Results for announcement to the market

Appendix 4E
Energy Resources of Australia Ltd

ABN 71 008 550 865
ASX Preliminary final report – 31 December 2015
Lodged with the ASX under Listing Rule 4.3A

Contents

Results for announcement to the market

	Change	2015 $000	2014 $000
Revenue from sales of uranium	-12%	332,669	378,955
Revenue from continuing operations	-13%	348,260	401,798
Profit/(loss) from continuing operations after tax attributable to members	-47%	(275,493)	(187,800)
Net profit/(loss) for the period attributable to members	-47%	(275,493)	(187,800)
Net Cash flow from operating activities	+257%	84,594	(53,991)
Earnings before Interest, Tax, Depreciation & Amortisation	+114%	23,641	(164,297)
EPS (cents)	-47%	(53.2)	(36.3)
Underlying earnings	-58%	(244,273)	(154,476)

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	**2015**	**2014**
Profit/(Loss) for the year	(275,493)	(187,800)
Inventory Adjustment to Net Realisable Value	**31,220**	33,324
Underlying earnings	**(244,273)**	**(154,476)**

Review of Operations

Energy Resources of Australia Ltd's (**ERA**) earnings before interest, tax, depreciation and amortisation **(EBITDA)** was positive $24 million compared to negative $164 million in 2014. This included a pre-tax non-cash inventory write down to net realisable value of $31 million (2014: $48 million).

ERA recorded a net loss after tax of $275 million compared to a net loss after tax of $188 million in 2014. The net loss after tax was impacted by a $197 million non-cash write down of ERA's deferred tax assets at 30 June 2015.

ERA increased its cash balance by $72 million during 2015, ending the year with $365 million in cash at bank and no debt. In addition to cash at bank, ERA had $68 million of cash held by the Commonwealth Government as part of the Ranger Rehabilitation Trust Fund at 31 December 2015, bringing total cash resources to $433 million.

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ERA generated cash flow from operating activities of $85 million in 2015 (2014: $(54) million). This improvement was the result of a determined focus on maximising cash flow from the production of uranium oxide from stockpiles, a focus on lower exploration expenditure, completion of key rehabilitation milestones and favourable foreign exchange.

Uranium oxide produced for the year ended 31 December 2015 was 2,005 tonnes, 72 per cent higher than 2014 production of 1,165 tonnes. 2015 saw a full year of production, compared to approximately six months of production in 2014. Milled grade was slightly below 2014 but in line with expected stockpile grades. Strong milling rates and improved recoveries underpinned a solid operational performance in the year.

Revenue from the sale of uranium oxide was $333 million (2014: $379 million). ERA achieved an average realised price in excess of the average spot price in 2015 and saw favourable movements in the USD/AUD exchange rate. However, reduced sales volume impacted overall revenue.

Sales volume for 2015 was 2,183 tonnes compared with 3,148 tonnes for 2014. The average realised sales price that ERA received for uranium oxide in 2015 was US$51.99 per pound compared to US$49.50 per pound in 2014. This compares favourably against the average spot price for 2015 of US$36.86 per pound.

With uranium oxide sales denominated in US dollars, the weakening of the Australian dollar against the US dollar was beneficial to ERA. The average USD/AUD exchange rate during the year was US$0.75, compared with US$0.91 for 2014.

Cash costs for 2015 were significantly lower than 2014 due to an ongoing focus on cash preservation, reduced exploration and evaluation expenditure, favourable movements in consumable input prices and no purchases of uranium oxide (2014: $67 million of uranium oxide purchases).

The Company's cash generation programme continued to identify further opportunities for savings and efficiency improvements across the business in 2015. Work on pursuing additional opportunities will continue in 2016. Favourable input costs were achieved through ongoing negotiation of procurement contracts and productivity improvement.

The non-cash charge of $197 million for the write down of ERA's deferred tax assets was recorded at 30 June 2015. As a result of the decision not to progress the Ranger 3 Deeps project to Final Feasibility Study in the current operating environment, ERA considered that the carried forward tax losses no longer satisfied the recognition criteria under the Australian Accounting Standards.

Total exploration and evaluation spend for 2015, including the Ranger 3 Deeps Exploration Decline, Prefeasibility Study and other exploration activities, was $9 million compared to $83 million in 2014. Capital expenditure of $12 million remained constant in 2015 (2014: $12 million). Capital expenditure in 2015 was focused on completing the remaining water management infrastructure associated with the Company's rehabilitation programme and targeted sustaining capital expenditure.

Ranger Stockpile Ore Reserves

Stockpile Ore Reserves at Ranger have been increased by 4,177 tonnes of uranium oxide to 10,383 tonnes of uranium oxide. This was principally due to optimisation of the stockpiled ore mine plan. The cut-off grade was reduced from 0.08% U_3O_8 to 0.06% U_3O_8. The mine plan which supports the Ore Reserves statement assumes processing of stockpiled ore is economically viable until late 2020.

