ERA

2003 Annual Report

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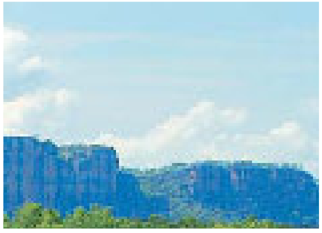
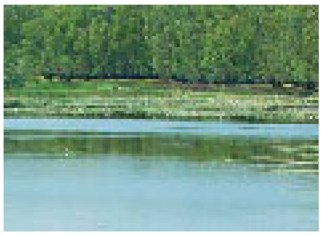
IMPROVED INDIGENOUS AND STAKEHOLDER RELATIONS

RECORD PRODUCTION ACHIEVED

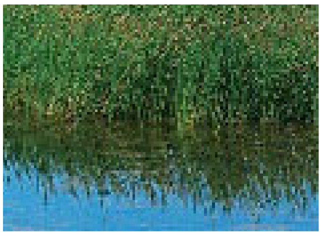
AFTER TAX PROFIT OF

$19.9m







2003 Highlights

- > Achieved certification of ERA's environmental management system under the internationally recognised ISO 14001 process.
- > Improved dialogue with the Traditional Owners of Ranger and Jabiluka, the Mirrar people.
- > Record yearly production of 5,065 tonnes of drummed U_3O_8.
- > Stronger market for uranium sales.

2004 Objectives

- > Improve safety performance with the aim of eliminating all injuries and risks to health.
- > Focus on employee-driven business improvement and cost management processes.
- > Using the principles of sustainable development, build on improved relationships with Traditional Owners of Ranger and Jabiluka through joint engagement in community programs.

Energy Resources of Australia Ltd is the world's third-largest uranium producer. Since 1980, the Company has mined uranium ore to produce uranium oxide at the Ranger Mine, 250 kilometres east of Darwin, in Australia's Northern Territory. ERA sells its products to power utilities in Japan, South Korea, Europe and North America under strict international safeguards.

The Company aims to secure profitable contracts to produce from its Ranger #3 open pit and ore stockpiles until at least 2011. ERA also holds title to the Jabiluka deposit, north of Ranger. The Jabiluka project is now under long-term care and maintenance.

The Ranger Project Area and the Jabiluka Mineral Lease are located on Aboriginal land. The conditions for mining on Aboriginal land are laid down in agreements with the representative body, the Northern Land Council, under the terms of the Aboriginal Land Rights (NT) Act.

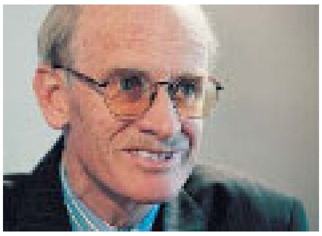
ERA is a 68.4 per cent owned subsidiary of Rio Tinto Ltd, a diversified resource group, and has a management services agreement with Rio Tinto Ltd.

Company Profile

VISION AND VALUES

At ERA we strive to keep to the values and vision outlined in our Code of Conduct, especially:

- Placing paramount importance on the safety and wellbeing of our people.
- Creating value for our shareholders.
- Building partnerships with our customers, striving to exceed their expectations.
- Caring for our environment through exemplary management systems and a commitment to the principles of sustainable development.
- Respecting the culture and aspirations of Indigenous people in our community, particularly the Mirrar Traditional Owners of Ranger and Jabiluka.



Mr Brian Horwood, Chairman

Mr Robert Cleary, Chief Executive, (resigned from ERA, January 2004)

Chairman's and Chief Executive's Report

The year 2003 saw major achievements for ERA in environmental management and stakeholder relations, with record production and stronger selling prices and volumes.

With tight uranium supply forecast for the coming period worldwide, ERA continues to maintain a strong forward order book.

Rising spot prices for uranium largely reflect increasing concern on the part of power utilities that the secondary supplies, which have for so long been fed into the supply mix, are becoming less available and less reliable. Nevertheless, the rising value of the A$ has counteracted the earnings benefit for ERA from higher prices.

ERA posted a $19.9 million after tax profit during the 2003 calendar year, with earnings before interest and tax of $35.3 million.

A final dividend was declared of five cents per share, bringing a total of 11 cents for the year.

The Ranger operation produced 5,065 tonnes of drummed U_3O_8 in 2003 – this represents a new annual production record for the operation. ERA plans to maintain this level of production in 2004.

ERA continued its record of careful environmental management, and protection of the neighbouring Kakadu National Park. ERA achieved certification in 2003 for its environmental management system under the internationally recognised ISO 14001 process, well ahead of the planned schedule.

Jabiluka, one of the largest undeveloped uranium deposits in the world, remains a valuable asset to ERA. An agreement for long term care and maintenance is under discussion. This agreement recognises the continued existence of the mineral lease and allows for future development at an appropriate time with the support of the Mirrar Traditional Owners. In accordance with the proposed agreement, the underground workings were backfilled in 2003, and some related rehabilitation work took place.

An improved dialogue has been established with the Aboriginal community, and the Company is working in several forums with the Mirrar's representatives to plan for the future of the region.

