

## ASX Interim report – 30 June 2012

Lodged with the ASX under Listing Rule 4.2A  
This information should be read in conjunction with the  
31 December 2011 financial report.

### Contents

Directors' Report	2
Results for Announcement to the Market	2
Auditors' Independence Declaration	7
Consolidated Statement of Comprehensive Income	8
Consolidated Balance Sheet	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors Declaration	16
Independent Review Report	17

## Directors' Report

for the half-year ended 30 June 2012

The Directors of Energy Resources of Australia Ltd ('ERA') present their report together with the consolidated financial report of the consolidated entity, being the company and its controlled entity, for the half-year ended 30 June 2012.

### Directors

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

<b>Name</b>	<b>Period of Directorship</b>
Dr D Klingner Chairman	Appointed Director July 2004 Appointed Chairman January 2005
Mr R Atkinson	Appointed Chief Executive and Director September 2008
Mr M Coulter	Appointed June 2010
Dr H Garnett	Appointed January 2005
Mr J Pegler	Appointed July 2009
Mr P Taylor	Appointed February 2007

### Results for announcement to the market

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

				<b>June 2012</b>	<b>June 2011</b>
				<b>\$000</b>	<b>\$000</b>
<b>Revenue</b> from sales of uranium oxide	<b>Down</b>	37%	to	147,999	235,564
<b>Revenue</b> from ordinary activities	<b>Down</b>	33%	to	163,166	244,895
Earnings Before Interest, Tax, Depreciation & Amortisation	<b>Up</b>	101%	to	1,216	(166,740)
<b>Profit / (loss)</b> from ordinary activities after tax attributable to members	<b>Up</b>	51%	to	(59,868)	(121,746)
<b>Net profit / (loss)</b> for the period attributable to members	<b>Up</b>	51%	to	(59,868)	(121,746)
<b>Underlying Earnings</b> <sup>1</sup>	<b>Down</b>	131%	to	(51,504)	(22,303)
<b>Earnings per share</b> (cents)				(11.6)	(23.5)

#### Note:

##### 1. Reconciliation of net loss for the period to underlying earnings

Net profit / (loss) for the period attributable to members	(59,868)	(121,746)
Finished Goods Inventory Adjustment to Net Realisable Value	8,364	-
Low Grade Inventory Adjustment	-	99,443
Underlying Earnings	<u>(51,504)</u>	<u>(22,303)</u>

## **Directors' Report**

*for the half-year ended 30 June 2012*

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

### **Review of operations**

ERA's underlying earnings for the half-year ended 30 June 2012 was a loss of \$51.5 million compared with a loss of \$22.3 million for the same period in 2011. Underlying earnings differed from the net loss due to an adjustment to record finished goods inventory at its net realisable value. This adjustment is discussed in further detail below. In 2011, underlying earnings differed from the net loss by the non-cash cost adjustment to low grade stockpiles not expected to be processed.

Earnings before interest, taxation, depreciation and amortisation were \$1.2 million for the June 2012 half-year, compared with a loss of \$166.7 million for the June 2011 half-year period.

Revenues from sales of uranium oxide decreased to \$148.0 million from \$235.6 million in the June 2011 half-year, due to lower sales volume, lower average realised sales price and higher A\$:US\$ exchange rate. Sales volume was lower for the period at 1,229 tonnes compared with the June 2011 half-year of 1,825 tonnes. As in previous years, 2012 sales are heavily weighted towards the second half of the year.

The average realised sales price of uranium oxide for the June 2012 half-year was US\$57.57 per pound compared with US\$60.82 per pound for the corresponding period in 2011. This change is largely attributable to a decrease in the long term uranium price indicators. For the 2012 half-year, the average long term uranium price indicator for uranium oxide was US\$60.67 per pound and the average spot price was US\$51.53 per pound, compared to \$US69.67 per pound and \$US63.59 per pound respectively for the same period in 2011.

As sales of uranium oxide are denominated in US dollars, the strengthening Australian dollar also impacted revenue from sales. The average A\$:US\$ exchange rate for the first half of 2012 was US105.4 cents compared to US103.9 cents in the June 2011 half-year.