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The stockpile reserves mine plan is based on a number of key economic assumptions including forecasts for uranium prices and the Australian dollar. Continued processing of low grade stockpiled ore would be at risk of ceasing sooner than 2020 if future realised uranium prices and exchange rates are materially unfavourable to current assumptions.

Outlook

ERA expects that the uranium market will remain challenging in the near term, however the long term outlook remains encouraging for established producers. According to the World Nuclear Association, at the start of 2016 China had 30 reactors in operation, 24 reactors under construction and a further 40 reactors planned. The second half of 2015 also saw two Japanese reactors recommissioned. A rebalancing of supply and demand is expected to occur in the latter part of the decade.

At this time, ERA expects uranium production for 2016 to be within the range of 1,900 tonnes to 2,300 tonnes. ERA expects sales of uranium oxide in 2016 to be broadly in line with production.

Ranger 3 Deeps

The Ranger 3 Deeps project involved the construction of a 2,710 metre Exploration Decline and an associated underground exploration drilling programme.

In June 2015, ERA announced that the Ranger 3 Deeps project would not proceed to Final Feasibility Study in the current operating environment. The decision was driven primarily by two key factors. First, the Board's view that the uranium market had not improved as ERA previously expected and there was uncertainty regarding the uranium market's direction in the immediate future. Second, having finalised and considered the Prefeasibility Study, the economics of the project required operations beyond the current Ranger section 41 Authority.

In October 2015, representatives of the Mirarr Traditional Owners withdrew from negotiations with the Company on the possibility of an extension to the Ranger section 41 Authority.

The Ranger section 41 Authority is granted under the *Atomic Energy Act 1953* (Cth) (**Atomic Energy Act**). The Atomic Energy Act permits one renewal only of the section 41 Authority. The existing section 41 Authority, which was renewed in 1999, allows mining and processing operations until 8 January 2021 and access for rehabilitation activities until 8 January 2026. As the renewal has been exercised, the Atomic Energy Act would need to be amended to enable a further renewal by ERA.

As part of the Prefeasibility Study, ERA announced to the market in July an updated Ranger 3 Deeps Mineral Resource to 19.58 million tonnes at an overall grade of 0.224% U_3O_8, representing 43,858 tonnes of contained uranium oxide.

The Ranger 3 Deeps Exploration Decline remains under care and maintenance.

Strategic Review

ERA has initiated a strategic review of its business following advice from the Gundjeihmi Aboriginal Corporation that the Mirarr Traditional Owners do not support an extension to the Ranger section 41 Authority. ERA expects to provide an update on the strategic review in the March 2016 quarter.

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Rehabilitation

Progressive rehabilitation continued with expenditure of $27 million incurred during 2015. Expenditure was primarily associated with the construction and commissioning of the dredge and associated tailings infrastructure necessary to relocate the tailings from the Tailings Storage Facility to the final deposition point in Pit 3.

In parallel with the rehabilitation works to transfer tailings to Pit 3, the conversion of Pit 1 from a process water catchment to a pond water catchment was also progressed in 2015. This will enable ERA to minimise the process water inventory at Ranger.

Dividends

In light of the challenging market conditions, the ERA directors have decided not to declare a final dividend for the 2015 financial year (2014: nil).

Competent Person

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by geologist Stephen Pevely (a full time employee of ERA). Stephen Pevely is a Member of the Australasian Institute of Mining & Metallurgy and has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Stephen Pevely consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Preliminary statement of comprehensive income

	2015 $000	2014 $000
Revenue from continuing operations	348,260	401,798
Changes in inventories	(46,800)	(124,876)
Purchased materials (uranium oxide)	-	(66,933)
Materials and consumables used	(74,449)	(85,300)
Employee benefits and contractor expenses	(135,768)	(215,816)
Government and other royalties	(17,908)	(15,423)
Commission and shipping expenses	(5,130)	(2,333)
Depreciation and amortisation expenses	(111,933)	(119,977)
Financing costs	(22,031)	(29,301)
Statutory and corporate expense	(12,787)	(11,247)
Other expenses	(1,252)	(4,194)
Profit/(Loss) before income tax	**(79,798)**	**(273,602)**
Income tax benefit/(expense)	(195,695)	85,802
Profit/(Loss) for the year	**(275,493)**	**(187,800)**
Other comprehensive income for the year, net of tax	**-**	**-**
Total comprehensive income for the year	**(275,493)**	**(187,800)**
Profit is attributable to:		
Owners of Energy Resources of Australia Ltd	(275,493)	(187,800)
Total comprehensive income for the year is attributable to: Owners of Energy Resources of Australia Ltd	**(275,493)**	**(187,800)**