The Jabiru Region Sustainability Project, a cooperative venture including ERA, the Mirrar people, the Northern Land Council, and several government agencies, reported on a way ahead for regional development, and the project will move to its next stage in 2004.

The Company has approval to operate the Ranger mine until 2021 under an authority issued by the Commonwealth Government. Discussions continued with the Northern Land Council in relation to royalty and other payments under an agreement pursuant to Section 44 of the Aboriginal Land Rights (NT) Act.

With its commitment to the Rio Tinto Child Health Partnership, the Company has invested in a five-year program to boost the health of Indigenous children in the Northern Territory, working with the Federal and Territory governments and medical researchers.

The Company is firmly committed to the safety of all its employees. ERA's safety performance has still not met the Company's goal which is to eliminate all injuries and risks to health at ERA. An all-inclusive effort will be made in 2004 to achieve this goal.

Cost improvement is also a high priority area for the organisation, with an employee-driven improvement program (Employees Driving Improvement or EDI) in process with the aim of improving productivity, leading to cost savings.

The Company is consolidating its activities in the Northern Territory, with the move of its corporate headquarters from Sydney to Darwin in early 2004. The new Chief Executive, Harry Kenyon-Slaney, is now based in Darwin, along with other senior executives responsible for commercial and strategic matters.

Mr Robert Cleary, Chief Executive since 1999, resigned from the Company in January 2004. Bob had worked for ERA since 1986 apart from a brief period outside the Company. The Chairman and Board thank Bob for his significant contribution to ERA and wish him well for the future.

Financial Highlights

TABLE 1

YEAR ENDED 31 DECEMBER	2003	2002
FINANCIAL	$ MILLION	$ MILLION
Sales revenue	196.2	198.7
Operating profit before tax	35.5	36.6
Income tax expense	15.7	15.4
Operating profit after tax	19.9	21.2
Total assets	756.3	830
Share capital	215	215
Capital and reserves	614	606
Earnings per share, cents	10.4	11.1
Return on shareholders' equity, per cent	3.2	3.5
Dividend per share, cents	11.0	11.0
PRODUCTION		
Ore mined, million tonnes	1.758	0.830
Ore milled, million tonnes	2.067	1.784
Mill head grade, per cent U_3O_8	0.281	0.281
Total production, tonnes U_3O_8 drummed	5,065	4,470
SALES, tonnes		
Ranger material	5,241	4,517
Purchased material	18	628
Total	5,259	5,145

PROFIT	EBIT	SALES REVENUE
$19.9m	**$35.3m**	**$196.2m**
(2002: $21.2 million)	(2002: $39.5 million)	(2002: $198.7 million)

Financial Performance

Profit after tax was $19.9 million for the year ended 31 December 2003 (2002: $21.2 million) with earnings before interest and tax at $35.3 million (2002: $39.5 million).

Revenue for the year was $197.2 million (2002: $199.2 million). Settlement of forward exchange contracts, combined with the strengthening A$:US$ exchange rate resulted in an effective exchange rate for the period of 66.6 cents as compared to the 2002 rate of 60.0 cents.

Exchange related losses of $0.5 million (2002: $19.5 million) have been recognised as a reduction in sales revenue for the year. There are US$47 million of foreign currency exchange contracts at an average rate of A$1 = 64 US cents due to mature in 2004. In addition, the Company has hedge contracts comprising approximately US$171 million at an average rate of A$1 = 64 US cents maturing during the period 2005 to 2008. The Company has not entered into any new hedge contracts during the year.