Uranium oxide produced for the period was 1,244 tonnes compared with 601 tonnes for the June 2011 half-year. Production of uranium oxide in 2011 was significantly impacted by the suspension of processing operations from 28 January 2011 to 15 June 2011 as a result of the extreme rainfall at the Ranger mine over the 2010/2011 wet season.

Plant performance has continued strongly in the June 2012 half-year with operations optimised for the processing of low grade stockpiled material. Optimisation focused on balancing milling rates and recoveries with ore characteristics and process reagents. Whilst this adversely impacted mill recovery in the June 2012 half-year, it yielded an increase in the operating margin. These techniques will be utilised further when all available high grade reserves have been milled.

Material mined for the June 2012 half-year was significantly higher than the corresponding period of 2011. In the June 2012 half-year, mining activity primarily focused on the stockpiles as in-pit mining was restricted due to the water levels in Pit 3. Following the end of the 2011/2012 wet season, dewatering operations proceeded ahead of schedule with full mining access to Pit 3 obtained in late May 2012. Since that time, the productivity of the mining fleet has been high with the majority of the ore mined for the June 2012 Quarter having been produced during the month of June 2012. At this time, ERA expects to complete mining in Pit 3 by the end of 2012.

Cash costs for the 2012 half-year were marginally lower than the corresponding period in 2011. Higher raw material usage was offset by reduced purchases of uranium oxide and lower contractor usage.

The June 2012 half-year saw high levels of plant utilisation compared to the corresponding period in 2011, which was significantly affected by the suspension of processing plant operations from 28 January 2011 to 15 June 2011. The high plant utilisation in the June 2012 half-year resulted in the use of significantly higher volumes of major consumables, including sulphuric acid, lime and diesel compared to the same period in 2011.

## **Directors' Report**

*for the half-year ended 30 June 2012*

During the June 2012 half year period, ERA purchased 387 tonnes of uranium oxide, at a cost of \$43.3 million, to meet its 2012 sales schedule. This resulted from the record December 2011 rainfall that prevented ERA from fully dewatering Pit 3 and accessing the high grade ore located at the bottom of the pit. In the June 2011 half-year, ERA purchased 405 tonnes of uranium oxide, at a cost of \$47.8 million.

Employee benefits and contractor expenses for the June 2012 half-year are below those in the June 2011 half-year, primarily due to reduced maintenance activity in 2012. During the suspension of processing operations in the June 2011 half-year, ERA undertook a comprehensive planned maintenance programme.

As previously foreshadowed, ERA's non-cash costs have increased significantly in the June 2012 half-year. Financing costs have increased as a result of the unwinding of the discount associated with the rehabilitation provision, which was significantly increased in June 2011. Depreciation, which is largely calculated on an units of production basis, has significantly increased due to the reduced Ranger Ore Reserves following the adjustment announced in August 2011, the increase in the value of property, plant and equipment (predominately driven by the increase in the non-current asset associated with the rehabilitation provision) and the significantly higher production levels in the June 2012 half-year when compared to the corresponding period in 2011.

At 30 June 2012, a \$12 million (pre-tax) adjustment was made to finished goods inventory to record it at its net realisable value. This was due to the increased non-cash costs and modest June 2012 half-year production, which drove the total unit cost of inventory above the expected sales price. Based on the current 2012 forecast production, the total unit cost of inventory is expected to drop below the anticipated sales price in the next period.

### **Exploration**

ERA resumed its exploration program on the Ranger Project Area during the second quarter of 2012 following the 2011/2012 wet season. Exploration drilling activities in the June 2012 half-year were limited as the 2011/2012 wet season restricted access to the target areas on the Ranger Project Area.

Exploration expenditure for the June 2012 half-year was \$15 million, comprising \$10 million for the Ranger 3 Deeps exploration decline and \$5 million on surface exploration activities. This compares to exploration expenditure of \$1 million in the corresponding period in 2011.

In late May 2012, ERA recommenced drilling on targets in close proximity to Pit 3. To date, no significant mineralisation has been identified. During the second half of the year, drilling will be focused on target areas in the north of the Ranger Project Area.