Preliminary balance sheet

	2015 $000	2014 $000
Current assets		
Cash and cash equivalents	365,326	293,318
Trade and other receivables	20,440	11,232
Inventories	132,950	146,559
Other	480	1,392
Total current assets	**519,196**	**452,501**
Non-current assets		
Inventories	49,673	85,728
Undeveloped properties	203,632	203,632
Property, plant and equipment	259,990	358,485
Deferred tax assets	-	174,627
Investment in trust fund	68,324	66,751
Total non-current assets	**581,619**	**889,223**
Total assets	**1,100,815**	**1,341,724**
Current liabilities		
Payables	50,139	55,621
Provisions	39,958	40,552
Income received in advance	38,930	14,911
Total current liabilities	**129,027**	**111,084**
Non-current liabilities		
Provisions	480,750	485,033
Deferred tax liabilities	21,091	-
Total non-current liabilities	**501,841**	**485,033**
Total liabilities	**630,868**	**596,117**
Net assets	**469,947**	**745,607**
Equity		
Contributed equity	706,485	706,485
Reserves	389,751	389,918
Retained profits	(626,289)	(350,796)
Total equity	**469,947**	**745,607**

Preliminary statement of changes in equity

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2014	**706,485**	**390,533**	**(162,996)**	**934,022**
Profit/(Loss) for the year	-	-	(187,800)	(187,800)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(187,800)**	**(187,800)**
Transactions with owners in their capacity as owners:				
Employee share options – value of employee services	-	(615)	-	(615)
	-	(615)	-	(615)
Balance at 31 December 2014	**706,485**	**389,918**	**(350,796)**	**745,607**
Profit/(Loss) for the year	-	-	(275,493)	(275,493)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(275,493)**	**(275,493)**
Transactions with owners in their capacity as owners:				
Employee share options - value of employee services	-	(167)	-	(167)
	-	(167)	-	(167)
Balance at 31 December 2015	**706,485**	**389,751**	**(626,289)**	**469,947**

Preliminary statement of cash flows

	2015 $000 inflows/ (outflows)	2014 $000 inflows/ (outflows)
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	375,701	448,514
Payments to suppliers and employees (inclusive of goods and services tax)	(261,400)	(368,975)
	114,301	79,539
Payments for exploration and evaluation	(8,749)	(83,205)
Payments for rehabilitation	(26,538)	(56,977)
Interest received	6,920	7,871
Borrowing costs paid	(1,340)	(1,219)
Net cash inflow/(outflow) from operating activities	**84,594**	**(53,991)**
Cash flows from investing activities		
Payments for property, plant and equipment	(11,906)	(11,590)
Proceeds from sale of property, plant and equipment	247	2,652
Net cash inflow/(outflow) from investing activities	**(11,659)**	**(8,938)**
Cash flows from financing activities		
Employee share option payments	(904)	(962)
Net cash inflow/(outflow) from financing activities	**(904)**	**(962)**
Net increase/(decrease) in cash held	72,031	(63,891)
Cash at the beginning of the financial year	293,318	357,208
Effects of exchange rate changes on cash	(23)	1
Cash at the end of the financial year	**365,326**	**293,318**

Additional information for announcement to the market

Inventories	2015 $'000	2014 $'000
Inventories – current		
Stores & spares	16,923	19,787
Ore stockpile at cost	36,337	35,835
Work in progress at cost	6,879	-
Work in progress at net realisable value	-	710
Finished product U_3O_8 at net realisable value	72,811	90,227
Total current inventory	132,950	146,559
Inventories – non-current		
Ore stockpiles at cost	49,673	85,728

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

At 31 December 2015, an $11.3 million (pre-tax) (2014: $6.9 million) adjustment was made to finished goods inventory to record it at its net realisable value. The net realisable value adjustment has been included in 'Changes in inventories' in the statement of comprehensive income. Total net realisable value adjustments recorded periodically through the year was $31.2 million (pre-tax) (2014: $47.6 million (pre-tax)).

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

Additional information for announcement to the market

Provisions	2015 $'000	2014 $'000
Provisions -current		
Employee benefits	9,012	9,345
Rehabilitation	30,946	31,207
Total current provisions	39,958	40,552
Movement in current provisions		
Carrying value at the start of the year	31,207	78,388
Payments	(26,538)	(56,977)
Transfer from non-current provisions	26,277	9,796
Carrying amount at the end of the year	30,946	31,207
Provisions – non-current		
Employee benefits	3,175	4,188
Rehabilitation	477,575	480,845
Total non-current provisions	480,750	485,033
Movement in non-current provisions		
Carrying value at the start of the year	480,845	525,076
Unwind of discount	20,690	28,082
Additional provision recognised	-	11,725
Change in estimate	2,317	(74,242)
Transfer from current provisions	(26,277)	(9,796)
Carrying amount at the end of the year	477,575	480,845

The calculation of the rehabilitation provision relies on estimates of costs and their timing required to rehabilitate and restore disturbed land to establish an environment similar to adjacent areas of Kakadu National Park.