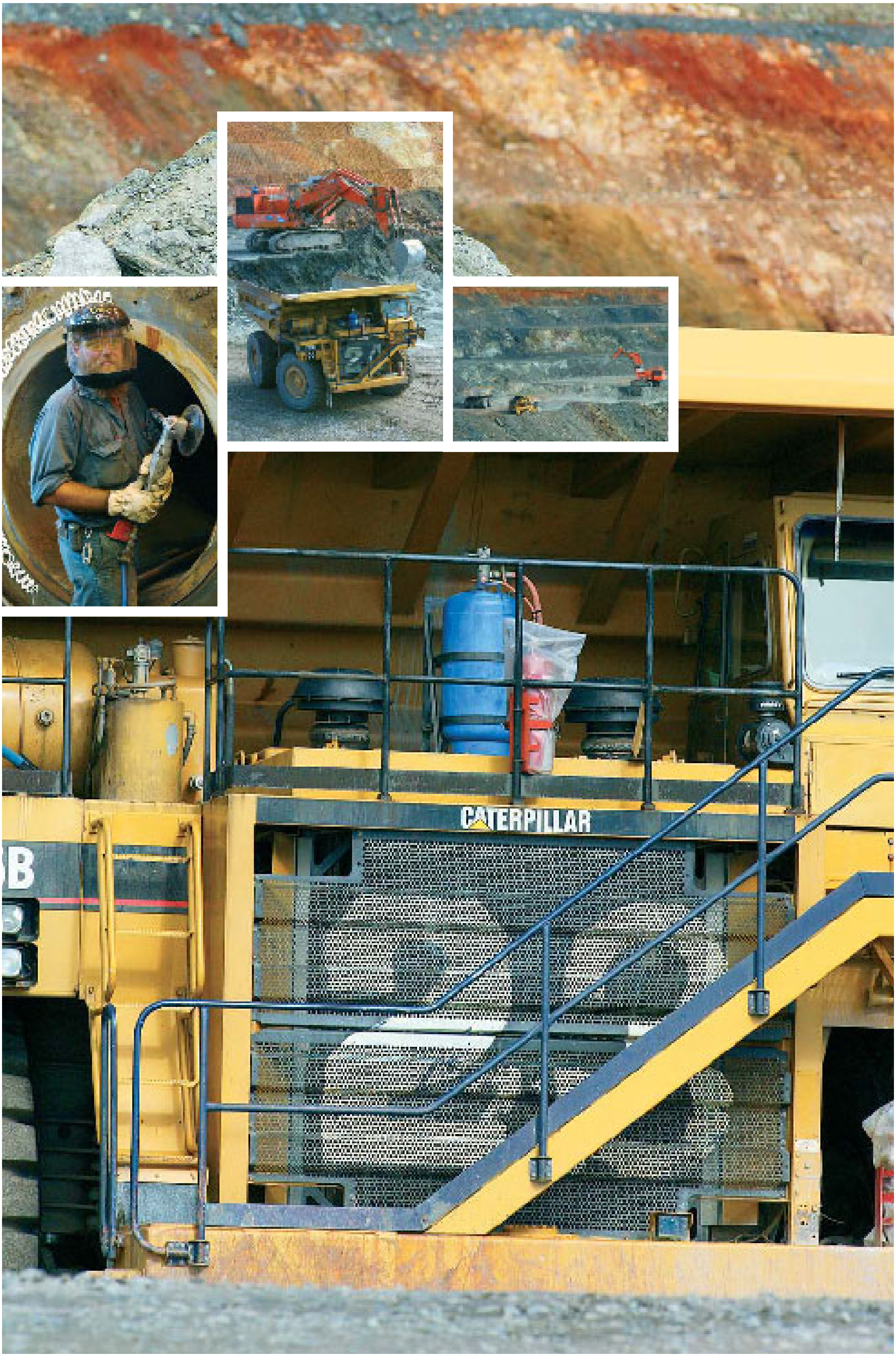
Sales volumes were recorded at 5,259 tonnes U_3O_8 (2002: 5,145 tonnes).

Sales revenue reached $196.2 million (2002: 198.7 million).

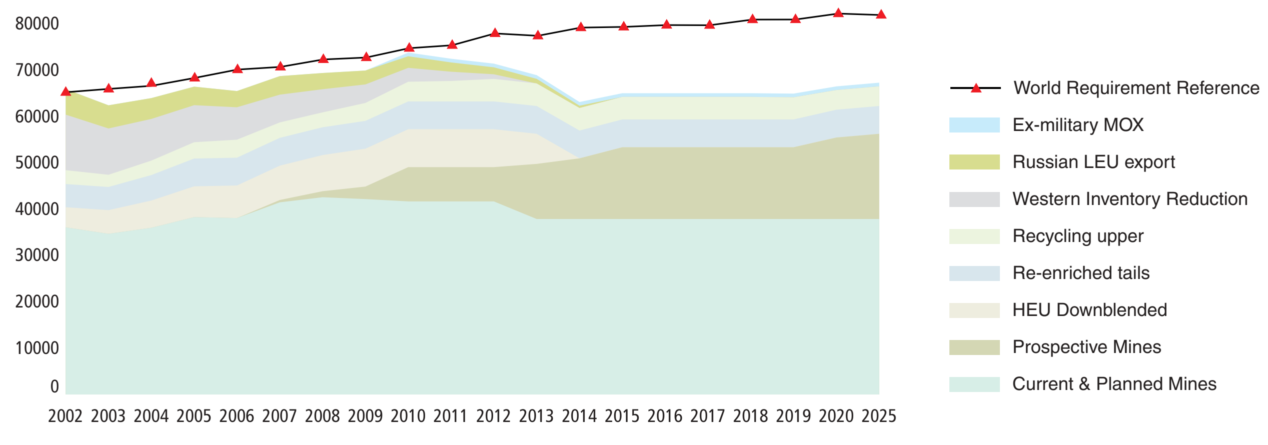
The directors declared a final dividend of five cents per share, making a total of 11 cents for the year (2002: final dividend of 11 cents per share). The dividend will be fully franked at 30 per cent and will be paid on 27 February 2004. The record date for the dividend was 13 February 2004.

ERA was debt free as at 31 December 2003 (31 December 2002: Nil).

Capital expenditure of $7.1 million was related to work at Ranger.


CATERPILLAR

URANIUM SUPPLY/DEMAND (WNA 2003)



Marketing

During 2003 ERA sold 5,259 tonnes of U_3O_8 (2002: 5,145 tonnes U_3O_8). The Company continues to maintain a strong forward order book with a number of new contracts or letters of intent signed during the year, along with a contract extension.

2003 was a period of major change in the uranium market. The U_3O_8 price increased from US$10.10 per lb in January to US$14.50 in December, an increase of nearly 45%. Similarly, the price at which long-term contracts can be secured has increased substantially. Due to a number of supply disruptions during the year, security and stability of fuel supply has become more urgent for nuclear utilities.

