Purchase and sale of company securities

ERA has in place a formal policy that reinforces to all Directors, officers and employees the prohibition against insider trading. The share trading policy is available for inspection at the Corporate Governance section of the company's website in compliance with recommendation 3.2 of the Council's Principles at http://www.energyres.com.au/investors/corporate_governance.

Under the policy:

- Directors and senior managers must advise the Chairman in writing, and receive approval in writing from the Chairman, if they intend to purchase or sell securities in the company or any other company with which ERA is conducting business. In regard to his own dealings, the Chairman is required to notify the Chairman of the Audit Committee; and
- No dealings in securities of the company may take place for the period from the end of any relevant financial period to the trading day following announcement of ERA's annual results or half year results.

Risk identification and management

ERA has in place a range of policies and procedures to manage the risks associated with its operating activities. These policies have been adopted by the Board to ensure that potential business risks are identified and appropriate action taken. The management of risk is an integral part of the responsibility of both the Board and management and is carried out through an integrated risk management assurance process. ERA benefits from the knowledge, policies and practices adopted by Rio Tinto to manage its diverse business activities covering a variety of commodities and operation locations.

The Board has in place a number of systems to identify and manage risk. These include:

- The identification and regular review of all of the significant business risks facing the company;
- The provision of information by management to the Board, on a periodic basis, as to the status of any plans, controls, policies and/or procedures to manage the significant business risks;
- Guidelines for ensuring that capital expenditure and revenue commitments exceeding certain approved limits are placed before the Board for approval;
- Limits and controls for all financial exposures, including the use of derivatives;
- A regulatory compliance program; and
- Safety, health and environmental policies which are supported by a set of standards and management systems which recognise the company's commitment to achieving high standards of performance in all its activities in these areas.

The Chief Executive and the Chief Financial Officer state, in writing, to the Board that:

- The financial reporting and operational results are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
- ERA's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- The financial statements present a true and fair view of the results of operations.

Public statements and disclosure matters

ERA makes full and immediate disclosures to its shareholders and the market as required by and in accordance with its legal and regulatory obligations. Established systems are in place to ensure compliance and any matter that may have a material impact on the price or value of ERA's securities is reported to the market in accordance with the ASX listing rules and the Corporations Act. A copy of ERA's Continuous Disclosure Policy is available at the Corporate Governance section of the company's website at http://www.energyres.com.au/investors/corporate_governance.

Shareholder Communication

ERA recognises the importance of effective communication with shareholders and the general investment community. Apart from ERA's compliance with its mandatory continuous disclosure obligations, ERA takes steps to ensure that its shareholders and other stakeholders are kept informed.

Full advantage is taken of the annual general meetings to inform shareholders of current developments and to give shareholders the opportunity to ask questions. As recommended by the Council's Principles, ERA's auditor PricewaterhouseCoopers, attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. ERA shareholders are also able to submit written questions regarding the statutory audit report to the auditors via the Company. Any questions received and answers provided will be made available to members at ERA annual general meetings.

In addition, the Chief Executive and Chief Financial Officer conduct regular meetings with the company's major shareholders and the company organises regular investor teleconferences to coincide with the release of half year and full year results. ERA also regularly reviews its web site to include up to date information.

Energy Resources of Australia Ltd

Income statements

For the year ended 31 December 2007

	NOTES	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000 RESTATED	PARENT 2007 $'000	PARENT 2006 $'000 RESTATED
Revenue from continuing operations	3	**362,353**	317,190	**361,741**	316,675
Expenses					
Changes in inventories		**47,328**	4,701	**47,328**	4,701
Raw materials and consumables used		**(88,159)**	(78,009)	**(87,995)**	(77,963)
Employee benefits and contractor expense		**(121,816)**	(99,243)	**(121,088)**	(98,765)
Government and other royalties	4	**(18,298)**	(15,997)	**(18,298)**	(15,997)
Commission and shipping expenses		**(9,758)**	(11,314)	**(9,758)**	(11,314)
Depreciation and amortisation expenses	4	**(45,644)**	(33,645)	**(45,590)**	(33,442)
Borrowing costs	4	**(13,871)**	(10,989)	**(13,873)**	(10,987)
Statutory and corporate expenses		**(5,021)**	(3,900)	**(4,973)**	(3,857)
Other expenses		**(8,748)**	(6,547)	**(8,623)**	(6,097)
Profit before income tax		**98,366**	62,247	**98,871**	62,954
Income tax expense	5	**(22,277)**	(18,640)	**(22,429)**	(18,813)
Profit for the year		**76,089**	43,607	**76,442**	44,141
Profit is attributable to:					
Equity holders of Energy Resources of Australia Ltd		**76,089**	43,607	**76,442**	44,141
		76,089	43,607	**76,442**	44,141

		CENTS	CENTS
EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:			
Basic earnings per share	35	**39.9**	22.9
Diluted earnings per share	35	**39.9**	22.9

The above income statements should be read in conjunction with the accompanying notes.

Energy Resources of Australia Ltd

Balance sheets

As at 31 December 2007

	NOTES	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000 RESTATED	PARENT 2007 $'000	PARENT 2006 $'000 RESTATED
Assets					
Current assets					
Cash and cash equivalents	7	**17,729**	14,629	**16,976**	14,505
Receivables	8	**131,207**	104,632	**132,258**	105,620
Inventories	9	**87,254**	76,287	**87,254**	76,287
Derivative financial instruments	13	**16,621**	10,645	**16,621**	10,645
Other	11	**1,201**	1,072	**1,202**	1,076
Total current assets		**254,012**	207,265	**254,311**	208,133
Non-current assets					
Held-to-maturity investments		**–**	–	**100**	100
Inventories	10	**107,154**	74,425	**107,154**	74,425
Undeveloped properties	12	**203,212**	203,212	**203,212**	203,212
Property, plant and equipment	14	**368,612**	325,957	**368,269**	325,788
Investment in trust fund	15	**48,088**	44,953	**48,088**	44,953
Deferred tax assets	16	**–**	–	**–**	–
Derivative financial instruments	13	**4,275**	13,476	**4,275**	13,476
Total non-current assets		**731,341**	662,023	**731,098**	661,954
Total assets		**985,353**	869,288	**985,409**	870,087
Liabilities					
Current liabilities					
Payables	17	**48,726**	37,285	**47,791**	37,350
Interest bearing liability	18	**55,500**	5,000	**55,500**	5,000
Current tax liabilities		**19,769**	11,129	**19,943**	11,427
Deferred income		**10,192**	–	**10,192**	–
Provisions	20	**9,254**	7,752	**9,244**	7,764
Total current liabilities		**143,441**	61,166	**142,670**	61,541
Non-current liabilities					
Other liabilities	19	**–**	10,305	**–**	10,305
Deferred tax liabilities	22	**50,245**	65,586	**50,298**	65,661
Provisions	21	**185,646**	179,740	**185,512**	179,606
Total non-current liabilities		**235,891**	255,631	**235,810**	255,572
Total liabilities		**379,332**	316,797	**378,480**	317,113
Net assets		**606,021**	552,491	**606,929**	552,974
Equity					
Contributed equity	24	**214,585**	214,585	**214,585**	214,585
Reserves	25(a)	**406,407**	407,985	**406,407**	407,913
Retained profits	25(b)	**(14,971)**	(70,079)	**(14,063)**	(69,524)
Total equity		**606,021**	552,491	**606,929**	552,974

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

Energy Resources of Australia Ltd

Statements of changes in equity

For the year ended 31 December 2007

		CONSOLIDATED		PARENT	
		2007	2006	2007	2006
	NOTES	$'000	$'000	$'000	$'000
Total equity at the beginning of the year		552,491	539,764	552,974	539,785
Changes in the fair value of cash flow hedges, net of tax	25	(2,186)	571	(2,186)	571
Net income/(expense) recognised directly in equity		(2,186)	571	(2,186)	571
Profit for the year		76,089	43,607	76,442	44,141
Total recognised income and expense for the year		73,903	44,178	74,256	44,712
Employee share options	25	608	974	680	902
Dividends paid	6	(20,981)	(32,425)	(20,981)	(32,425)
Total equity at the end of the financial year		606,021	552,491	606,929	552,974

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

Energy Resources of Australia Ltd

Cash flow statements

For the year ended 31 December 2007

		CONSOLIDATED		PARENT	
		2007	2006	2007	2006
	NOTES	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**352,798**	308,023	**346,122**	306,585
Payments to suppliers and employees (inclusive of goods and services tax)		**(254,241)**	(200,897)	**(248,151)**	(199,578)
		98,557	107,126	**97,971**	107,007
Interest received		**1,087**	2,163	**1,067**	2,158
Borrowing costs paid		**(3,831)**	(1,026)	**(3,832)**	(1,024)
Income taxes paid		**(28,977)**	(33,315)	**(29,276)**	(33,315)
Net cash inflow from operating activities	33	**66,836**	74,948	**65,930**	74,826
Cash flows from investing activities					
Payments for property, plant and equipment		**(92,932)**	(40,927)	**(92,704)**	(40,927)
Proceeds from sale of property, plant and equipment		**195**	–	**172**	–
Net cash (outflow) from investing activities		**(92,737)**	(40,927)	**(92,532)**	(40,927)
Cash flows from financing activities					
Proceeds from borrowings		**78,500**	5,000	**78,500**	5,000
Payment of borrowings		**(28,000)**	(10,000)	**(28,000)**	(10,000)
Employee share option payments		**(425)**	–	**(353)**	–
Dividends paid	6	**(20,981)**	(32,425)	**(20,981)**	(32,425)
Net cash inflow/(outflow) from financing activities		**29,094**	(37,425)	**29,166**	(37,425)
Net increase / (decrease) in cash and cash equivalents		**3,193**	(3,404)	**2,564**	(3,526)
Cash and cash equivalents at the beginning of the financial year		**14,629**	18,123	**14,505**	18,121
Effects of exchange rate changes on cash and cash equivalents		**(93)**	(90)	**(93)**	(90)
Cash and cash equivalents at end of year	7	**17,729**	14,629	**16,976**	14,505

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Energy Resources of Australia Ltd (ERA) as an individual entity and the consolidated entity consisting of ERA and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with the AIFRS ensures that the financial report of ERA also complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The presentation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of ERA. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Reclassification of comparative information

ERA has reclassified the comparative period on the consolidated income statement and balance sheet 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:

RECLASSIFICATION OF COMPARATIVE INFORMATION	REPORTED DURING 2006	RECLASS-IFICATION	REPORTED DURING 2007
	$'000	$'000	$'000
Income statement			
Changes in inventories	(25,558)	30,259	**4,701**
Raw materials and consumables used	(48,675)	(29,334)	**(78,009)**
Employee benefits and contractor expenses	(80,868)	(18,375)	**(99,243)**
Statutory and corporate expenses	(21,162)	17,262	**(3,900)**
Other expenses	(6,735)	188	**(6,547)**
Balance sheet			
Current inventories	90,117	(13,830)	**76,287**
Non-current inventories	60,595	13,830	**74,425**

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Energy Resources of Australia Ltd (''company'' or ''parent entity'') as at 31 December 2007 and the results of all subsidiaries for the year then ended. Energy Resources of Australia Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of ERA.

