

Results for announcement to the market

Appendix 4E

Energy Resources of Australia Ltd

ABN 71 008 550 865

ASX Preliminary final report – 31 December 2010

Lodged with the ASX under Listing Rule 4.3A

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Energy Resources of Australia Ltd
Year ended 31 December 2010
(Previous corresponding period:
Year ended 31 December 2009)

Results for announcement to the market

				2010	2009
				\$000	\$000
Revenue from sales of uranium	down	26%	to	572,036	767,825
Revenue from continuing operations	down	25%	to	585,957	780,643
Profit/(loss) from continuing operations after tax attributable to members	down	83%	to	47,004	272,574
Net profit/(loss) for the period attributable to members	down	83%	to	47,004	272,574
EPS (cents)	down	83%	to	24.6	142.9
Underlying earnings	down	81%	to	52,798	272,574

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

Reconciliation of net earnings to underlying earnings

All after tax figures in \$ million

	2010	2009
Profit for the year	47,004	272,574
One-off charge for the write-off of trial water treatment process	(5,794)	-
Underlying earnings	52,798	272,574

Review of operations

Energy Resources of Australia Ltd's (**ERA**) net profit after tax for the year ended 31 December 2010 was \$47 million, down from a record of \$273 million in 2009. Earnings before interest and tax (**EBIT**) were \$48 million (2009: \$375 million).

In 2010, underlying earnings excluded a one-off charge related to the write-off of previously capitalised expenditure for a trial water treatment process project, which was discontinued after the results of the trial did not meet the expected performance. In 2009, underlying earnings were the same as net profit after tax.

Sales of uranium oxide for the year were 5,026 tonnes (2009: 5,497 tonnes). Revenue from the sale of uranium oxide for the year was \$572 million; a decrease of \$196 million when compared with a record of \$768 million in 2009. The decrease in sales revenues from uranium oxide was due to lower sales volumes resulting from reduced production, as well as a lower average realised sales price of uranium oxide and the strengthening of the Australian dollar against the US dollar.

Results for announcement to the market

Sales of uranium oxide are denominated in US dollars causing revenue from sales to be exposed to movements in the Australian currency. ERA does not conduct hedging activities to mitigate this impact. The average realised sale price of uranium oxide was US\$48.16 per pound in 2010 (2009: US\$50.84 per pound). The lower average realised sales price of uranium oxide for the year was largely due to a decline in the global long term market price indicator relative to 2009. This decline adversely affected ERA's contract price portfolio.

Purchased materials and consumables costs rose substantially due to the necessity to purchase uranium oxide to meet sales commitments. In 2010, due to lower than planned production, ERA purchased a total of 925 tonnes of uranium oxide, of which 653 tonnes related to 2010 sales commitments.

Employee and contractor costs increased primarily due to additional expenditure related to projects. This expenditure included further studies on process water treatment options, the Ranger Heap Leach Facility Project and accommodation facility options.

Royalties costs declined due to reduced sales volume of Ranger production. Royalties on purchased material are not payable by ERA.

Other expenses were adversely impacted by the one-off charge for the write-off of the trial water treatment process project.

Uranium oxide production in 2010 was 3,793 tonnes (2009: 5,240 tonnes). Mining operations were severely hampered in the course of the year, due to an above average wet season which limited access to higher grade ore and geotechnical problems experienced with the south wall of the pit. Although, plant performance was strong in 2010 with a record volume of ore treated, the lower mill head grade due to the abovementioned mining difficulties resulted in lower uranium oxide production.

Capital spending increased in 2010 to \$45 million (2009: \$37 million), with projects completed including ERA's investment in further water management infrastructure, calciner replacement and deferred stripping related to the south wall of the pit.

Exploration and Evaluation

Work has continued on the feasibility study for the proposed heap leach facility at the Ranger mine. Preparation of ERA's draft Environmental Impact Statement (**EIS**) for the proposed heap leach facility is continuing. The draft EIS will be submitted for public notification and comment in the first half of 2011.