With a significant reduction in readily available inventories, and only a handful of primary suppliers, industry analysts have increasingly pointed to a potential supply "gap" that will occur unless new mine investment is undertaken.

Increased demand for U_3O_8 is driven by an improved capacity of existing reactors as well as new reactor construction.

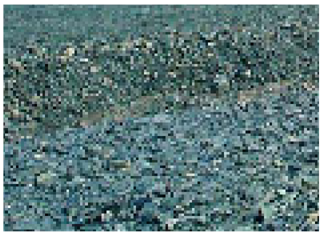
- In the USA to date, some 19 of the 103 operating reactors have been granted 20-year operating licence extensions by government regulators. This offers significant improvements to operating costs, enabling further investments in plant safety and efficiencies.
- Better-managed plants and reduced refuelling outages contribute to improving plant utilisation. The increase in nuclear plant performance globally over five years was equivalent to the construction of 40 additional large nuclear plants. In fact, only three new reactors were built during this time.
- New nuclear plants are being constructed and commissioned at a greater rate than old ones are being shut down. While China, Japan, Korea and India have embarked on the most ambitious programs, Finland is about to commence construction on its fifth reactor, the first new order in Europe in over 20 years. No new plants have been committed in the USA for a similar time period, however, three US power companies have now applied for early site permits, which may lead to new commitment decisions in the near future.

The uranium supply market consists of mined sources (primary supply) and secondary supply (from inventories in various forms). The sale of secondary supplies has dominated market fundamentals since the late 1980s. This occurred as large excess uranium inventories were liquidated by utility companies and governments, leading to the sale of massive quantities of nuclear fuel from Russia and ex-CIS countries' inventories following the collapse of the Soviet Union. In the mid-1990s, the USA and Russia initiated an unprecedented program to utilise high-enriched Russian warhead uranium in commercial reactors by blending it down to low-enriched commercial reactor levels, a program which has resulted in the elimination of over 8,000 warheads to date. Later, the US government liquidated large quantities of its inventory via the privatisation of its uranium enrichment enterprise. The effect of all of this secondary supply was a severe contraction in primary mine supplies, as only the most competitive mining operations could survive.

As a result, a small number of large mines or mining centres in Canada, Australia, Africa and the former CIS republics of Kazakhstan and Uzbekistan now account for the vast majority of mined production. Production is also increasingly concentrated amongst a smaller number of companies. A significant impact of the reliance on secondary sourced uranium has been reduced uranium exploration and the lack of new mine development in the recent past.








Production

Total production was 5,134 tonnes of uranium oxide, with total drummed production of 5,065 tonnes. This production level represents a new annual production record for the operation. A total of 1.76 million tonnes of ore was included in the 6.0 million tonnes of total material mined.

The 5,065 tonnes of U_3O_8 drummed in 2003 was well above the 2002 total of 4,470 tonnes. Feed to the mills was 2.067 million tonnes of ore at a grade of 0.281%.

The total material mined increased from 3.649 million tonnes to 6.007 million tonnes (64%) which was driven by the requirements to remove increased quantities of waste rock, and also by higher production demand.

With increasing production requirements, mining from the Ranger #3 open pit moved from one shift to two shifts in April 2003, and to three shifts in December 2003. The mining schedule was designed to accommodate the operational requirements arising from the area's heavy wet season rainfall with mining occurring in the higher benches during those times.

The decrease in recovery in 2003 was due to the implementation of a new operating strategy to minimise the overall cost per tonne of uranium recovered.

Mining at Ranger is expected to continue until at least 2008, with milling operations to produce U_3O_8 continuing until at least 2011.

TABLE 2: MINING

	MILLION TONNES	
YEAR ENDED 31 DECEMBER	2003	2002
Ore mined, cut off grade 0.12% U_3O_8:		
To process plant	0.162	0.201
To stockpile	1.596	0.629
Total ore mined	1.758	0.830
Low grade mineralisation	0.419	0.195
Waste rock	3.830	2.624
Total tonnes mined	**6.007**	**3.649**

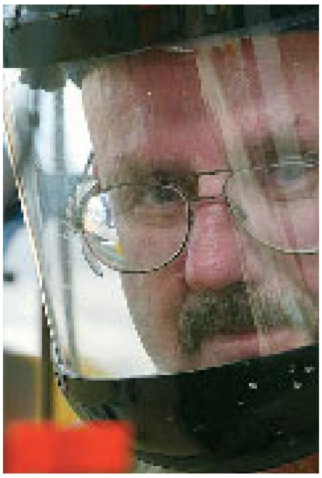
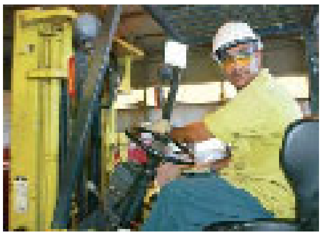
TABLE 3: PROCESSING