### **Ranger 3 Deeps Exploration Decline**

On 1 May 2012, ERA commenced construction of the Ranger 3 Deeps exploration decline at the Ranger mine. Construction continues to progress with excavation of the boxcut scheduled for completion by the end of July 2012. Work on the decline is scheduled to commence in November 2012 with ERA targeting completion of the first 100 metres of the decline by the end of 2012. The project remains on schedule and within budget.

ERA has engaged Macmahon Holdings Limited to construct the 2,200 metre decline to a depth of approximately 400 metres.

ERA will invest an estimated \$120 million in the Ranger 3 Deeps exploration decline project to conduct close spaced underground exploration drilling to further define the Ranger 3 Deeps ore body, and to explore areas adjacent to the resource.

## **Directors' Report**

*for the half-year ended 30 June 2012*

### **Ranger 3 Deeps Mine Prefeasibility Study**

On 14 June 2012, the ERA Board approved the Ranger 3 Deeps mine prefeasibility study at an estimated cost of \$57 million. This study will evaluate and confirm the scope for a possible Ranger 3 Deeps underground mine. It will also include 16,000 metres of drilling for resource definition (in addition to the 35,000 metres of drilling approved as part of the Ranger 3 Deeps exploration decline project), a 1,600 metre extension of the decline and the installation of a ventilation shaft.

### **Brine Concentrator**

On 1 February 2012, the ERA Board approved the design, construction and commissioning of a brine concentrator at the Ranger mine with the nominal capacity to treat 1.83 gigalitres per annum of process water. The estimated total capital expenditure for the Brine Concentrator project is \$220 million, which includes an amount of \$65 million for the procurement of long lead time items previously approved by the Board.

ERA has entered into a contract with HPD LLC, a subsidiary of Veolia Water Solutions and Technologies, for the design and supply of the brine concentrator units.

Site preparation works are well underway with the successful completion of the demolition of the acid plant. All components of the brine concentrator units are expected to arrive in the Northern Territory by the end of 2012 with the facility planned to be fully commissioned in the second half of 2013.

The construction of the project remains on schedule and within budget.

### **Dividends**

In light of the financial results and the forecast cashflow requirements for the implementation of ERA's strategic initiatives, the ERA directors have decided not to declare an interim dividend in respect of the 2012 half-year (2011:Nil).

No final dividend was paid in respect to the 2011 financial year.

### **Outlook**

In the short term, the uranium market remains challenging with utilities well supplied and post Fukushima uncertainty remaining in the Japanese market. To date, two reactors have been re-started in Japan with the possibility of several others restarting later in the year. However, despite this positive news, the spot market remains stable in the low US\$50s per pound of uranium oxide, with little activity and low volatility. Long term prices remain in the low US\$60s per pound of uranium oxide with minimal activity.

The longer term outlook remains encouraging for established producers. Demand in China continues to grow with 26 reactors currently under construction. Despite some slower growth in the medium term as China transitions to an increased reliance on improved nuclear power generation technology, it is expected that the country will be one of the largest uranium consumers within the decade. Also, given the low spot prices over the last year, some supply side reductions are beginning to be seen. Existing primary supply is forecast to be just over half of expected demand in 2020. ERA is well positioned for a stronger market in the mid term if the Ranger 3 Deeps mine is developed.

As previously announced, ERA expects its 2012 production of uranium oxide to be between 3,200 and 3,700 tonnes. At this time, ERA expects to complete mining in Pit 3 by the end of 2012. In line with a previous announcement, ERA will purchase approximately 500 tonnes of uranium oxide in 2012 for inventory management. ERA purchased 387 tonnes of uranium oxide in the June 2012 half-year and has finalised arrangements for the purchase of the remainder.

Sales of uranium oxide in 2012 are expected to be broadly in line with production. In addition, subject to Quarter 1 2013 sales commitments, ERA expects to fully repay all uranium oxide loans contracted over the last two years by the end of 2012.

## **Directors' Report**

*for the half-year ended 30 June 2012*

### **Rounding of Amounts**

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

### **Auditors' independence declaration**

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

Signed at Darwin this 26th day of July 2012 in accordance with a resolution of the directors.



Dr D Klingner  
Chairman



## **Auditor's Independence Declaration**

As lead auditor for the review of Energy Resources of Australia Ltd for the half-year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'John O'Donoghue', is written over a faint, dotted signature line.