(c) Revenue recognition

Sale of goods

Sales are brought to account when the products pass from the physical control of the company pursuant to an enforceable contract, when selling prices are known or can be reasonably estimated and when the products are in a form that requires no further treatment by the company.

In the case where a sale occurs and after which (part of) the goods are borrowed back by ERA under a separate agreement, the revenue is deferred until repayment of the borrowed goods occurs.

1 Summary of significant accounting policies (continued)

Rendering of services

Revenue from the rendering of services is recognised when the service is provided.

Asset sales

Net gains on disposal of assets are recognised at the date control of the asset passes to the acquirer.

Other revenue

Interest income is recognised on a time proportion basis using the effective interest rate method.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is ERA's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the date of the transaction. Amounts payable and receivable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change, except when deferred in equity as qualifying cash flow hedges.

(e) Borrowing costs

Borrowing costs (including interest) are included in the income statement in the period during which they are incurred, except where they are included in the cost of non current assets that are currently being developed and will take a substantial period of time to complete. The borrowing costs included in the cost of such developments are those costs that would have been avoided if the expenditure on the development had not been made.

Once the asset is ready for use, the capitalised borrowing costs are depreciated as a part of the carrying amount of the related asset.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the company's outstanding borrowings during the year.

(f) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure, adjusted for risk, required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as interest expense.

(g) Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Energy Resources of Australia Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Energy Resources of Australia Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Energy Resources of Australia Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(h) Trade receivables

Trade receivables are normally settled within 45 days and are carried at amounts due. The collectibility of trade receivables are reviewed on an ongoing basis and specific provisions are made for any doubtful amounts. Debts which are known to be uncollectible are written off.

(i) Inventories

Inventories, other than stores, are carried at the lower of cost and net realisable value. Net realisable value is determined based on estimated future sales prices, exchange rates and capital and production costs , including transport. Cost includes both fixed and variable production costs. No accounting value is attributed to ore in situ or stockpiles containing ore at less than the cut off grade. Stores are valued at cost or net realisable value where applicable taking into account obsolescence. For inventory management purposes the company may enter into uranium loans as a lending or receiving party. These loans are entered into for logistical purposes and are repaid from the company's inventory. The uranium loans do not meet the definition of a financial liability and are recorded net of inventory.

Non current inventories consist of stockpiled ore not expected to be processed within twelve months.

(j) Impairment of assets

Assets that have an indefinite useful life and intangible assets that are not yet available for use are tested at each balance sheet date for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction, The value in use is determined using a discount rate, adjusted for risk, appropriate to the assets inherent risks.

(k) Property, plant and equipment

Acquisition

Items of property, plant and equipment are recorded at historical cost and, except for land, are depreciated as outlined below. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation and amortisation

Depreciation of plant and equipment is provided for as follows:

(i) individual assets that have a life equal to or longer than the estimated remaining life of the Ranger mine are depreciated on a unit of production basis over the life of the reserves; and

(ii) each other asset is depreciated over its estimated operating life on a straight line basis.

The following indicates the depreciation method for buildings and plant and equipment on which the depreciation charges are based:

- Buildings – units of production over the life of reserves
- Plant and equipment* – units of production over the life of reserves

**Some of these assets are depreciated on a straight line basis over their useful operating life which is less than the life of the Ranger mine. See below for the estimated useful lives.*

- Office equipment: computers – three years
- Office equipment: general – five years
- Plant and equipment – five years
- Furniture & fittings – ten years
- Motor vehicles – five years

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Leased plant and equipment

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Mine properties

Mine properties, consisting principally of Ranger Project Rights, are amortised on a unit of production basis over the life of the economically recoverable resources of Ranger.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- compiling pre feasibility and feasibility studies.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Capitalisation of exploration expenditure commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to ERA. Capitalised exploration expenditure is reviewed for impairment at each balance sheet date.

Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project. If a project does not prove viable, all unrecoverable costs associated with the project and the related impairment provisions are written off. Any impairment provisions raised in previous years are reassessed if there is a change in circumstances which indicates that they may no longer be required, for example if it is decided to proceed with development. If the project proceeds to development, the amounts included within intangible assets are transferred to property, plant and equipment. This is a change to the policy but has no impact in these financial statements.

1 Summary of significant accounting policies (continued)

Undeveloped properties

Undeveloped properties are mineral concessions where the intention is to develop and go into production in due course. The carrying values of these assets are reviewed twice per annum by management and the results of these reviews are reported to the audit committee. Impairment is assessed based on a status report regarding ERA's intentions for development of the undeveloped property and is reviewed using the fair value less cost to sell method.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(n) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether or not billed to the company or consolidated entity. Trade accounts payable are normally settled within 30 days.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Rehabilitation

ERA is required to rehabilitate the Ranger Project Area upon cessation of mining operations. In accordance with industry practice, ERA has excluded the provision for employee severance costs from the estimate for rehabilitation.

The costs are estimated on the basis of a closure model. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to regular reviews.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the profit and loss account in each accounting period. The amortisation of the discount is shown as a borrowing cost. Other movements in the provision for closure and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to lives of operations and revisions to discount rates are capitalised within fixed assets. These costs are then depreciated on a unit of production basis over the life of the reserves.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each balance date. All costs of continuous rehabilitation work are charged to the provision as incurred.

Each year ERA is required to submit an annual amended plan of rehabilitation, reflecting the cost of closing the mine immediately, in accordance with government regulations. The Ranger Rehabilitation Trust Fund ("trust fund") is a Commonwealth Government requirement and provides for those costs in accordance with regulations.

An annual independent assessment is made to determine the amount to be held in the trust fund. Any deficit identified is required to be met by either cash or a financial instrument if the cash balance is over $30 million. The trust fund is shown as an investment in the balance sheet as the company does not control the trust fund. If there is a surplus identified then this may be withdrawn.

Transactions requiring cash are shown as changes to cash and investments in the balance sheet and transactions by means of a financial instrument are shown as a note to the accounts. Interest received by the trust fund is shown as interest income.

ERA is required to rehabilitate the Jabiluka lease area to a standard specified by the Authorisation to Operate issued by the Northern Territory Government upon cessation of operations. The cost of rehabilitation is currently secured by a bank guarantee and fully provided for in the financial statements.

(q) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates derivatives as hedges with a high probability against forecast transactions (cash flow hedges).

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective.

The effective portion of changes in the fair value is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). When a forecast transaction is no longer expected to occur the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivative financial instruments are not held for speculative purposes.

1 Summary of significant accounting policies (continued)

(r) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the reporting date. The provisions have been measured at the amounts expected to be paid when the liabilities are settled and include all related on costs. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision of employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using the rates attaching to Commonwealth Government securities at the reporting date, which most closely match the terms of maturity of the related liabilities.

(iii) Superannuation plan

Employees of the company are entitled to benefits on retirement, disability or death from their membership of the Rio Tinto Staff Superannuation Fund ("The Fund"). The Fund has both a defined benefit and a defined contribution section. Contributions to the defined contribution superannuation plans are expensed in the income statement when incurred.

For the defined benefit plans, as there is no agreement in place for charging the net defined benefit cost for the plan as a whole to the individual Rio Tinto Group entities, the company will recognise a cost in the income statement equal to the contribution payable for the period. The cash contributions to the fund are made through reference to a percentage of base salary contribution per defined benefit employee as determined by the fund trustee and applied to those defined benefit employees of the Fund. Rio Tinto Services Limited as the sponsoring entity of the Fund will disclose the defined benefit obligation and associated charges to the income statement.

(s) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(t) Cash and cash equivalents

For the purposes of the statement of cashflows, cash includes cash on hand and deposits held at call with banks net of any bank overdrafts.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been 'rounded off' in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(x) Share based payments

The fair value of cash settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between accounting dates are recognised as an expense. The grant date fair value of the awards is taken to be the market value of the shares at the date of award reduced by a factor for anticipated relative Total Shareholder Return ('TSR') performance. Fair values are subsequently re-measured at each accounting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration for the equity instruments issued.

Equity settled share plans are settled either by the issue of shares by the relevant parent company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognised as an expense over the expected vesting period with a corresponding entry to retained earnings for Rio Tinto plc plans and to other reserves for Rio Tinto Limited plans. If the cost of shares acquired to satisfy the plans exceeds the expense charged, the excess is taken to the appropriate reserve. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award (eg Total Shareholder Return). The Group uses fair values provided by independent actuaries calculated using a lattice based option valuation model.

Non market based vesting conditions (eg earnings per share targets) are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.

1 Summary of significant accounting policies (continued)

Further information about the treatment of individual share based payment plans is provided in note 39.

(y) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

(z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007 3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007 3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on the financial performance. The information being reported is based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group intends to apply the revised standard from 1 July 2009.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007 6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and when adopted will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii AASB I 14 Revised AASB 101 Presentation of Financial Statements and AASB 2007 8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

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 entity and that are believed to be reasonable under the circumstances.

The Group 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.

(i) Rehabilitation provision estimates

The calculation of the rehabilitation provision and corresponding rehabilitation asset, rely on estimates of costs required to rehabilitate and restore disturbed land to their original condition. These estimates are reviewed annually and adjusted in order to ensure that the most up to date data is used.

(ii) Taxation

The Group has recognised certain deferred tax assets for deductible temporary differences. In recognising these deferred tax assets assumptions have been made regarding the groups ability to generate future taxable profits.

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.

(iii) Determination of ore reserves and resources

ERA estimates its ore reserves and resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004 (the JORC code).

There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

(iv) Impairment

ERA's balance sheet contains items that are subject to impairment testing. In assessing impairment, estimates are required of future prices, exchange rates and capital and production costs in order to assist in the judgement of the recoverable amount.

Management makes estimates and assumptions in regard to impairment which are subject to risk and uncertainty. Changes in circumstances may effect these estimates and the recoverable amount. If the carrying value of the assets are assessed to be impaired, the impairment would be charged against the income statement.

(v) Share based payments

ERA recognises the fair value of equity settled share based payments granted as remuneration. The fair value of share options is estimated as at the date of grant using a lattice based option valuation model. Key inputs for this valuation model for each of the relevant share based payments plans are detailed in note 39.