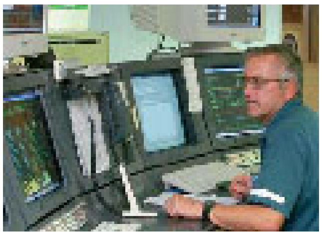
YEAR ENDED 31 DECEMBER	2003	2002
Ore milled, million tonnes		
From mine	0.162	0.201
From stockpile	1.905	1.583
Total ore milled	2.067	1.784
Processing head grade (% U_3O_8)	0.281	0.281
Mill Circuit No 1 (tonnes per operating hour)	206.0	208.0
Mill Circuit No 2 (tonnes per operating hour)	90.0	81.9
Processing recovery (%)	88.3	89.7
Total Production (tonnes U_3O_8 drummed)	5,065	4,470
Product Grade (% U_3O_8)	**99.1**	**99.0**

TABLE 4: ORE RESERVES AND MINERAL RESOURCES

	AS AT 31 DECEMBER 2003			AS AT 31 DECEMBER 2002		
	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8
RANGER ORE RESERVES						
Stockpile	6.9	0.23	15,737	7.1	0.2	14,129
Ranger #3						
In-situ, cut-off grade 0.12%						
Proved	3.33	0.26	8,788	1.8	0.24	4,243
Probable	7.76	0.25	19,152	11	0.28	30,772
Sub-total Proved and Probable	11.09	0.25	27,940	12.8	0.27	35,015
Total Ranger # 3						
Proved and Probable cut-off grade 0.12%	**17.99**	**0.24**	**43,677**	**19.9**	**0.25**	**49,144**
RANGER MINERAL RESOURCES						
			INCLUSIVE OF ABOVE RESERVE			
Measured	4.0	0.25	9,969	2.3	0.23	5,247
Indicated	14.69	0.22	32,094	17.5	0.25	43,059
Sub-total Measured and Indicated	18.69	0.23	42,063	19.8	0.24	48,306
Inferred	7.06	0.18	12,643	6.3	0.19	11,813
Total Resources	**25.75**	**0.21**	**54,706**	**26.1**	**0.23**	**60,119**
JABILUKA ORE RESERVES						
Upgrade cut-off grade 0.2%						
Proved	6.8	0.57	39,000	6.8	0.57	39,000
Probable	7.0	0.45	32,000	7	0.45	32,000
Total Proved and Probable	**13.8**	**0.51**	**71,000**	**13.8**	**0.51**	**71,000**
JABILUKA MINERAL RESOURCES						
			INCLUSIVE OF ABOVE RESERVE			
Cut-off grade 0.2%						
Measured	6.8	0.67	46,000	6.8	0.67	46,000
Indicated	8.5	0.5	42,000	8.5	0.5	42,000
Sub-total Measured and Indicated	15.3	0.57	88,000	15.3	0.57	88,000
Inferred	15.7	0.48	75,000	15.7	0.48	75,000
Total Resources	**31**	**0.53**	**163,000**	**31**	**0.53**	**163,000**

Note: *The ore reserves and mineral resources were compiled by A. Browne (Jabiluka), and S. R. Dinkowitz (Ranger). These are Competent persons as defined in Appendix 5A of the ASX Listing Rules and this report reflects accurately the information compiled by them.*




Employees

During 2003 the employee turnover rate dropped from the 2002 rate of 40 per cent, to 23 per cent. The Company is working to reduce that figure in 2004. A natural consequence of reducing staff turnover will be to improve morale and productivity while reducing recruitment costs.

In 2003 surveys were conducted to identify the critical factors that influence an employee's decision to work at Ranger. A series of initiatives to address the key findings have been developed. These include:

- Coordinated site wide training opportunities, including teamwork and leadership training.
- Enhanced employment terms and conditions.
- Improved performance management system.

At the end of 2003 new Australian Workplace Agreements (AWAs) were offered to Ranger employees, with a comprehensive range of salary packaging options. Salary packaging has also been offered to employees on staff contracts. The Company has made available to all employees one-to-one professional financial advice to help inform salary packaging and other financial decisions.

Initiatives planned for 2004 include the introduction of a new company Staff Medical Assistance Scheme. ERA will also transfer employees' superannuation membership into the Rio Tinto Staff Superannuation Fund.

During 2004 ERA will be working closely with the managers of the town facilities to identify cost effective ways to implement planned maintenance programs and housing repairs in Jabiru.

Safety and Health

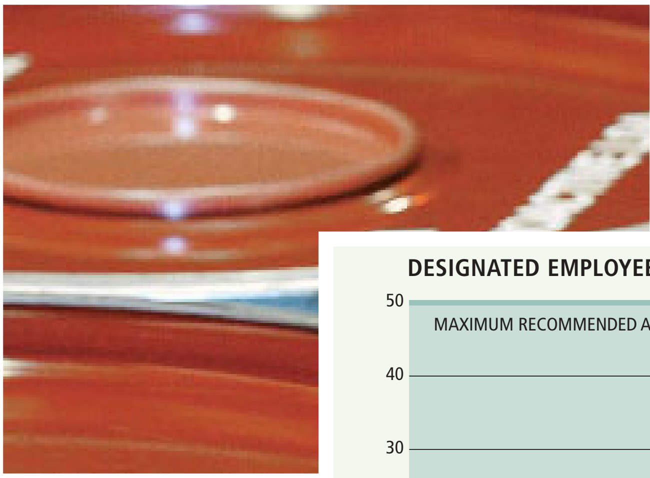
ERA's goal is to eliminate all injuries and risks to health, and this will receive a renewed focus in 2004.