The study for the development of an exploration decline to conduct close spaced underground exploration drilling of the Ranger 3 Deeps resource has been completed. A proposal to develop the exploration decline is in the final stages of ERA's approval process with a final decision expected in the second quarter of 2011.

Total evaluation expenditure was \$33 million in 2010 (2009: \$25 million).

In 2010, exploration activities focused on targets within the immediate surrounds of the Ranger operations. Total expenditure on exploration for 2010 was \$5 million (2009:\$5 million).

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Dividends

In view of the uncertainty surrounding ERA's production in the first half of 2011, ERA Directors have decided that a final dividend for 2010 will not be paid (2009 final: 25 cents per share).

An interim dividend of 8 cents per share (2009: 14 cents) was paid on 27 August 2010 bringing the total dividends payable to shareholders for the 2010 year to 8 cents per share, fully franked (2009: 39 cents per share).

Outlook

The longer term outlook for the global uranium industry remains robust. There continues to be sustained government and public interest around the world in nuclear energy as an element of national energy portfolios in a carbon constrained environment. Although some softening of both the spot and long term price was seen during 2010, prices have risen towards the end of the year with strong demand expected especially from Asian markets.

The La Niña weather pattern, which has brought extensive flooding to the eastern states of Australia, has also brought significantly higher than average rainfall to Ranger Mine since October 2010. In response to the higher than average wet season to date, ERA today announced the orderly suspension of plant processing operations for a period of 12 weeks. This action is a precautionary measure to ensure that water levels in the Tailings Storage Facility remain below the authorised operating limit throughout the remainder of the wet season. Details of the suspension can be found in a separate announcement released to the Australian Securities Exchange (**ASX**).

As a consequence of the processing suspension, ERA's 2011 production of uranium oxide is expected to be at a similar level to 2010, however, actual production will depend on the actual level of rainfall for the remainder of the wet season. As a result, further guidance on the outlook for 2011 production will be given with the March 2011 Quarter Operations Review. At this time, ERA believes that the adverse impact on production caused by this suspension can be managed by way of inventory management, product swaps and loans. ERA does not presently anticipate that it will need to purchase any material on the spot market as a consequence of this suspension. During this period, ERA will bring forward major maintenance work in the plant to help ensure increased on-going plant availability.

ERA expects sales of uranium oxide in 2011 to be approximately 4,500 tonnes, with sales deliveries continuing to be weighted towards the second half of the year. The 2011 average realised price achieved for sales of uranium oxide is expected to be above 2009 prices, due to the completion of a large volume and lower priced legacy contract in 2010. The average realised price achieved will be subject to the precise timing of sales deliveries during the period and movements in the long term and short term market prices for uranium oxide.

In 2011, approximately 450 tonnes of sales will be supplied by already arranged purchases from the spot market, which was necessary due to timing of production in 2010 and long product shipment lead time. A large portion of these purchases was executed in 2010 and held in inventory at year end. Contractual agreements related to the remaining purchases have already been executed.

Energy Resources of Australia Ltd
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Preliminary consolidated statement of comprehensive income

	2010 \$000	2009 \$000
Revenue from continuing operations	585,957	780,643
Changes in inventories	31,529	51,491
Purchased materials and consumables used	(210,194)	(120,013)
Employee benefits and contractor expenses	(211,148)	(179,331)
Government and other royalties	(25,873)	(41,650)
Commission and shipping expenses	(10,778)	(13,936)
Depreciation and amortisation expenses	(60,748)	(66,602)
Financing costs	(15,709)	(11,191)
Statutory and corporate expense	(11,972)	(14,238)
Other expenses	(11,637)	(3,120)
Profit before income tax	59,427	382,053
Income tax expense	(12,423)	(109,479)
Profit for the year	47,004	272,574
Other comprehensive income		
Changes in the fair value of cash flow hedges	-	(1,705)
Income tax related to components of other comprehensive income	-	512
Other comprehensive income for the year, net of tax	-	(1,193)
Total comprehensive income for the year	47,004	271,381
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	47,004	272,574
Total comprehensive income for the year is attributable to:		
Owners of Energy Resources of Australia Ltd	47,004	271,381