3 Revenue

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Revenue from continuing operations				
Sales revenue				
Sale of goods	356,511	311,286	356,511	311,286
Rendering of services	569	510	–	–
Total sales revenue	357,080	311,796	356,511	311,286
Other revenue				
Interest received/receivable, other parties	4,222	4,492	4,202	4,487
Rent received	986	902	986	902
Net gain on sale of property, plant and equipment	65	–	42	–
Total other revenue	5,273	5,394	5,230	5,389
Total revenue from continuing operations	362,353	317,190	361,741	316,675

4 Expenses

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Profit before income tax includes the following specific expenses:				
Cost of sales	187,015	194,522	187,015	194,522
Depreciation				
Mine land and buildings	3,234	3,599	3,228	3,464
Plant and equipment	29,441	16,704	29,393	16,636
Total depreciation	32,675	20,303	32,621	20,100
Amortisation				
Mine properties	11,424	11,419	11,424	11,419
Rehabilitation asset	1,545	1,923	1,545	1,923
Total amortisation	12,969	13,342	12,969	13,342
Net exchange loss	376	10	376	10
Rental expense relating to operating leases	245	200	245	200
Royalty payments	4,159	3,636	4,159	3,636
Payments to Aboriginal interests	14,139	12,361	14,139	12,361
Borrowing costs:				
Related parties	1,539	446	1,539	446
Other parties	2,291	579	2,293	577
Rehabilitation provision	10,041	9,964	10,041	9,964
Total borrowing costs	13,871	10,989	13,873	10,987
Impairment of assets:				
Receivables	1,990	–	1,990	–
Inventories - stores and spares	360	245	360	245
Property, plant and equipment	–	4,752	–	4,752
Reseach and development expenditure	20,934	8,236	20,934	8,236
Defined contribution superannuation expense	3,761	3,519	3,455	3,248
Net loss on sale of property, plant and equipment	–	537	–	537

5 Income tax expense

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
(a) Income tax expense				
Current tax	**35,675**	26,548	**35,848**	26,752
Deferred tax	**(11,153)**	(8,294)	**(11,175)**	(8,325)
Under / (over) provided in prior years	**(2,245)**	386	**(2,244)**	386
	22,277	18,640	**22,429**	18,813
Deferred income tax (revenue) / expense included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets (note 16)	**(3,365)**	(2,846)	**(3,365)**	(2,877)
(Decrease) / increase in deferred tax liabilities (note 22)	**(7,788)**	(5,448)	**(7,810)**	(5,448)
	(11,153)	(8,294)	**(11,175)**	(8,325)

(b) Reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Operating profit before income tax	**98,366**	62,247	**98,871**	62,954
Tax at the Australian tax rate of 30% (2006 - 30%)	**29,510**	18,674	**29,662**	18,886
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
R&D Tax Concession	**(6,520)**	(1,842)	**(6,520)**	(1,842)
Amortisation of rehabilitation asset	**464**	577	**464**	577
Other non-allowable items	**1,068**	845	**1,067**	806
Income tax under / (over) provided in prior years	**(2,245)**	386	**(2,244)**	386
Income tax expense	**22,277**	18,640	**22,429**	18,813

(c) Amounts recognised directly in equity

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity				
Net deferred tax (notes 16 and 22)	**(968)**	545	**(968)**	514
	(968)	545	**(968)**	514

(d) Tax consolidation legislation

Energy Resources of Australia Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 1(g).

6 Dividends

	PARENT 2007 $'000	PARENT 2006 $'000
(a) Ordinary shares		
Final dividend for the year ended 31 December 2006 of 11 cents (2005 - 11 cents) per fully paid share paid on 1 March 2007 (2006 - 1 March 2006)		
Fully franked (2006 - 30% franked) based on tax paid @ 30% - 3.3 cents (2006 - 3.3 cents) per share	**20,981**	20,981
Interim dividend for the year ended 31 December 2007 nil (2006 - 6 cents) per fully paid share paid (2006 - 31 August 2006)		
Fully franked based on tax paid @ 30%	**–**	11,444
Total dividends provided for or paid	**20,981**	32,425
(b) Dividends not recognised at year end		
Since the end of the year the Directors declared the payment of a final dividend of 20.0 cents (2006: 11.0) fully paid per ordinary share, fully franked based on tax paid at 30 per cent. The aggregate amount of the final dividend paid on 29 February 2008 out of retained profits at 31 December 2007 but not recognised as a liability is	**38,148**	20,981

(c) Dividend franking account

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2006 - 30%)	**109,465**	82,563	**109,465**	82,563

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.
The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $16,438,966 (2006: $8,991,931).
The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

7 Cash and cash equivalents

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Current				
Cash at bank and in hand	**6,283**	8,281	**5,530**	8,157
Deposits at call	**11,446**	6,348	**11,446**	6,348
	17,729	14,629	**16,976**	14,505

(a) Cash at bank / Deposits at call
Cash assets and deposits bear floating interest rates between 4.22% and 6.97% (2006 - 4.22% and 6.34%).

(b) Interest rate risk exposure
The Group's and the parent entity's exposure to interest rate risk is discussed in note 36.

8 Receivables

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current				
Trade debtors	**118,890**	96,122	**118,890**	95,884
Other debtors	**14,289**	8,196	**14,029**	8,431
Provision for impairment	**(1,972)**	(34)	**(1,972)**	(34)
	12,317	8,162	**12,057**	8,397
Related entity	**–**	348	**1,311**	1,339
	131,207	104,632	**132,258**	105,620

(a) Impairment of receivables

No trade receivables are past due. There is no impairment of trade receivables.

The impaired receivables relate to ongoing matters that are expected to be settled during the 12 months subsequent to balance date.

(b) Foreign exchange and interest rate risk

A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 36.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 36 for more information on the risk management policy of the Group.

9 Inventories – Current

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Stores and spares at cost	**13,179**	15,802	**13,179**	15,802
Stores and spares at NRV	**1,633**	2,642	**1,633**	2,642
	14,812	18,444	**14,812**	18,444
Ore stockpiles at cost	**12,300**	7,685	**12,300**	7,685
Work in progress at cost	**2,694**	1,649	**2,694**	1,649
Finished product U3O8 at cost	**57,448**	48,509	**57,448**	48,509
	87,254	76,287	**87,254**	76,287

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2007 amounted to $360,000 (2006: $245,000). The expense has been included in 'raw materials and consumables used' in the income statement.

10 Inventories – Non-current

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Ore stockpiles at cost	**107,154**	74,425	**107,154**	74,425

11 Other assets

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current				
Prepayments	**1,201**	1,072	**1,202**	1,076

12 Undeveloped properties

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Non-current				
Jabiluka: Long-term care and maintenance development project				
Balance brought forward	**203,212**	203,017	**203,212**	203,017
Amount capitalised during the year	**–**	195	**–**	195
Total undeveloped properties	**203,212**	203,212	**203,212**	203,212

The recoverable amount of the undeveloped properties is determined using the fair value less cost to sell. Fair value less cost to sell has been determined using a discounted cash flow. Key assumptions to which the model is most sensitive include:

- Uranium prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Mineral reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and has utilised the expertise of external consultants to validate entity–specific assumptions such as costs, production techniques and mineral reserves.

13 Derivative financial instruments

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current assets				
Forward exchange contracts – cash flow hedges	**16,621**	10,645	**16,621**	10,645
	16,621	10,645	**16,621**	10,645
Non-current assets				
Forward exchange contracts – cash flow hedges	**4,275**	13,476	**4,275**	13,476
	4,275	13,476	**4,275**	13,476

(a) Instruments used by the Group

The consolidated entity derives most of its revenue in United States dollars and incurs most of its costs in Australian dollars. (refer to note 36).

The consolidated entity utilises a combination of forward exchange and currency options to protect against adverse exchange rate movements. Hedging gains and losses including option premiums are brought to account as part of the underlying transactions.

The contracts are hedged against highly probable forecast sales. At balance date, the details of the outstanding contracts are:

		WEIGHTED AVERAGE RATE	**2007**	2006
			$'000	$'000
	Maturity	A$ / US$		
Forwards				
Sell US$/Buy A$	Less than 1 year	0.61 (2006: 0.61)	**26,000**	22,000
	1 – 5 years	0.61 (2006: 0.61)	**8,000**	34,000
	Total	0.61 (2006: 0.61)	**34,000**	56,000
Options				
	Less than 1 year	0.70 (2006: 0.70)	**18,000**	18,000
Purchased US$ put options	1 – 5 years	– (2006: 0.70)	**–**	18,000
	Total	0.70 (2006: 0.70)	**18,000**	36,000

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the initial measurement of the component recognised in the balance sheet is adjusted by the related amount deferred in equity.

(b) Risk exposures

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 36.

14 Property, plant and equipment

CONSOLIDATED	MINE LAND AND BUILDINGS	PLANT AND EQUIPMENT	MINE PROPERTIES	REHAB-ILITATION	TOTAL
	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2007					
Opening net book amount	**27,113**	**187,914**	**97,301**	**13,629**	**325,957**
Additions	**1,668**	**88,409**	**825**	**2,030**	**92,932**
Disposals	**–**	**(131)**	**–**	**–**	**(131)**
Change in estimate	**–**	**–**	**–**	**(4,502)**	**(4,502)**
Transfers	**(1,454)**	**2,153**	**(699)**	**–**	**–**
Depreciation / amortisation charge	**(3,234)**	**(29,441)**	**(11,424)**	**(1,545)**	**(45,644)**
Closing net book amount	**24,093**	**248,904**	**86,003**	**9,612**	**368,612**
Cost	**100,832**	**618,945**	**407,000**	**45,663**	**1,172,440**
Accumulated depreciation / amortisation	**(76,739)**	**(370,041)**	**(320,997)**	**(36,051)**	**(803,828)**
Net book amount	**24,093**	**248,904**	**86,003**	**9,612**	**368,612**
Year ended 31 December 2006					
Opening net book amount	25,446	171,478	108,720	21,100	326,744
Additions	5,266	33,677	–	6,283	45,226
Disposals	–	(537)	–	–	(537)
Change in estimate	–	–	–	(11,831)	(11,831)
Depreciation / amortisation charge	(3,599)	(16,704)	(11,419)	(1,923)	(33,645)
Closing net book amount	27,113	187,914	97,301	13,629	325,957
Cost	98,987	531,054	407,000	48,136	1,085,177
Accumulated depreciation / amortisation	(71,874)	(343,140)	(309,699)	(34,507)	(759,220)
Net book amount	27,113	187,914	97,301	13,629	325,957

PARENT	MINE LAND AND BUILDINGS	PLANT AND EQUIPMENT	MINE PROPERTIES	REHAB–ILITATION	TOTAL
	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2007					
Opening net book amount	**26,991**	**187,867**	**97,301**	**13,629**	**325,788**
Additions	**1,766**	**88,076**	**826**	**2,029**	**92,697**
Disposals	**–**	**(125)**	**–**	**–**	**(125)**
Change in estimate	**–**	**–**	**–**	**(4,501)**	**(4,501)**
Transfers	**(1,454)**	**2,154**	**(700)**	**–**	**–**
Depreciation / amortisation charge	**(3,228)**	**(29,393)**	**(11,424)**	**(1,545)**	**(45,590)**
Closing net book amount	**24,075**	**248,579**	**86,003**	**9,612**	**368,269**
Cost	**100,287**	**617,975**	**407,000**	**45,663**	**1,170,925**
Accumulated depreciation / amortisation	**(76,212)**	**(369,396)**	**(320,997)**	**(36,051)**	**(802,656)**
Net book amount	**24,075**	**248,579**	**86,003**	**9,612**	**368,269**
Year ended 31 December 2006					
Opening net book amount	25,194	171,313	108,720	21,100	326,327
Additions	5,261	33,727	–	6,283	45,271
Disposals	–	(537)	–	–	(537)
Change in estimate	–	–	–	(11,831)	(11,831)
Depreciation / amortisation charge	(3,464)	(16,636)	(11,419)	(1,923)	(33,442)
Closing net book amount	26,991	187,867	97,301	13,629	325,788
Cost	98,441	530,230	407,000	48,136	1,083,807
Accumulated depreciation / amortisation	(71,450)	(342,363)	(309,699)	(34,507)	(758,019)
Net book amount	26,991	187,867	97,301	13,629	325,788

(a) Assets under construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Plant and equipment	**47,076**	25,124	**47,006**	25,090

15 Investment in trust fund

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non-current				
Trust Fund	48,088	44,953	48,088	44,953
	48,088	44,953	48,088	44,953

(a) Trust fund

ERA holds a fixed term investment in the form of bank bills which mature and are reinvested quarterly. The applicable weighted average interest rate for the year ended 31 December 2007 was 6.55% (2006: 5.87%).