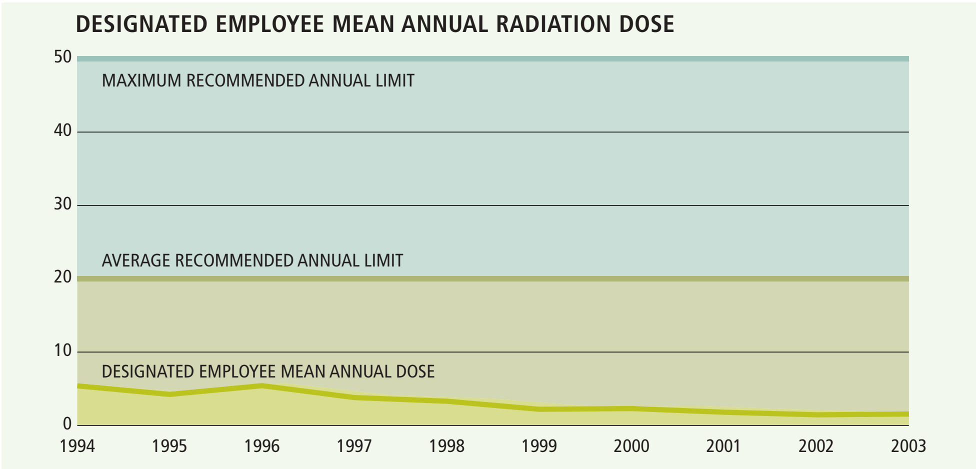
During 2003, ERA achieved a reduction in the All Injury Frequency Rate, down to 3.37 from a rate of 4.0 at the end of 2002. Notably, the Process team achieved no lost time or medical treated injuries for 2003.

Whilst the total number of injuries dropped, there was an increase in the number of injuries that resulted in "lost time", where employees are unable to return to their normal duties at the next shift (2003: nine, 2002: three).

Specific health and safety outcomes in 2003 included:

- ERA won the 2003 Northern Territory Recognition Award in Resource Development in the Workplace Safety category.
- Rio Tinto conducted an audit of ERA conformity with corporate safety standards in October. The audit identified a significant improvement in implementation of the standards since the previous audit. ERA received a commendation for its computerized program for tracking and controlling training.
- A two-day safety shutdown was held in January to further promote safety standards and procedures. Under the direction of the General Manager Operations, the entire workforce was engaged in a Ranger site clean up. On the second day of the shutdown, presentations on safety standard requirements and other key safety procedures were made to all employees and site contractors.
- The SiteSafe computer system was introduced as the central database for managing safety data and information. The system is used for reporting on hazards and incidents in the workplace and for recording the outcomes of inspections and audits. SiteSafe is also used for establishing and tracking corrective and preventative actions.
- ERA's risk assessment process was strengthened with the development of a formal risk assessment model known as SAFER (Safety, Assets, Finance, Environment and Reputation). SAFER uses the consequence and probability method of evaluation to rank risks and establish priorities for managing risks. Using this approach, a series of risk assessment workshops was conducted to identify key safety and health related risks.
- Emergency Response and Disaster Management & Recovery processes were updated, including the development of procedures for specific emergency threats. A number of desktop and live simulation exercises were conducted during 2003 to test ERA's response to potential emergency and disaster scenarios. The outcomes of debriefs from these exercises have been recorded to enable further improvements to be made.





Radiation

The radiation exposure pathways at ERA's operations are comprehensively measured and reported throughout the year using limits recommended by the International Commission on Radiological Protection. Designated workers are those employees in work categories that have the potential to exceed five millisieverts (mSv) per year.

There are over 100 designated employees at the Ranger operation and limits of 100 mSv over five years, or a maximum of 50 mSv in any one year must be met. Designated employees received a mean radiation dose of 1.6 mSv during 2003. The graph above depicts the mean annual radiation dose assessed for designated employees working throughout the operation. The graph also reflects the exposure in comparison with internationally recommended limits.

Employees who work at the mine site but are not working in areas of high exposure (non-designated employees) are subject to the same dose limits as designated employees and in 2003 the maximum dose was 1.0 mSv. Importantly, the exposure of Jabiru residents and surrounding communities is also monitored and the contribution from the mine was assessed as 0.01 mSv in 2003. 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.

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 1–10 mSv, with 2.4 mSv being the present estimate of the central value".

During 2003 a Radiation Management Plan was implemented for the backfilling of the Jabiluka underground workings. The Plan involved radiation surveillance of conditions in the underground workings as well as direct consultation with the contractors performing the work. The highest individual radiation dose assessed for this work performed over a six-week period was 0.4 mSv.

Also during 2003 work commenced on analysing approximately 20 years of radiation monitoring data collected around the Ranger and Jabiru areas. This analysis will form the basis for development of a risk-based approach to radiation monitoring that will provide ERA with an effective radiation surveillance program that, once implemented, will be consistent with the requirements of the Australian/New Zealand Standard for Occupational Health and Safety Management Systems, AS/NZS 4801: 2001.