The costs are estimated on the basis of a rehabilitation model, taking into account consideration of the preferred options available to meet the Company's obligations. The provision for rehabilitation represents the net present cost at 31 December 2015, based on current disturbance, of the preferred plan within the requirements of the Ranger section 41 Authority.

The cost estimates are reviewed annually during the life of the operation to reflect known developments. In 2015 this review resulted in a decrease to the provision of $4.9 million. The change in estimate considered updated technology and learnings from work conducted to date, both on the Ranger Project Area and other operations. The overall rehabilitation strategy remains unchanged.

The ultimate cost of rehabilitation is uncertain and can vary in response to many factors. It is reasonably possible that outcomes within the next financial year that are different from the current cost estimate could require material adjustment (increase or decrease) to the rehabilitation provision for the Ranger Project Area.

In estimating the rehabilitation provision a risk free discount rate is applied to the underlying cash flows. At 31 December 2015, the Company has reduced the real discount rate from 2.5 per cent to 2.25 per cent. This resulted in an increase in the provision of $7.2 million.

The overall change in the estimate (including change in estimate and discount rate) to the rehabilitation provision is an increase of $2.3 million at 31 December 2015.

Additional information for announcement to the market

Deferred tax	2015 $'000	2014 $'000
Deferred tax asset/(liability)	(21,091)	174,627

At the end of 31 December 2014, the Company recognised certain deferred tax assets for temporary differences and recoverable losses carried forward. In recognising these deferred tax assets assumptions were made regarding the Company's ability to generate future taxable profits, including from development of the Ranger 3 Deeps underground mine. At the half year ended 30 June 2015, the Company recorded a non-cash charge for the write down of the Company's deferred tax assets of $196.7 million. Following the Company's announcement on 11 June 2015 that the Ranger 3 Deeps project will not proceed to Final Feasibility Study in the current operating environment, the Company considers that the criteria under Australian Accounting Standards for the recognition of carried forward deferred tax losses are no longer satisfied.

As the write off is a non-cash item, it does not have any impact on cash flow of the Company's operations, nor will it impact the availability of tax losses in future periods. The Company will continue to consider the recoverability over time.

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.

Share capital	2015 $'000	2014 $'000
Share capital at the end of the financial year	517,725	517,725

Retained earnings	2015 $'000	2014 $'000
Retained earnings at the beginning of the financial year	(350,796)	(162,996)
Net profit/(loss) attributable to members of Energy Resources of Australia	(275,493)	(187,800)
Retained profits at the end of the financial year	(626,289)	(350,796)

Asset Carrying Values

The Company has two cash generating units (**CGUs**), the Ranger Project Area and the Jabiluka mineral lease. The Ranger CGU includes all assets and liabilities related to activities on the Ranger Project Area, including the rehabilitation provision and the associated asset capitalised within property, plant and equipment. The Jabiluka Undeveloped Property relates to the Jabiluka mineral lease which is currently under a long term care and maintenance agreement.

The Company's balance sheet contains items that have been subject to impairment testing during the year.

When the Company assesses CGUs for recoverability, the Company uses the greater of fair value less costs of disposal or value in use. The Company has used the fair value less costs of disposal method for the Ranger CGU, with recoverability being determined based on discounted cash flow modelling of a set of probability weighted strategic outcomes.

Additional information for announcement to the market

The Company has concluded through detailed impairment testing that the Ranger CGU and Jabiluka Undeveloped Property are not impaired.

It is reasonably possible that outcomes within the next financial year that are different from the current assumptions around future market prices, resource and development potential, discount rate, rehabilitation, capital and production costs, could require a material adjustment (increase or decrease) to the carrying amount of the Ranger CGU.

Market consensus uranium price and exchange rate forecasts are determined by surveying a sample of brokers and financial institutions to gather their estimation of both the long term uranium price and AUD/USD exchange rate.

The fair value less costs of disposal method under Australian Accounting Standard 136 centres on determining the fair value of the Company's CGUs being the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. In this context, the Company considers that the fair value of the Ranger CGU includes option value for the Ranger 3 Deeps project on the basis that it is possible that the Ranger 3 Deeps mine is able to be developed in the future subject to achieving an Authority extension. This assessment represents a substantial reduction in the probability of pursuing development of Ranger 3 Deeps relative to the assessment performed at 31 December 2014 where a high probability was assigned.

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

Net Tangible Asset Backing	2015	2014
Net tangible asset backing per ordinary share	0.9	1.4

Audit

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