16 Deferred tax assets

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
Rehabilitation	41,764	40,461	41,764	40,461
Employee provisions	1,986	1,863	1,945	1,832
Other payables	6,102	3,091	6,112	3,091
	49,852	45,415	49,821	45,384
Amount recognised directly in equity				
Share benefits	1,583	717	1,552	686
Total deferred tax assets	51,435	46,132	51,373	46,070
Set-off of deferred tax liabilities pursuant to set-off provisions (note 22)	(51,435)	(46,132)	(51,373)	(46,070)
Net deferred tax assets	–	–	–	–
Movements:				
Opening balance at 1 January	46,132	42,724	46,070	42,662
Credited to the income statement (note 5)	3,365	2,846	3,365	2,877
Under provided in prior years credited to the income statement	1,072	293	1,072	293
Under provided in prior years credited to equity	866	269	866	238
Closing balance at 31 December	51,435	46,132	51,373	46,070

17 Payables

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current				
Trade payables	**44,869**	33,122	**44,255**	32,466
Amounts due to related parties	**3,752**	1,839	**3,431**	2,969
Other payables	**105**	2,324	**105**	1,915
	48,726	37,285	**47,791**	37,350

18 Interest bearing liability

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Unsecured				
Loans from related parties	**55,500**	5,000	**55,500**	5,000

(a) Risk exposures

Details of the Group's exposure to risks arising from interest bearing liabilities are set out in note 36.

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 36.

19 Other liabilities

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non-current				
Deferred income	–	10,192	–	10,192
Other payables'	–	113	–	113
	–	10,305	–	10,305

20 Provisions – current

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Current				
Employee benefits	**6,048**	5,482	**6,038**	5,494
Rehabilitation	**3,206**	2,270	**3,206**	2,270
	9,254	7,752	**9,244**	7,764

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	REHABILITATION $'000
Consolidated and Parent – 2007	
Current	
Carrying amount at the start of the year	2,270
Payments	(1,303)
Additional provision recognised	2,239
Carrying amount at the end of the year	3,206

	REHAB-ILITATION $'000
Consolidated and Parent – 2006	
Current	
Carrying amount at the start of the year	2,570
Payments	(2,084)
Additional provision recognised	1,784
Carrying amount at the end of the year	2,270

21 Provisions – Non-current

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Employee benefits	**1,222**	645	**1,088**	511
Rehabilitation	**184,424**	179,095	**184,424**	179,095
	185,646	179,740	**185,512**	179,606

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	REHABILITATION $'000
Consolidated and Parent – 2007	
Non-current	
Carrying amount at the start of the year	179,095
Change in estimate	(4,502)
Unwinding of discount	10,041
Additional provisions recognised	(210)
Carrying amount at the end of the year	184,424

	REHAB-ILITATION $'000
Consolidated and Parent – 2006	
Non-current	
Carrying amount at the start of the year	176,064
Change in estimate	(11,432)
Unwinding of discount	9,964
Additional provisions recognised	4,499
Carrying amount at the end of the year	179,095

22 Deferred tax liabilities

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
Property, plant and equipment	**48,583**	53,400	**48,574**	53,400
Undeveloped properties	**14,426**	13,485	**14,426**	13,485
Mine properties	**25,801**	29,190	**25,801**	29,190
Inventories	**5,479**	8,138	**5,479**	8,138
Receivables	**1,122**	388	**1,122**	401
	95,411	104,601	**95,402**	104,614
Amount recognised directly in equity				
Cash flow hedges	**6,269**	7,117	**6,269**	7,117
Total deferred tax liabilities	**101,680**	111,718	**101,671**	111,731
Set-off of deferred tax liabilities pursuant to set-off provisions (note 16)	**(51,435)**	(46,132)	**(51,373)**	(46,070)
Net deferred tax liabilities	**50,245**	65,586	**50,298**	65,661
Movements:				
Opening balance at 1 January	**111,718**	118,055	**111,731**	118,068
(Credited) to the income statement (note 5)	**(7,788)**	(5,448)	**(7,810)**	(5,448)
(Credited) to equity (note 25)	**(968)**	(276)	**(968)**	(276)
(Over) provided in prior years credited to the income statement	**(1,402)**	(613)	**(1,402)**	(613)
(Under) provided in prior years credited to equity	**120**	–	**120**	–
Closing balance at 30 June	**101,680**	111,718	**101,671**	111,731

23 Employee entitlements

(a) Employee numbers

CONSOLIDATED		PARENT	
2007	2006	2007	2006
419	385	**397**	359

(b) Superannuation plan

As noted in Note 1(r), many employees of the company are members of the Rio Tinto Staff Superannuation Fund (The Fund). The Fund has both a defined benefit and defined contribution section. The defined benefit section is wholly funded and provides lump sum benefits based on years of service and final average salary. Due to the terms of the agreement between the members of the defined benefit section of the Fund it will be accounted for as a defined contribution plan. Further relevant details of the Fund are noted below:

(c) Categories of plan assets

	2007	2006
	$'000	$'000
The major categories of plan assets are as follows:		
Equities	**264,507**	259,703
Fixed interest government bonds	**97,848**	99,274
Property / Real estate	**50,555**	41,930
Other	**124**	2,342
Total	**413,034**	403,249

23 Employee entitlements (continued)

(d) Reconciliations

	2007 $'000	2006 $'000
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Balance at the beginning of the year	**372,820**	355,666
Current service cost	**12,165**	13,979
Interest cost	**18,196**	15,367
Contributions by plan participants	**12,934**	9,587
Actuarial (gains) and losses	**18,967**	4,822
Benefits paid	**(33,088)**	(28,873)
Transfers in	**616**	2,272
Balance at the end of the year	**402,610**	372,820
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**403,248**	353,381
Expected return on plan assets	**29,445**	20,691
Actuarial gains and (losses)	**1,991**	35,019
Contributions by Group companies	**(2,112)**	8,245
Contributions by plan participants	**13,550**	9,587
Benefits paid	**(33,088)**	(28,873)
Transfers	**–**	5,199
Balance at the end of the year	**413,034**	403,249

(e) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	2007	2006
Price inflation	**3.6%**	3.1%
Discount rate	**5.4%**	5.0%
Pension increases in payment	**3.6%**	3.1%
General salary/wage increases	**5.6%**	5.1%
Expected return on asset		
Equities	**9.3%**	8.7%
Bonds	**5.4%**	5.2%
Property	**7.4%**	6.8%
Other	**3.7%**	3.5%

(f) Employer contributions

Employer contributions to the defined benefit section of the Fund are based on recommendations by the Fund's actuary. A review of the funding position is undertaken every 6 months.

The Trustee and Rio Tinto have agreed a Contribution Management Strategy that seeks to minimise volatility in the position of the Fund, avoid the need for lump-sum contributions and to ensure that any deficiency of assets compared with vested benefits is rectified within three years.

Based on this strategy, the actuary recommended that as from 1 January 2008 contributions be made at 15% of salaries of Rio Tinto's defined benefit members.

Contributions to the Fund by member companies for 2008 are estimated to be $154,147,864.

(g) Net financial position of the plan

In accordance with AAS25 Financial Reporting by Superannuation Plans the plans net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This was published in the most recent financial report of the superannuation fund (30 June 2007) based on the last actuarial review of the accrued benefits (as at 1 July 2005) as a surplus of $5,004,000.

24 Share capital

	CONSOLIDATED AND PARENT		CONSOLIDATED AND PARENT	
	2007	2006	2007	2006
	SHARES	SHARES	$'000	$'000
Share capital				
A Class shares fully paid	**190,737,934**	190,737,934	**214,585**	214,585
Total contributed equity			**214,585**	214,585

(a) Capital risk management

Details of the Group's exposure to risks when managing capital are set out in note 36.

25 Reserves and retained profits

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
(a) Reserves				
Hedging reserve - cash flow hedges	**14,627**	16,813	**14,627**	16,813
Share-based payments reserve	**2,280**	1,672	**2,280**	1,600
Capital reconstruction	**389,500**	389,500	**389,500**	389,500
	406,407	407,985	**406,407**	407,913
Movements:				
Hedging reserve – cash flow hedges				
Balance 1 January	**16,813**	16,242	**16,813**	16,242
Revaluation - gross	**3,225**	9,186	**3,225**	9,186
Deferred tax	**(968)**	(2,756)	**(968)**	(2,756)
Transfer to net profit - gross	**(6,349)**	(8,369)	**(6,349)**	(8,369)
Deferred tax	**1,906**	2,510	**1,906**	2,510
Balance 31 December	**14,627**	16,813	**14,627**	16,813
Share-based payments reserve				
Balance 1 January	**1,672**	698	**1,600**	698
Option expense	**608**	974	**680**	902
Balance 31 December	**2,280**	1,672	**2,280**	1,600
Capital reconstruction				
Balance 1 January	**389,500**	389,500	**389,500**	389,500
Movements	**–**	–	**–**	–
Balance 31 December	**389,500**	389,500	**389,500**	389,500

(b) Retained profits

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Opening retained earnings – 1 January	**(70,079)**	(81,261)	**(69,524)**	(81,240)
Net profit for the year	**76,089**	43,607	**76,442**	44,141
Dividends paid	**(20,981)**	(32,425)	**(20,981)**	(32,425)
Closing retained earnings – 31 December	**(14,971)**	(70,079)	**(14,063)**	(69,524)

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(q). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Share-based payments reserve

The share based payments reserve is used to recognise the fair value of equity instruments issued to employees but not exercised.