Environment

The year 2003 saw some major achievements in environmental management.

ERA was formally recognised for the quality of its environmental management system by achieving certification to the international standard ISO 14001. To achieve ISO 14001 certification, the Company demonstrated that environmental risks are well understood by all staff, appropriate controls are in place, performance is constantly checked, and there is a genuine commitment to continuous improvement. This milestone was achieved in December 2003, eighteen months ahead of schedule.

During 2003 there were no significant environmental incidents which had any detrimental impact on the surrounding environment. Routine water monitoring programs conducted by ERA, the Commonwealth Office of the Supervising Scientist and NT Department of Business, Industry and Resource Development verified that the environment of Kakadu National Park remained protected from activities at both the Ranger mine and Jabiluka site.

A number of improvements in water management performance at Ranger mine were observed during the 2002-03 wet season. These improvements followed the program of civil earthworks conducted in late 2002 and the improvement of some key operating procedures. This resulted in a marked reduction in the concentration of uranium in RP1, a key point of discharge. Levels dropped to the lowest concentrations recorded since 1999.

ERA's commitment to continuous improvement in performance included further civil earthworks conducted during the latter part of 2003. These works built on the program of the previous year and included works to improve the segregation of poor quality process water from intermediate quality pond water. This was consistent with ERA's updated strategy for water management which focuses on reducing inputs to the process water system and treatment of poorer quality inputs to the pond water system. Treatment technologies are being piloted during the 2003-04 wet season.

A Senate inquiry into environmental regulation of the uranium mining industry, begun in 2002, reported in October 2003. The Commonwealth Government is yet to respond to the report.

Earth-Water-Life Sciences

Earth-Water-Life Sciences (EWL Sciences Pty Ltd)

EWL Sciences (EWLS) is a specialist commercial environmental consulting business based in Darwin.

EWLS is wholly owned by ERA and is a Commonwealth Government registered Research & Development agency. Revenue for 2003 was $3.2 million of which $1.3 million was generated from external (non-ERA) projects. These external projects benchmark the Company's scientific and technical capability and enhance ERA's capacity for strategic environmental management at Ranger and Jabiluka.

Key project work at Ranger and Jabiluka in 2003 focussed on strategic technical environmental investigations including:

- planning for closure of Ranger mine;
- assessing the potential impacts of process water and tailings rising above the previously approved limits in Pit #1 at Ranger;
- modelling the security of in-pit tailings storage in the required (by the Authorisation) 10,000 year time-frame;
- development of the technical and scientific strategy for implementation of the approved Jabiluka long-term care and maintenance regime;
- scientific rationalisation of statutory and operational environment (principally surface water and groundwater) monitoring programs at Ranger which were approved by stakeholders and implemented by ERA;
- process water and pond water treatment technologies and treated water disposal strategies; and
- development of target habitats and ecosystems for construction on the rehabilitated Ranger minesite.

EWLS continues to represent ERA on the Alligator Rivers Region Technical Committee. The role of this committee is to oversee and make recommendations to the Federal Minister of Environment and Heritage about the nature and extent of research necessary to protect the environment in the Alligator Rivers Region from any effects of uranium mining.

Community and External Relations

JABILUKA LONG-TERM CARE AND MAINTENANCE

In 2003 ERA proposed a new regime for the long-term care and maintenance of the Jabiluka site. This followed discussions held with Traditional Owners in 2002 in which they expressed environmental and cultural concerns with the prevailing care and maintenance regime.

An agreement – the Jabiluka Long-term Care and Maintenance Agreement – was drafted to formalise this understanding between ERA, the Northern Land Council and the Mirrar Traditional Owners.

Under the terms of this agreement, ERA would be obliged to apply to the NT Government to backfill the Jabiluka decline and would seek renewed consent of the Traditional Owners before any further development of the mine. For their part, the NLC and Traditional Owners would waive certain financial commitments which were triggered by the construction of the Jabiluka mine.

Although the agreement is still to be formally signed, in August 2003 ERA commenced backfilling the Jabiluka decline, and undertook some other rehabilitation measures on the site. ERA took this action for economic and environmental reasons, as well as in response to the concerns of the Traditional Owners. These works were completed in December 2003.

JABIRU REGION SUSTAINABILITY PROJECT

Over the next few years some important decisions need to be made about Jabiru – the service town to ERA's mining community, and a town with special status as part of the Kakadu National Park World Heritage Area.

ERA sponsored the establishment of the Jabiru Region Sustainability Project (JRSP) in 2002 in partnership with the many decision-making bodies involved in determining the future of the Jabiru Region – including government, Traditional Owners, local authorities and ERA.

The JRSP enables all stakeholders to collect, share and consider information to make informed decisions about the future of Jabiru and the region it serves.

Among the JRSP's tasks are to advise on: securing commercial interests, recognising traditional ownership, reforming local governance, maintaining services and facilities, celebrating and respecting local Aboriginal culture, protecting the environment, and maintaining World Heritage values.

The JRSP Working Group has agreed to establish a website so that regional information can be made available to the public – in English and Gundjehmi, the language of the local Traditional Owners. The Working Group is seeking to appoint a service provider to carry the project forward into future years.