John O'Donoghue  
Partner  
PricewaterhouseCoopers

Melbourne  
26 July 2012

**Energy Resources of Australia Ltd**  
**Consolidated Statement of Comprehensive Income**  
**For the half-year ended 30 June 2012**

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
<b>Revenue from continuing operations</b>	3	<b>163,166</b>	244,895
Changes in inventories		81,814	(174,054)
Purchased materials (uranium oxide)		(43,295)	(47,765)
Materials and consumables used		(57,508)	(43,661)
Employee benefits and contractor expense		(99,428)	(111,304)
Government and other royalties		(6,160)	(6,960)
Commission and shipping expenses		(2,956)	(1,949)
Depreciation and amortisation expenses		(89,765)	(17,277)
Financing costs		(14,072)	(10,798)
Statutory and corporate expenses		(6,341)	(5,791)
Other expenses		(1,591)	(3,180)
<b>Profit/(loss) before income tax</b>		<b>(76,136)</b>	(177,844)
Income tax benefit/(expense)		16,268	56,098
<b>Profit/(loss) for the half-year</b>		<b>(59,868)</b>	(121,746)
<b>Other comprehensive income for the half-year, net of tax</b>		-	-
<b>Total comprehensive income for the half-year</b>		<b>(59,868)</b>	(121,746)
Profit/(loss) is attributable to:			
Owners of Energy Resources of Australia Ltd		(59,868)	(121,746)
		<u>(59,868)</u>	<u>(121,746)</u>
Total comprehensive income for the half-year is attributable to:			
Owners of Energy Resources of Australia Ltd		(59,868)	(121,746)
		<u>(59,868)</u>	<u>(121,746)</u>
		<b>Cents</b>	Cents
<b>Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share	7	(11.6)	(23.5)
Diluted earnings per share	7	(11.6)	(23.5)

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



**Energy Resources of Australia Ltd**  
**Consolidated Balance Sheet**  
**As at 30 June 2012**

	Notes	30 June 2012 \$'000	31 Dec 2011 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		562,785	632,584
Trade and other receivables		27,124	67,200
Current tax asset		15	3,698
Inventories	4	201,325	126,049
Other		3,302	381
<b>Total current assets</b>		<b>794,551</b>	<b>829,912</b>
<b>Non-current assets</b>			
Inventories	4	120,620	112,801
Undeveloped properties		203,632	203,632
Property, plant and equipment		720,631	741,254
Deferred tax assets		18,416	2,154
Investment in trust fund		61,324	59,219
<b>Total non-current assets</b>		<b>1,124,623</b>	<b>1,119,060</b>
<b>Total assets</b>		<b>1,919,174</b>	<b>1,948,972</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		84,937	80,238
Provisions	5	36,993	37,019
<b>Total current liabilities</b>		<b>121,930</b>	<b>117,257</b>
<b>Non-current liabilities</b>			
Provisions	5	568,576	543,179
<b>Total non-current liabilities</b>		<b>568,576</b>	<b>543,179</b>
<b>Total liabilities</b>		<b>690,506</b>	<b>660,436</b>
<b>Net assets</b>		<b>1,228,668</b>	<b>1,288,536</b>
<b>EQUITY</b>			
Contributed equity		706,485	706,485
Reserves		390,459	390,459
Retained profits		131,724	191,592
<b>Total equity</b>		<b>1,228,668</b>	<b>1,288,536</b>

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

**Energy Resources of Australia Ltd**  
**Consolidated Statement of Changes in Equity**  
**For the half-year ended 30 June 2012**

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 January 2012</b>	706,485	390,459	191,592	1,288,536
Profit/(Loss) for the half-year	-	-	(59,868)	(59,868)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	(59,868)	(59,868)
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	-	-	-	-
<b>Balance at 30 June 2012</b>	706,485	390,459	131,724	1,228,668
<b>Balance at 1 January 2011</b>	214,585	391,300	345,191	951,076
Profit/(Loss) for the half-year	-	-	(121,746)	(121,746)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the half-year</b>	-	-	(121,746)	(121,746)
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	-	-	-	-
<b>Balance at 30 June 2011</b>	214,585	391,300	223,445	829,330