(iii) Capital reconstruction reserve

In June 1995, ERA reduced its share capital by cancelling $0.95 of the capital paid up on each issued share and reducing the par value of each issued share from $1.00 to $0.05. The cancelled capital (comprising $389,500,000 in total) was credited to a Capital Reconstruction Reserve. The company has the ability to distribute capital to shareholders from this reserve.

26 Contingencies

(a) Contingent liabilities

Legal actions against Energy Resources of Australia Ltd.

The remaining argument in the action listed 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 any of the above contingent liabilities or legal disputes.

27 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**62,855**	5,566	**62,855**	5,566

(b) Lease commitments

(i) Operating leases

Future operating lease rentals not provided for in the financial statements and payable:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,343**	1,146	**1,139**	1,132
Later than one year but not later than five years	**1,626**	835	**1,598**	779
	2,969	1,981	**2,737**	1,911

The consolidated entity leases property, plant and equipment under operating leases expiring from two to four years. Some leases provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount and may include an incremental contingent rental.

(ii) Mineral tenement leases

Future mineral tenement lease payment not provided for in the financial statements and payable:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	**73**	73	**73**	73
Later than one year but not later than five years	**291**	291	**291**	291
Later than five years	**845**	917	**845**	917
	1,209	1,281	**1,209**	1,281

In order to maintain current rights of tenure to mining tenements, the consolidated entity will be required to outlay an amount of approximately $73,000 in the year ending 31 December 2008 in respect of tenement lease rentals.

27 Commitments (continued)

(c) ERA is liable to make payments to the Commonwealth as listed below:

(i) An amount equal to the sum payable by the Commonwealth to the Northern Land Council pursuant to the Section 44 Agreement (Aboriginal Land Rights (NT) Act 1976). This amounts to $200,000 per annum during the currency of the Agreement;

(ii) Amounts equal to the sums payable by the Commonwealth to the Aboriginal Benefits Reserve pursuant to a determination under Section 63(5)(b) of the Aboriginal Land Rights (NT) Act 1976. These amounts are calculated at 4.25 per cent of Ranger net sales revenue (amounts paid during 2007: $14,139,000. 2006: $12,361,000);

(iii) Amounts equal to sums payable by the Commonwealth to the Northern Territory pursuant to an understanding in respect of financial arrangements between the Commonwealth and the Government of the Northern Territory. These amounts are also calculated as though they were royalties and the relevant rate is 1.25 per cent of Ranger net sales revenue (amounts paid during 2007: $4,159,000. (2006: $3,636,000);

(d) ERA is liable to make payments to the Northern Land Council (NLC) pursuant to the Section 43 Agreement (Aboriginal Land Rights (NT) Act 1976) between Pancontinental Mining Limited and Getty Oil Development Company Limited and the NLC dated 21 July 1982, which was assigned to ERA with the consent of the NLC, as listed below:

(i) Up front payment of $3,400,000 on the commencement of production at Jabiluka.

(ii) Annual royalty payments calculated at 4.5 per cent of net sales revenue less $500,000 less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease for the first 10 years and thereafter at 5 per cent of net sales revenue less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease (refer commitment (e) below).

(e) ERA is liable to make payments to the Commonwealth in respect of the Jabiluka project pursuant to the conditions attached to the mineral lease. The amount payable was, until 30 June 1990, calculated at the rate of 5.25 per cent of net sales revenue from the Jabiluka project.

28 Key management personnel disclosures

(a) Directors

The following persons were directors of Energy Resources of Australia Ltd during the financial year:

(i) Chairman – non-executive

D Klingner

(ii) Executive directors

C Salisbury, Chief Executive Officer (In the prior year, C Salisbury was considered key management personnel in his capacity as General Manager Operations. He was appointed an executive director on 31 January 2007.)

H Kenyon-Slaney resigned from the position of Chief Executive Officer and executive director on 31 January 2007

(iii) Non-executive directors

R Carter

H Garnett

C Lenegan resigned from the position of non-executive director on 31 January 2008

P Taylor was appointed to the position of non-executive director on 14 February 2007

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

NAME	POSITION	EMPLOYER
C Bateman	Chief Financial Officer	ERA
D Gibson	General Manager Technical Projects (from 1 January to 30 April 2007)	ERA
A Milnes	General Manager EWLS	EWLS Pty Ltd
D Paterson	General Manager Business Development	ERA
S Rajapakse	General Manager Operations (from 31 January 2007)	ERA
G Sinclair	GM Technical (from 1 May 2007)	ERA

All of the above key management personnel were also other key management personnel during the year ended 31 December 2006, except for S Rajapakse and G Sinclair who commenced employment with the company during 2007.

28 Key management personnel disclosures (continued)

(c) Key management personnel compensation

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Short-term employee benefits	**3,295,221**	2,812,315	**2,931,738**	2,466,430
Post-employment benefits	**264,123**	316,310	**212,727**	261,206
Share-based payments	**615,687**	324,128	**532,635**	286,569
	4,175,031	3,452,753	**3,677,100**	3,014,205

The company has taken advantage of the relief provided by ASIC CRM 2.6.04 and has transferred the detailed remuneration disclosures to the Directors report. The relevant information can be found in the remuneration report on pages 26 to 34.

(d) Equity instrument disclosures relating to key management personnel

(i) Equity instruments – options and rights

Equity instruments issed to key management personnel as compensation for services provided to ERA are detailed in the remuneration report. The following tables refer to options and rights awarded to key management personnel as remuneration for duties to the wider Rio Tinto group.

Non-conditional awards provided as remuneration for duties to the wider Rio Tinto group

Non-conditional awards are options granted under the Rio Tinto Ltd Share Option Plan (SOP).

2007

NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPEN-SATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE EAR	VESTED AND EXER-CISABLE	UNVESTED
Rio Tinto Limited							
Directors of Energy Resources of Australia Ltd							
D Klingner	42,468	–	(38,351)	–	4,117	4,117	–
C Lenegan	36,159	4,622	–	(1,875)	38,906	24,051	14,855
P Taylor	15,780	2,382	–	–	18,162	10,444	7,718

2006

NAME	BALANCE AT START OF THE YEAR	GRANTED AS COMPEN-SATION	EXERCISED	OTHER CHANGES	BALANCE AT END OF THE EAR	VESTED AND EXER-CISABLE	UNVESTED
Directors of Energy Resources of Australia Ltd							
D Klingner	42,468	–	–	–	42,468	38,351	4,117
A Lloyd	8,226	–	–	(1,971)	6,255	1,574	4,681
C Lenegan	29,829	–	–	6,330	36,159	22,034	14,125

Conditional awards provided as remuneration for duties to the wider Rio Tinto group

Conditional awards are equity instruments awarded under the Mining Companies Comparitive Plan (MCCP) and the Management Share Plan (MSP).

2007

NAME	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	CRYSTALLISATION OF PRIOR AWARD VESTED	CRYSTALLISATION OF PRIOR AWARD LAPSED	AWARDS CANCELLED	BALANCE AT THE END OF THE YEAR
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
D Klingner	21,634	–	(2,740)	(8,221)	–	10,673
C Lenegan	16,123	6,372	(557)	(1,674)	–	20,264
P Taylor	7,361	3,632	–	–	–	10,993

2006

NAME	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	CRYSTALLISATION OF PRIOR AWARD VESTED	CRYSTALLISATION OF PRIOR AWARD LAPSED	AWARDS CANCELLED	BALANCE AT THE END OF THE YEAR
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
D Klingner	32,355	–	(2,680)	(8,041)	–	21,634
A Lloyd	2,598	2,083	–	–	–	4,681
C Lenegan	11,912	6,330	(529)	(1,590)	–	16,123

28 Key management personnel disclosures (continued)

(ii) Share holdings

R Carter held 25,000 shares (2006: 25,000 shares) in the company during the financial year. No other director or other key management personnel of the Group, including their personally related parties, held shares during the year. There were no shares granted during the reporting period as compensation.

(e) Loans with Directors and key management personnel

There are no loans with Directors or key other management personnel during 2007 (2006: nil).

29 Auditor's remuneration

During the year the auditor of the parent entity and its related practices earned the following remuneration:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Audit services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports	**290**	303	**290**	303
Other audit related work *Corporations Act 2001*	**–**	15	**–**	15
Total remuneration for audit services	**290**	318	**290**	318
Total remuneration	**290**	318	**290**	318

30 Related parties

Directors

The names of persons who were Directors of ERA at any time during the financial period are as follows:

R Carter, H Garnett, H Kenyon-Slaney, D Klingner, C Lenegan, C Salisbury and P Taylor

Information relating to Directors' compensation, shareholdings and retirement benefits is set out in the remuneration report in the Directors' report and note 28.

Transactions with Directors and Director-related entities

There were no transactions with Director related entities other than Rio Tinto Limited during 2007. Details of transactions with Rio Tinto Limited are outlined below.

Controlled entity

Information relating to the controlled entity is set out in note 31 and note 37.

Ultimate parent entity

The ultimate parent entity is Rio Tinto Limited. This interest is held through North Limited (incorporated in Victoria, Australia) which has beneficial ownership of 68.4 per cent of the issued ordinary shares of the company. North Ltd owns 34.1 per cent directly and the remaining 34.3 per cent through its subsidiary, Peko Wallsend Ltd.

Loan from related party

During the period ERA entered into a US$130,000,000 short term loan arrangement with Rio Tinto Finance Limited a wholly owned subsidiary of Rio Tinto Limited of which A$55,500,000 was drawn down at 31 December 2007. The facility was negotiated on commercial terms and conditions. Information relating to the financing arrangements are set out in note 34.

Superannuation fund

Information relating to the consolidated entity's superannuation fund is set out in note 23.

Interest income

Interest income is received from Rio Tinto Finance Ltd which holds cash on behalf of the company.

Intercompany foreign exchange contracts

Foreign currency forwards and options, as per note 13 have been taken out with North Finance Limited, a wholly owned subsidiary of Rio Tinto Limited.