Energy Resources of Australia Ltd
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Preliminary consolidated balance sheet

	2010 \$000	2009 \$000
Current assets		
Cash and cash equivalents	187,670	253,672
Trade and other receivables	72,850	60,049
Current tax assets	12,704	-
Inventories	138,552	134,376
Other	579	921
Total current assets	412,355	449,018
Non-current assets		
Inventories	212,118	182,786
Undeveloped properties	203,632	203,632
Property, plant and equipment	539,477	470,425
Investment in trust fund	55,814	53,270
Total non-current assets	1,011,041	910,113
Total assets	1,423,396	1,359,131
Current liabilities		
Payables	94,072	68,888
Current tax liabilities	-	52,248
Provisions	27,672	24,279
Total current liabilities	121,744	145,415
Non-current liabilities		
Deferred tax liabilities	50,926	48,429
Provisions	299,650	198,713
Total non-current liabilities	350,576	247,142
Total liabilities	472,320	392,557
Net assets	951,076	966,574
Equity		
Share capital	214,585	214,585
Reserves	391,300	390,859
Retained profits	345,191	361,130
Total equity	951,076	966,574

Energy Resources of Australia Ltd
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Preliminary consolidated statement of changes in equity

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2009	214,585	390,934	153,407	758,926
Total comprehensive income for the year	-	(1,193)	272,574	271,381
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(64,851)	(64,851)
Employee share options - value of employee services	-	1,118	-	1,118
	-	1,118	(64,851)	(63,733)
Balance at 31 December 2009	214,585	390,859	361,130	966,574
Total comprehensive income for the year	-	-	47,004	47,004
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(62,943)	(62,943)
Employee share options - value of employee services	-	441	-	441
	-	441	(62,943)	(62,502)
Balance at 31 December 2010	214,585	391,300	345,191	951,076

Energy Resources of Australia Ltd
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Preliminary consolidated statement of cash flows

	2010 \$000	2009 \$000
	inflows/ (outflows)	inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers	589,890	802,988
Payments to suppliers and employees	(476,085)	(422,017)
Payment for exploration	(4,449)	(5,189)
	<u>109,356</u>	<u>375,782</u>
Interest received	9,386	6,048
Borrowing costs paid	(1,742)	(1,301)
Income taxes paid	(74,877)	(131,731)
Net cash inflow from operating activities	<u>42,123</u>	<u>248,798</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(44,951)	(37,076)
Proceeds from sale of property, plant and equipment	74	105
Net cash outflow from investing activities	<u>(44,877)</u>	<u>(36,971)</u>
Cash flows from financing activities		
Employee share option payments	(286)	(191)
Dividends paid	(62,943)	(64,851)
Net cash outflow from financing activities	<u>(63,229)</u>	<u>(65,042)</u>
Net (decrease)/increase in cash held	(65,983)	146,785
Cash at the beginning of the financial year	253,672	106,894
Effects of exchange rate changes on cash	(19)	(7)
Cash at the end of the financial year	<u>187,670</u>	<u>253,672</u>

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Additional information for announcement to the market

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 31 December 2010 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security
19 February 2010	05 March 2010	Final	25.0 cents	\$47.684 m	25.0 cents
13 August 2010	27 August 2010	Interim	8.0 cents	\$15.259 m	8.0 cents

Retained earnings

	2010 \$'000	2009 \$'000
Retained earnings at the beginning of the financial year	361,130	153,407
Net profit attributable to members of Energy Resources of Australia	47,004	272,574
Dividends provided for or paid	(62,943)	(64,851)
Retained profits at the end of the financial year	<u>345,191</u>	<u>361,130</u>

Net Tangible Asset Backing

	2010	2009
Net tangible asset backing per ordinary share	5.0	5.1

Audit

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