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

**Energy Resources of Australia Ltd**  
**Consolidated Statement of Cash Flows**  
**For the half-year ended 30 June 2012**

	Half-year ended	
	30 June 2012 \$'000	30 June 2011 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	215,170	282,452
Payments to suppliers and employees (inclusive of goods and services tax)	(232,162)	(272,707)
Payments for exploration	(14,490)	(965)
	<u>(31,482)</u>	8,780
Interest received	11,883	3,802
Financing costs paid	(2,118)	(841)
Income taxes refunded	3,688	15,585
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(18,029)</u>	27,326
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(51,785)	(29,982)
Proceeds from sale of property, plant and equipment	16	69
<b>Net cash outflow from investing activities</b>	<u>(51,769)</u>	(29,913)
<b>Cash flows from financing activities</b>		
Dividend payments	-	-
<b>Net cash outflow from financing activities</b>	<u>-</u>	-
<b>Net decrease in cash and cash equivalents</b>	<u>(69,798)</u>	(2,587)
Cash and cash equivalents at the beginning of the half-year	632,584	187,670
Effects of exchange rate changes on cash and cash equivalents	(1)	(18)
<b>Cash and cash equivalents at end of the half-year</b>	<u>562,785</u>	185,065

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

## 1 Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Energy Resources of Australia Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

## 2 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the 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.

### Rehabilitation provision

The calculation of the rehabilitation provision relies on estimates of cost and their timing required to rehabilitate and restore disturbed land to original condition.

The costs are estimated on the basis of a closure model, taking into account considerations of the technical closure options available to meet ERA's obligations. The cost estimates are reviewed annually during the life of the operation to reflect known developments.

Site rehabilitation studies are ongoing, with ERA undertaking detailed studies, which will be completed by the end of 2012, to further refine its understanding of the capital and operating costs involved in full rehabilitation of the Ranger Project Area. The ultimate cost of rehabilitation is uncertain and can vary in response to many factors such as legal requirements, technological change and experience at other operations. To the extent that ERA's future estimates of the rehabilitation costs are different to those currently estimated, ERA will adjust the provision for rehabilitation costs to reflect additional knowledge obtained.

### Taxation

ERA has recognised certain deferred tax assets for deductible temporary differences and recoverable losses carried forward. In recognising these deferred tax assets, assumptions have been made regarding ERA's ability to generate future taxable profits.

Judgment is required in regard to the application of income tax legislation. There is an inherent risk and uncertainty in applying these judgments and a possibility that changes in legislation will impact the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

### Asset carrying values

At the end of each reporting period, ERA assesses whether there are any indications that the company's cash generating units ('CGU') may be impaired. This requires judgment in analysing possible impacts caused by factors such as weather, traditional owner relationships, operating and capital estimates, Australian Securities Exchange market capitalisation, price of uranium oxide and foreign exchange movements and forecasts. At 30 June 2012, ERA assessed possible causes of impairment and concluded that there were no factors that indicated that the company's CGUs may be impaired. In 2011, ERA conducted detailed impairment reviews on both the Ranger CGU and Jabiluka CGU which concluded that the recoverable amounts exceeded the carrying values and that no impairment had occurred.

In assessing recoverable amounts, ERA makes estimates and assumptions which are subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. ERA assesses the recoverable amount based on the greater of fair value less costs to sell or value in use. The fair value less costs to sell has been determined based on discounted cash flow modelling of a set of probability weighted strategic outcomes.

The recoverable amount is sensitive to key assumptions including: uranium price, Australian/US dollar exchange rate, discount rate and exploration and development potential. A high probability has been assigned to the development of a Ranger 3 Deeps mine following the successful completion of the exploration decline. Should this not occur, it is likely that the Ranger CGU would face impairment.

If the carrying values of the assets are assessed to be impaired, the impairment would be charged against the income statement.

**Inventory net realisable value**

Inventories are carried at the lower of cost or net realisable value in accordance with AASB102 *Inventories*.