30 Related parties (continued)

Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Other transactions				
Management services fees paid to ultimate parent entity:				
Rio Tinto Limited	**1,600**	1,600	**1,600**	1,600
Consulting fees paid to:				
EWLS Pty Ltd – controlled entity	**–**	–	**4,539**	2,489
Rio Tinto Limited	**5,098**	3,458	**5,089**	3,458
Interest paid to:				
Rio Tinto Limited	**1,539**	446	**1,539**	446
Other re–imbursements for commercial services:				
Rio Tinto Limited	**16,706**	8,936	**16,706**	8,936
Amounts received from related parties:				
Rio Tinto Limited – other	**76**	–	**76**	–
Rio Tinto Limited – interest	**1,234**	1,436	**1,215**	1,436
Dividends paid to:				
Parent entity – North Ltd	**7,155**	11,057	**7,155**	11,057
Related parties – Peko Wallsend Ltd	**7,197**	11,119	**7,197**	11,119

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Aggregate amounts receivable from and payable to each class of other related parties at balance date were as follows:				
Assets – derivative financial instruments				
Related parties – North Finance Limited	**20,896**	24,121	**20,896**	24,121
Current assets – cash assets				
Related parties – Rio Tinto Finance Ltd	**11,446**	6,348	**11,446**	6,348
Current assets – receivables				
Related parties – other	**–**	348	**–**	1,339
Controlled entities – EWLS Pty Ltd	**–**	–	**1,311**	–
Current liabilities – creditors				
Related parties – Rio Tinto Limited	**3,752**	1,839	**3,431**	1,839
Controlled entities – EWLS Pty Ltd	**–**	–	**–**	1,130
Interest bearing liabilities				
Related parties – Rio Tinto Limited	**55,500**	5,000	**55,500**	5,000

All related party transactions were conducted on commercial terms and conditions and at market rates.

31 Investment in controlled entity

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	COUNTRY OF INCOR-PORATION	CLASS OF SHARES	EQUITY HOLDING 2007 %	EQUITY HOLDING 2006 %
EWL Sciences Pty Ltd	Australia	Ordinary	**100**	100

The above controlled entity is wholly-owned and no dividends were paid to the parent entity (2006: $Nil).

32 Segment information

(a) Description of segments

Business segments

The consolidated entity is organised into the following divisions by product and service type.

Uranium – Mining, processing and sale of uranium.

Consulting – Providing environmental consulting services.

(b) Primary reporting - business segments

2007

	URANIUM	CONSULTING	ELIMINATIONS	CONSOLIDATED
	$'000	$'000	$'000	$'000
Sales to external customers	356,511	569	–	357,080
Intersegment sales (note (ii))	–	4,539	(4,539)	–
Total sales revenue	356,511	5,108	(4,539)	357,080
Other revenue	5,230	43	–	5,273
Total segment revenue	361,741	5,151	(4,539)	362,353
Segment result	98,871	(505)	–	98,366
Income tax expense				(22,277)
Profit for the year				76,089
Segment assets	990,899	5,537	(11,083)	985,353
Total assets				985,353
Segment liabilities	383,970	6,345	(10,983)	379,332
Total liabilities				379,332
Acquisitions of non-current assets	92,731	199	–	92,930
Depreciation and amortisation expense	45,590	54	–	45,644

2006

	URANIUM	CONSULTING	ELIMINATIONS	CONSOLIDATED
	$'000	$'000	$'000	$'000
Sales to external customers	311,285	510	–	311,795
Intersegment sales (note (ii))	–	2,488	(2,488)	–
Total sales revenue	311,285	2,998	(2,488)	311,795
Other revenue	5,390	5	–	5,395
Total segment revenue	316,675	3,003	(2,488)	317,190
Segment result	62,957	(710)	–	62,247
Income tax expense				(18,640)
Profit for the year				43,607
Segment assets	870,087	390	(1,189)	869,288
Total assets				869,288
Segment liabilities	317,113	773	(1,089)	316,797
Total liabilities				316,797
Acquisitions of non-current assets	45,271	(45)	–	45,226
Depreciation and amortisation expense	33,442	203	–	33,645

32 Segment information (continue)

(c) Secondary reporting format – geographical segments

	SEGMENT REVENUES FROM SALES TO EXTERNAL CUSTOMERS	
	2007	2006
	$'000	$'000
Asia	**124,541**	102,457
United States	**155,303**	142,825
Europe	**76,667**	66,004
	356,511	311,286

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital acquisitions are allocated based on where the assets are located.

All consolidated assets are in Australia at 31 December 2007 except for inventories in transit or at converters of $45,729,000 (2006: $35,711,000).

All acquisitions of property, plant and equipment, intangible assets and other non-current assets occurred in Australia.

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1and AASB114, Segment Reporting. The business segments identified in the primary reporting disclosures and the geographical segments are not materially different to the industry and geographical segments identified in previous years.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and other intangible assets, net of provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provisions. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.

33 Reconciliation of profit after income tax to net cash inflow from operating activities

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Profit for the year	**76,089**	43,607	**76,442**	44,141
Add/(less) items classified as investing/financing activities:				
Net (gain) loss on sale of non-current assets	**(65)**	537	**(42)**	537
Add/(less) non-cash items:				
Depreciation and amortisation	**45,644**	33,645	**45,590**	33,442
Rehabilitation provision: unwinding of discount	**10,041**	9,964	**10,041**	9,964
Employee benefits: share based payments	**1,033**	974	**1,033**	220
Net exchange differences	**(13)**	(542)	**(13)**	(542)
Change in operating assets and liabilities				
(Increase)/decrease in trade and other debtors	**(26,575)**	(3,952)	**(32,129)**	(3,952)
(Increase)/decrease in inventories	**(43,697)**	(1,129)	**(43,697)**	(1,129)
(Increase)/decrease in prepayments	**(130)**	(312)	**(126)**	(314)
(Increase)/decrease in other operating assets	**(3,135)**	(2,328)	**(3,135)**	(2,328)
(Decrease)/increase in trade creditors	**11,336**	9,954	**15,826**	9,954
(Decrease)/increase in provision for income tax payable	**8,641**	(7,483)	**8,516**	(7,808)
(Decrease)/increase in net provision for deferred tax liability and deferred tax asset	**(15,340)**	(7,467)	**(15,363)**	(7,467)
(Decrease)/increase in other provisions/liabilities	**3,007**	(520)	**2,987**	108
Net cash inflow provided from operating activities	**66,836**	74,948	**65,930**	74,826

34 Financing arrangements

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdrafts	–	500	–	500
Loan from related party	148,331	51,282	148,331	51,282
	148,331	51,782	148,331	51,782
Facilities not utilised at balance date:	–	500	–	500
Bank overdrafts				
Loan from related party	92,831	46,282	92,831	46,282
	92,831	46,782	92,831	46,782

Bank overdrafts

The bank overdraft facility was cancelled during the year. The interest rate applicable at balance date was nil (2006: 8.75% p.a.).

Loan from related party

The loan from related parties is unsecured. The facility is denominated in US$, however all draw downs and repayments are denominated in A$. The interest rate charged is the current bank bill swap bid rate at the date of draw down plus an agreed margin. For the year ended 31 December 2007 the weighted average interest rate was 7.72% p.a (2006: 6.70%).

35 Earnings per share

	CONSOLIDATED	
	2007	2006
	CENTS	CENTS
Basic earnings per share	39.9	22.9
Diluted earnings per share	39.9	22.9

Earnings used in the calculation of basic and diluted earnings per share: 2007: $76,089,000 (2006: $43,607,000)

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

(i) Options

Options granted to employees are granted under the share-based payment plans are for options in Rio Tinto plc and Rio Tinto Ltd. Therefore, the options have not been included in the determination of diluted earnings per share. Details relating to the options are set out in note 39.

36 Financial risk management

ERA carries out risk management under policies approved by the board of directors. The board provides principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and other risks, use of derivative and non-derivative financial instruments. The subsidiary does not utilise any financial instruments, and as such, sensitivities are identical for both parent and group.

The Group's business is mining and not trading. Accordingly, the Group only contracts to sell uranium that it plans to produce, however purchasing uranium for resale may be required in circumstances where actual production falls short of contractual sales volumes. The Group operates entirely in Australia and is exposed primarily to Australian dollar denominated costs. Sales are denominated in US dollars.

(a) Market risk

(i) Foreign exchange risk

ERA operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. It is no longer group policy to hedge against foreign exchange risk, however the Group does hold legacy financial instruments in the form of foreign exchange contracts. Details of financial instruments used are set out in note 13.

Group sensitivity

At 31 December 2007, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the effect on equity of the derivative financial instruments would have been $2,690,000 higher/$2,140,000 lower (2006: $3,506,000 higher/$2,716,000 lower) arising from foreign forward exchange contracts designated as cash flow hedges. The group uses no other financial instruments to manage foreign exchange risks.

(ii) Price risk

The consolidated entity uses fixed price sales contracts. In the absence of uranium being traded on global futures exchanges, the consolidated entity uses a combination of both fixed and market price related contracts for future sales to manage this exposure. No financial instruments are used by the group to manage price risk.

(iii) Interest rate risk

The Group's main interest rate risk arises from interest bearing liabilities. Each draw down against these borrowings is issued at a fixed rate at the draw down date and exposes the Group to fair value interest rate risk.

Group sensitivity

At 31 December 2007, if interest rates had decreased/increased by 1% from the year-end rates of 7.72% with all other variables held constant, post-tax profit for the year would have been $555,000 lower/higher (2006: $50,000 lower/higher), mainly as a result of higher/lower interest expense from borrowings.

(b) Credit risk

The group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity and capital risk

The Group's objectives when managing capital are to safeguard the group'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 Group does not have a target debt to equity ratio, but has a policy of maintaining a flexible financing structure to be able to fund capital expenditure programmes, pay dividends and fund expansion opportunities as they arise. This policy is balanced against the desire to ensure efficiency in the debt/equity structure of the Group's balance sheet in the longer term through pro-active capital management programmes.

Credit facilities are maintained with Rio Tinto Finance that are sufficient to meet contractual cash obligations arising in the ordinary course of business, details of which are set out in note 34. The financial liabilities of the group at 31 December 2007 were repaid in full within three months, and the credit facilities are redrawn as necessary.

36 Financial risk management (continued)

(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these amounts.

Derivative financial instruments

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

Interest bearing liabilities

The carrying value is a reasonable approximation of their fair value due to the short-term nature of these borrowings.

37 Economic dependency

A controlled entity, EWL Sciences Pty Ltd, depends on ERA for a significant source of revenue. During the 2007 reporting period, 89 per cent of EWL Sciences Pty Ltd revenue (2006: 83 per cent) was derived from services provided to ERA.

38 Events subsequent to balance date

Since the end of the year the Directors declared the payment of a final dividend, details of which are set out in note 6.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the operations or state of affairs of the consolidated entity in subsequent financial years.

39 Share-based payments

ERA participates in a number of share-based payment plans administered by Rio Tinto plc and Rio Tinto Limited, which are described in detail in the Remuneration Report. These plans have been accounted for in accordance with the fair value recognition provisions of AASB2, 'Share-based Payments', which means that AASB2 has been applied to all grants of employee share-based payments that had not vested as at 1 January 2004.

Mining Companies Comparative Plan ("MCCP")

Awards under this plan are accounted for in accordance with the requirements applying to cash-settled share-based payment transactions. If any awards are ultimately settled in shares, the liability is transferred direct to equity as the consideration for the equity instruments issued. The grant date fair value of the awards is taken to be the market value of the shares at the date of award reduced by 50 per cent for anticipated relative TSR performance. In addition for the valuations after 2005 the market value is reduced for non-receipt of dividends between measurement date and date of vesting. Forfeitures are assumed prior to vesting at 3 per cent per annum of outstanding awards. In accordance with the method of accounting for cash-settled awards, fair values are subsequently remeasured each year to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

A summary of the status of shares granted under the share plan at 31 December 2007, and changes during the year, is presented below:

GRANT DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCIS-ABLE AT END OF THE YEAR
CONSOLIDATED AND PARENT – 2007							
Rio Tinto Limited	12,991	5,469	1,071	–	–	19,531	3,528
Weighted average exercise price	$62.00	$74.79	$69.18	–	–	$58.01	$37.20
Rio Tinto plc	15,697	9,882	(20,970)	–	–	4,609	–
Weighted average exercise price	£20.04	£27.55	£21.72	–	–	£24.79	–
CONSOLIDATED AND PARENT – 2006							
Rio Tinto Limited	9,058	7,253	–	–	(3,320)	12,991	–
Weighted average exercise price	$53.22	$74.30	–	–	–	$62.00	–
Rio Tinto plc	10,717	4,980	–	–	–	15,697	–
Weighted average exercise price	£16.03	£28.67	–	–	–	£20.04	–

39 Share-based payments (continued)

Share option plan ("SOP")

The Group has a policy of settling these awards in equity, although the participants at their discretion can offer a cash alternative. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The performance conditions in relation to Total Shareholder Return have been incorporated in the measurement of fair value for these awards by modelling the correlation between Rio Tinto's TSR and that of the index. The relationship between Rio Tinto's TSR and the index was simulated many thousands of times to derive a distribution which, in conjunction with the lattice-based option valuation model, was used to determine the fair value of the options.

A summary of the status of options granted under the plan at 31 December 2007, and changes during the year, is presented below:

GRANT DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCIS-ABLE AT END OF THE YEAR
CONSOLIDATED AND PARENT - 2007							
Rio Tinto Limited	23,665	5,469	3,311	(1,781)	–	30,664	14,661
Weighted average exercise price	$44.36	$75.12	$52.26	$33.01	–	$51.27	$35.70
Rio Tinto plc	27,110	2,884	(25,349)	–	–	4,645	–
Weighted average exercise price	£16.93	£27.01	£16.56	–	–	£25.18	–
CONSOLIDATED AND PARENT - 2006							
Rio Tinto Limited	23,868	4,768	–	(4,971)	–	23,655	11,855
Weighted average exercise price	$37.34	$71.06	–	$36.22	–	$44.36	$35.80
Rio Tinto plc	22,130	4,980	–	–	–	27,110	11,413
Weighted average exercise price	£14.63	£27.11	–	–	–	£16.93	£13.52

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2007 was $138.00 (2006: $77.60).

The weighted average remaining contractual life of share options outstanding at the end of the period was three years (2006: three years).

The model inputs for options granted during the year ended 31 December 2007 included:

(a) options are granted for no consideration and have a three year life

(b) exercise price: $75.12 (2006: $71.06)

(c) grant date 13 March 2007 (2006: 7 March 2006)

(d) expiry date: 13 March 2017 (2006: 7 March 2016), subject to the satisfaction of a graduated performance conditions set by the Remuneration Committee

(e) share price at grant date: $75.57 (2006: $70.85)

(f) expected price volatility of the company's shares: 27 per cent (2006: 26 per cent)

(g) expected dividend yield: 2.2 per cent (2006: 1.5 per cent)

(h) risk-free interest rate: 5.8 per cent (2006: 5.4 per cent)

Expected volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

39 Share-based payments (continued)

Share savings plan ("SSP")

Awards under these plans are settled in equity and accounted for accordingly. The fair value of each award on the day of grant was estimated using a lattice-based option valuation model, including allowance for the exercise price being at a discount to market price.

A summary of the status of options granted under the plan at 31 December 2007, and changes during the year, is presented below:

GRANT DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCIS-ABLE AT END OF THE YEAR
CONSOLIDATED AND PARENT – 2007							
Rio Tinto Limited	62,876	13,653	13,632	(10,458)	(20,453)	59,250	10,369
Weighted average exercise price	$39.89	$79.27	$25.72	$21.96	$32.28	$50.71	$27.62
CONSOLIDATED AND PARENT – 2006							
Rio Tinto Limited	54,278	17,517	–	(6,329)	(2,590)	62,876	–
Weighted average exercise price	$39.36	$56.80	–	$25.60	$36.56	$39.89	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2007 was $78.68 (2006: $39.89).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.83 years (2006: 3.81 years).

The model inputs for options granted during the year ended 31 December 2007 included:

(a) options are granted for no consideration and have a three or five year life

(b) exercise price: $79.27 (2006: $56.80)

(c) grant date: 5 October 2007 (2006: 7 October 2006)

(d) expiry date: 3 year plan - 1 July 2011; 5 year plan - 1 July 2013 (2006: 3 year plan - 1 July 2010; 5 year plan - 1 July 2012)

(e) share price at grant date: $106.28 (2006: $69.25)

(f) expected price volatility of the company's shares: 28 per cent (2005: 26 per cent)

(g) expected dividend yield: 1.4 per cent (2006: 1.5 per cent)

(h) risk-free interest rate: 5 year plan 6.5 per cent (2006: 5.4 per cent), 3 year plan 6.5 per cent (2006: 5.4 per cent)

Expected volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

39 Share-based payments (continued)

Management Share Plan ("MSP")

The Management Share Plan was introduced in 2007 and is described in the Remuneration Report. The awards will be settled in equity including the dividends accumulated from date of award to vesting. The awards are accounted for in accordance with the requirements applying to equity-settled share-based payment transactions. The fair value of each award on the day of grant is set equal to share price on the day of grant. Forfeitures are assumed prior to vesting at 3 per cent per annum of outstanding awards.

A summary of the status of shares granted under the share plan at 31 December 2007, and changes during the year, is presented below:

GRANT DATE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	TRANSFERS IN/(OUT)	EXERCISED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	VESTED AND EXERCIS-ABLE AT END OF THE YEAR
		NUMBER	NUMBER	NUMBER	NUMBER	NUMBER	NUMBER
CONSOLIDATED AND PARENT – 2007							
Rio Tinto Limited	–	3,650	(450)	–	–	3,200	–
Weighted average fair value at grant date	–	$74.50	$74.50	–	–	$74.50	–
Rio Tinto plc	–	1,825	–	–	–	1,825	–
Weighted average fair value at grant date	–	£26.81	–	–	–	£26.81	–
CONSOLIDATED AND PARENT – 2006							
Rio Tinto Limited	–	–	–	–	–	–	–
Weighted average fair value at grant date	–	–	–	–	–	–	–
Rio Tinto plc	–	–	–	–	–	–	–
Weighted average fair value at grant date	–	–	–	–	–	–	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2007 was nil (2006: nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3 years (2006: nil).

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Options issued under employee option plans	**1,321**	825	**1,285**	801

Energy Resources of Australia Ltd

Directors' declaration

31 December 2007

In the directors' opinion:

(a) the financial statements and notes set out on pages 40 to 74 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 company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the financial 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; and

(c) the audited remuneration disclosures set out on pages 26 to 34 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures and the Corporations Regulations 2001*; and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Dr D Klingner
Director

Melbourne
5 March 2008

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

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Energy Resources of Australia Ltd (the company), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Energy Resources of Australia Ltd and the Energy Resources of Australia Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report under the heading "remuneration report" in pages 26 to 34 of the directors' report and not in the financial report.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration disclosures of Energy Resources of Australia Ltd (the company) for the year ended 31 December 2007 included on the Energy Resources of Australia Ltd 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 auditor's report refers only to the statements and remuneration disclosures named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or the remuneration disclosures. 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 audited financial report and remuneration disclosures to confirm the information included in the audited financial report and remuneration disclosures presented on this web site.

Independence

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Energy Resources of Australia Ltd is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 26 to 34 of the directors' report comply with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Debbie Smith
Partner

Melbourne
5 March 2008

Liability limited by a scheme approved under Professional Standards Legislation.

Energy Resources of Australia Ltd

Shareholder information

31 December 2007

The shareholder information set out below was applicable as at 31 January 2007.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	A CLASS ORDINARY SHARES			
	NUMBER OF SHARE-HOLDERS	% OF SHARE-HOLDERS	NUMBER OF SHARES	% OF ISSUED SHARES
1 – 1000	9,433	74.74	3,518,515	1.84
1,001 – 5,000	2,613	20.70	6,080,606	3.19
5,001 – 10,000	340	2.69	2,625,522	1.38
10,001 – 100,000	209	1.66	5,493,984	2.88
100,001 and over	27	0.21	173,019,307	90.71
	12,622	100.00	190,737,934	100.00

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	NUMBER OF SHARES	% OF ISSUED SHARES
Peko Wallsend Ltd	65,407,896	34.29
North Limited	65,042,208	34.10
National Nominees Limited	8,707,129	4.56
Citicorp Nominees Pty Limited	8,402,290	4.41
HSBC Custody Nominees (Australia) Limited	7,841,633	4.11
ANZ Nominees Limited	5,202,881	2.73
J P Morgan Nominees Australia Limited	4,115,119	2.16
HSBC Custody Nominees (Australia) Limited	2,460,195	1.29
RBC Global Services	828,165	0.43
AMP Life Limited	731,400	0.38
CS Fourth Nominees Pty Ltd	486,887	0.26
UBS Wealth Management Australia Nominees Pty Ltd	424,220	0.22
Merrill Lynch (Australia) Nominees Pty Limited	360,571	0.19
Warbont Nominees Pty Ltd	345,187	0.18
Citicorp Nominees Pty Limited	317,154	0.17
Feta Nominees Pty Limited	304,411	0.16
Huntley Investment Company Limited	300,000	0.16
Cogent Nominees Pty Limited	276,621	0.15
Ganra Pty Ltd	240,000	0.13
HSBC Custody Nominees (Australia) Limited	234,473	0.12
	172,028,440	90.20

Entitlement to votes

Subject to any rights or restrictions for the time being attached to any shares on a show of hands, every member present in person or by proxy or by attorney or by representative and entitled to vote shall have one vote.

On a poll, every member present in person or by proxy or by attorney or by representative shall have one vote for each share held by him/her.

Annual general meeting

The next AGM will be held at 10:00 am on Tuesday, 22 April 2008 at SKYCITY, Gilruth Avenue, Darwin.

Tax file numbers

Tax file numbers or exemption details are recorded from shareholders who wish to provide the information. Dividend advice statements, when issued to shareholders, indicate whether or not a shareholder's tax file number has been recorded. ERA normally pays fully franked dividends. In the event of an unfranked dividend being paid, ERA will be required to deduct tax at the top marginal rate from the dividend paid to shareholders resident in Australia who have not supplied a tax file number or exemption form.

Information on shareholding

Shareholders who require information about their shareholding or dividend payment should contact ERA's principal registry.