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

**3 Segment information**

**Description of Segment**

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

The Chief Executive considers the business from a product prospective and has identified only one reportable segment in the half-year ended 30 June 2012, being the mining, processing and selling of uranium. There are no other unallocated operations.

**Segment Revenue**

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

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

The consolidated entity is domiciled in Australia. The result of its revenue from external customers is outlined in the table below:

	<b>Half-year ended</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Sales to external customers</b>		
Asia	19,212	56,841
United States	107,904	151,444
Europe	20,883	27,279
Total Sale of Goods	147,999	235,564
Other revenue	15,167	9,331
Total revenue from continuing operations	163,166	244,895

#### 4 Inventories

	30 Jun 2012 \$'000	31 Dec 2011 \$'000
<b>(a) Inventories – current</b>		
Stores & spares	25,065	23,783
Ore stockpiles at cost	39,783	34,993
Work in progress at cost	2,956	3,213
Finished product U <sub>3</sub> O <sub>8</sub> at cost	-	64,060
Finished product U <sub>3</sub> O <sub>8</sub> at net realisable value	133,521	-
Total current Inventory	201,325	126,049

#### (b) Inventories – non-current

Ore stockpiles at cost	120,620	112,801
------------------------	---------	---------

At 30 June 2012, a \$12 million (pre-tax) adjustment was made to finished goods inventory to record it at its net realisable value. This was due to the increased non-cash costs and modest June 2012 half-year production, which drove the total unit cost of inventory above the expected sales price. The net realisable value adjustment has been included in 'Changes in inventories' in the statement of comprehensive income.

During 2011, it was determined that 11.8 million tonnes of low grade stockpiled ore is unlikely to be processed and has been transferred from ore reserves to mineral resources in the company's statement of ore reserves and mineral resources. This resulted in an expense of \$142 million. The expense was included in 'Changes in inventories' in the statement of comprehensive income.

#### 5 Provisions

	30 Jun 2012 \$'000	31 Dec 2011 \$'000
<b>(a) Provisions - current</b>		
Employee benefits	11,865	11,891
Rehabilitation	25,128	25,128
Total current provisions	36,993	37,019
<b>Movement in rehabilitation provisions</b>		
Carrying value at the start of the year	25,128	
Payments	(3,544)	
Transfers from non-current provisions	3,544	
Carrying amount at the end of the half-year	25,128	

	30 Jun 2012 \$'000	31 Dec 2011 \$'000
<b>(b) Provisions – non-current</b>		
Employee benefits	3,934	3,022
Rehabilitation	564,642	540,157
Total current provisions	568,576	543,179
<b>Movement in rehabilitation provision</b>		
Carrying value at the start of the year	540,157	
Change in estimate	-	
Unwind of discount	11,955	
Additional provision recognised	16,074	
Transfers to current provision	(3,544)	
Carrying amount at the end of the half-year	564,642	

## 6. Contingencies

### Legal actions against ERA

Unresolved legal action commenced (in 1999) by the Mirarr Traditional Owners in the Federal Court against the former Federal Minister for Resources and ERA, claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative, is dormant. Should ERA proceed with the Jabiluka Mill Alternative, notice will be given to the applicant who may or may not wish to pursue the argument further.

No material losses are anticipated in respect of this legal dispute.

## 7. Earnings per share

	Half-year ended	
	2012	2011
	Cents	Cents
Basic earnings per share	(11.6)	(23.5)
Diluted earnings per share	(11.6)	(23.5)

Weighted average number of ordinary shares on issue used in the calculation basic earnings per share. 2012: 517,725,062; (2011: 517,725,062). ERA has retrospectively adjusted the prior half-year earnings per share to reflect the accelerated renounceable entitlement offer conducted in October and November 2011.

## 8. Events occurring after the reporting period

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

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Energy Resources of Australia Ltd will be able to pay its debts as and when they become due and payable

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



Dr D Klingner  
**Chairman**  
Darwin  
26 July, 2012





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

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Energy Resources of Australia Ltd, which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Energy Resources of Australia Ltd Group (the consolidated entity). The consolidated entity comprises both Energy Resources of Australia Ltd (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Energy Resources of Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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



*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'John O'Donoghue', written in a cursive style.

John O'Donoghue  
Partner

Melbourne  
26 July 2012