Shareholders who have changed their address should advise the change in writing to:

ERA Share Registry

Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
SYDNEY NSW 2000
Telephone: (02) 8234 5000
Facsimile: (02) 8234 5050

Sponsored shareholders should note however, that they should contact their sponsored broker to initiate a change of address.

2007 announcements

04-Dec-2007	Melbourne Mining Club speech
27-Sep-2007	Mine extension for Ranger
03-Sep-2007	Presentation – London roadshow Sept 2007
26-Jul-2007	Presentation – Financial Community – Half Year Results 2007
14-Jun-2007	Presentation – investor visit (GM Ops)
13-Jun-2007	Presentation – investor visit (CE)
08-Jun-2007	ERA earnings outlook
21-May-2007	Rio Tinto uranium seminar (slides)
16-Apr-2007	2007 AGM – Chief Executive's address
16-Apr-2007	2007 AGM – Chairman's address
02-Apr-2007	Weather event – impact on ERA operations
07-Mar-2007	Weather impacts ERA operations
01-Mar-2007	Weather impacts ERA operations
16-Feb-2007	Appointment of Director
01-Feb-2007	ERA Annual Statement of Reserves & Resources 31-12-06
01-Feb-2007	Investor Teleconference Briefing – 01 Feb 2007
01-Feb-2007	ERA Director and Chief Executive changes

Details of these announcements are available at www.energyres.com.au/currentnews

Ten year performance

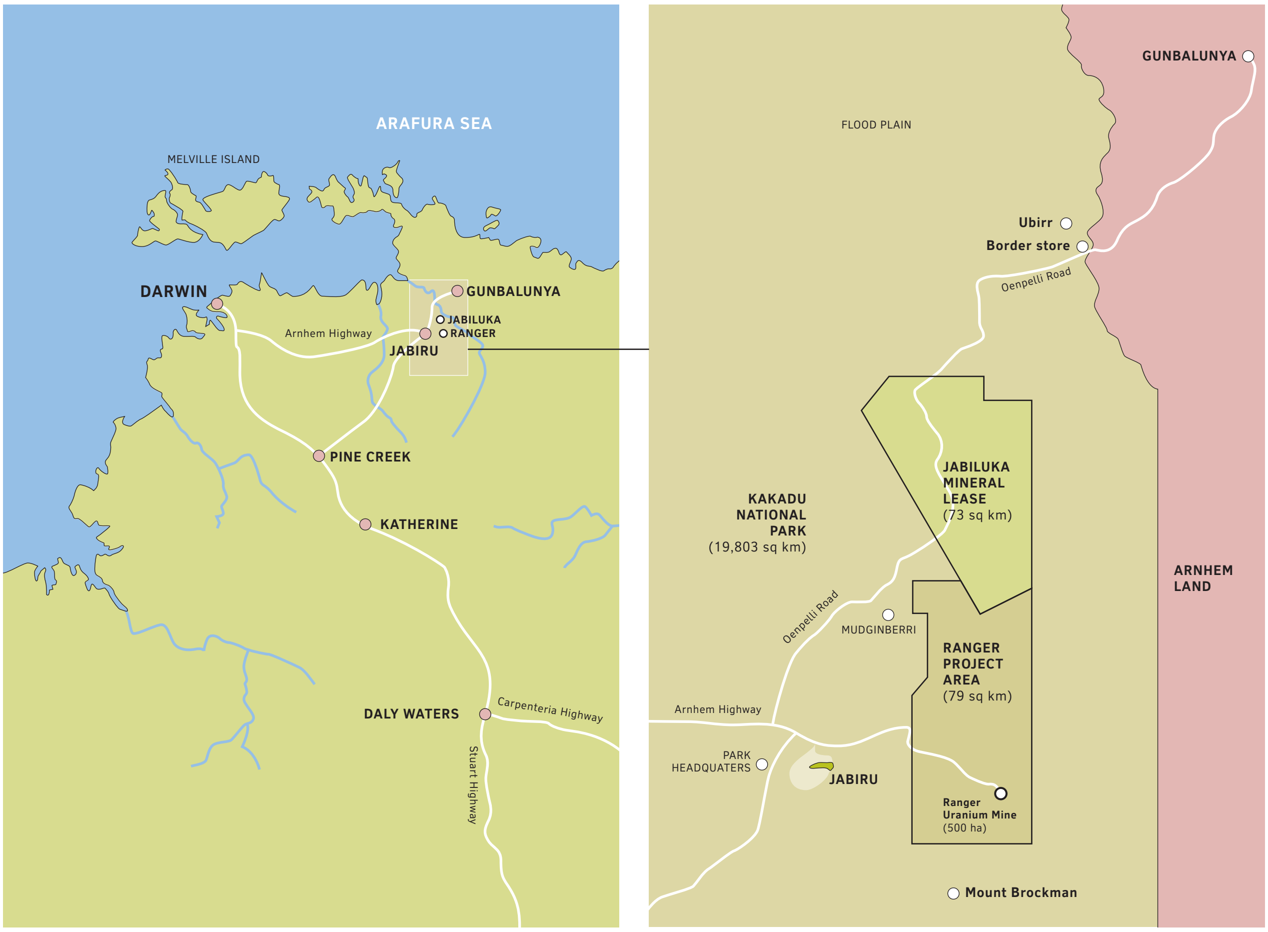
YEAR ENDED 31 DECEMBER	2007	2006	2005	2004#	2003	2002++	2001+	2000	1999	1998
Sales Revenue ($000)	**357,080**	312,698	262,036	236,270	196,216	198,703	232,808	181,847	172,930	201,336
Earnings Before Interest and Tax ($000)	**108,012**	68,745	65,452	42,773	35,298	39,214	36,467	46,312	45,831	48,810
Profit Before Tax ($000)	**98,366**	62,247	59,620	39,239	35,546	36,675	29,652	44,280	43,152	47,617
Income Tax Expense ($000)	**22,277**	18,640	18,554	2,193	15,674	15,490	13,624	9,597	21,254	20,885
Profit After Tax ($000)	**76,089**	43,607	41,066	37,046	19,872	21,185	16,028	34,683	21,898	26,732
Total Assets ($000)	**985,353**	869,350	864,162	862,875	756,327	830,260	810,699	807,966	928,991	907,230
Shareholders' Equity ($000)	**606,021**	552,491	539,764	509,819	614,345	605,917	605,713	604,945	663,723	668,528
Long Term Debt ($000)	**–**	–	–	–	–	–	–	–	–	81,226
Current Ratio	**1.8**	3.6	3.8	5.2	4.0	2.2	1.3	1.0	1.4	3.5
Liquid Ratio	**1.0**	2.1	2.3	3.1	1.9	1.1	0.6	0.3	0.5	1.2
Gearing Ratio (%)	**–**	–	–	–	–	–	–	–	–	10.8
Interest Cover (times)	**7.79**	6.3	6.5	4.7	48.0	14.0	4.7	8.0	13.8	12.8
Return on Shareholders' Equity (%)	**13.1**	8.0	7.6	7.3	3.2	3.5	2.6	5.7	3.3	4.0
Earnings Per Share (cents)	**39.9**	22.9	21.5	19	10	11	8	18	11	14
Dividends Per Share (cents)	**20.0**	17.0	17.0	17.0	11.0	11.0	8.0	49.0	14.0	14.0
Payout Ratio (%)	**28**	74	80	88	106	99	95	270**	122	100
Share Price ($)	**19.5**	20.80	10.02	6.59	3.40	1.71	1.94	2.31	1.70	3.05
Price-Earning Ratio	**48.88**	90.98	47.70	34.7	30.9	15.4	23.1	12.8	14.8	21.8
Dividend Yield (%)	**1.03**	0.82	1.70	2.58	3.24	6.4	4.1	21.2**	8.24	4.6
Net Tangible Assets per Share ($)	**3.20**	2.90	2.80	2.67	3.22	3.18	3.18	3.17	3.48	3.50
No. of Employees	**419**	385	354	273	238	184	231	257	272	255
Profit After Tax per Employee ($000)	**181.6**	113.3	116.0	143.7	83.5	115.1	70.3	134.9	80.5	100.9
Ore Mined (million tonnes)	**2.9**	3.3	2.2	0.8	1.8	0.8	3.2	2.4	2.5	2.3
Ore Milled (million tonnes)	**1.9**	2.0	2.3	2.1	2.1	1.8	2.5	1.5	1.8	1.8
Mill Head Grade (% U_3O_8)	**0.31**	0.26	0.29	0.28	0.28	0.28	0.29	0.30	0.27	0.27
Mill Recovery (%)	**88.2**	87.5	88.3	88.8	88.3	89.7	90.6	91.6	91.1	86.8
Production (tonnes U_3O_8) – Drummed	**5,412**	4,748	5,910	5,137	5,065	4,470	6,564	4,144	4,375	4,162
Sales – Ranger Concentrates (tonnes U_3O_8)	**5,324**	5,760	5,552	5,024	5,241	4,517	5,937	4,511	4,006	4,635
Sales – Other Concentrates (tonnes U_3O_8)	**–**	–	136	581	18	628	408	3	–	293
Sales – Total (tonnes U_3O_8)	**5,324**	5,760	5,688	5,605	5,259	5,145	6,345	4,514	4,006	4,928

\+ *Change of accounting period to 31 December year end (period of 18 months from 1 July 2000 – 31 December 2001)*
++ *Calendar year 1 January – 31 December 2002*
* *Based on reconstructed capital*
** *Based on special dividend*
\# *Restated to comply with AIFRS*

Definition of statistical ratios

Current Ratio	= current assets/current liabilities
Liquid Ratio	= (current assets-inventory-prepayments-foreign exchange hedge asset on borrowings)/ (current liabilities-bank overdraft – foreign exchange hedge liability)
Gearing Ratio	= (long term debt + term creditors)/(shareholders' equity + long term debt + term creditors)
Interest Cover	= earnings before interest and tax/interest expense
Return on Shareholders' Equity	= profit after tax/average shareholders' equity
Earnings per Share	= profit after tax/weighted average number of shares issued
Dividends per Share	= dividends paid/number of shares issued
Payout Ratio	= dividends paid/profit after tax
Price-Earnings Ratio	= price/earnings per share
Dividend Yield	= dividend per share/share price
Net Tangible Assets per Share	= net assets/number of shares issued

Corporate directory



Corporate Headquarters

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Fax 08 8938 1203

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PO Box 39443
Winnellie NT 0821
Tel. 08 8922 5200
Fax 08 8922 5260

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Tel 02 6217 6000

Management

C Salisbury
Chief Executive

C Bateman
Chief Financial Officer and Company Secretary

S Rajapakse
General Manager Operations

Dr A Milnes
General Manager EWLS

D Paterson
General Manager Business Development

G Sinclair
General Manager Technical

C Ritchie
Company Secretary

Auditor

PricewaterhouseCoopers

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