ABORIGINAL EMPLOYMENT

For most of 2003 the average number of Indigenous Australians working at Ranger was 30. This represented 18 per cent of the total workforce in March and fell to 13 per cent in December.

The Indigenous employees included four full-time Aboriginal Apprentice Trade Trainees, five Aboriginal Trainees, and 21 full-time Indigenous employees working in all areas of the operations. A total of 11 of the 30 Indigenous employees were recruited from the Alligator Rivers Region, with the remaining employees recruited from within the Northern Territory.

In 2004 the trainee intake will be increased, with three to come from a new program, linked to the ATSIC-sponsored Community Development Employment Program (CDEP). Under this program, ERA will host three CDEP participants as fixed term, full time employees. The participants will remain on CDEP wages which are 'topped-up' by ERA, with the aim of eventually filling a position at ERA. ERA has appointed a full time Indigenous supervisor to help trainees and their trainers gain an improved understanding of mine site culture and work requirements.

In 2004 the current levels of Indigenous employment will be sustained, while attempting to increase the representation of Aborigines from the Alligator Rivers Region.

The emphasis on Indigenous employment will also focus on facilitating employment within the local community. Initiatives that are indicative of this shift include:

- Sponsoring trainees in community service work such as Indigenous child care.
- Facilitating business planning for Indigenous enterprises.

RANGER MINING AGREEMENT

Talks are continuing between the Mirrar Traditional Owners, and the Northern Land Council, on a new agreement covering the Ranger lease, under the provisions of the Aboriginal Land Rights (NT) Act. In the meantime ERA is operating under the terms of the pre-existing mining agreement, as agreed with the Commonwealth government and the Northern Land Council. ERA's aim in the new agreement is to work in partnership with the Indigenous people of the region for a sustainable future.

RIO TINTO CHILD HEALTH PARTNERSHIP

In October 2003 ERA pledged $125,000 over five years to the $5.2 million Rio Tinto Child Health Partnership aimed at improving the health of Indigenous communities by tackling health problems before babies are born.

This partnership brings together Federal and Territory governments, Indigenous people, and business groups, to improve health of Indigenous children.

It will build a clear picture of Indigenous child health problems, through better data collection, and will encourage healthier pregnancies in Indigenous women, through reducing exposure to smoking and alcohol.

The partnership also aims to improve Indigenous participation in health care, to strengthen the message that healthier pregnancies mean healthier babies.

The initiative came from 2003 Australian of the Year, Professor Fiona Stanley of Perth's Telethon Institute for Child Health Research. Three working groups have been set up in the NT Health Department's Office for Aboriginal Health to oversee the partnership.

PAYMENTS – RANGER AND JABILUKA

During 2003 ERA paid $7.6 million in Ranger royalties to the Commonwealth government. This money is ultimately distributed to Northern Territory based Aboriginal groups. Additionally ERA paid $2.2 million in royalties to the Commonwealth government for distribution to the Northern Territory government during 2003. Ranger has paid a total of $199 million in royalties since the project began.

During 2003, $0.2 million was spent in social payments under the terms of an agreement over Jabiluka. Payments under Jabiluka Agreements now total $7.5 million.

Directors’ Outlook

Nuclear power is a critical component of large-scale energy production around the world. It already makes up about 17 per cent of total world electricity production, and there is growing interest in nuclear power to meet the world’s rising power needs.

In 2003 there were 438 commercial nuclear reactors operating in 33 countries, with 30 reactors under construction and a further 34 reactors planned. Countries heavily reliant on nuclear power for their total electricity generation include France (more than 70%), Belgium (more than 50%), South Korea (40%), Japan (35%) and the UK and USA (both more than 20%). Countries such as China and India are embarking on ambitious nuclear power development programs to support their burgeoning populations and economic development.

Nuclear power is the only large-scale power source, apart from hydro-electricity, that produces no greenhouse gases. The burning of fossil fuels has been identified as a leading cause of carbon dioxide and related emissions thought to be responsible for global warming. Rapid fluctuations in the price of fossil fuels, political instability in the Middle East, and power shortages in certain parts of the world have renewed interest in base-load nuclear power generation. As a result, existing plant utilisation has increased significantly, some unfinished and idled plants are being recommissioned, and new projects are being considered or implemented.

In order to meet the uranium demands of the nuclear power industry in the future, investment in new mines will be required. However, although the market price for U_3O_8 has risen dramatically in 12 months, the strength of the currencies in the major uranium-producing countries relative to the US dollar means such development incentive is still missing. Directors therefore believe that further increases in price are required to initiate new investment in exploration, and new mine development.

Looking to the future, ERA has a strong forward order book and anticipates sales in 2004 will be similar to 2003 levels.

ERA’s existing hedging program will provide some protection against the expected strength in the Australian dollar, with US$47 million of foreign exchange contracts due to settle in 2004 at an exchange rate of US$0.64 per A$. It is expected that ERA will remain free from debt during 2004.

ERA’s business improvement program (Employees Driving Improvement or EDI) was launched in late 2003 with the dual aims of reducing costs (to mitigate the effects of the high exchange rate on profitability), while also seeking to expand plant throughput at minimal capital expenditure (to take advantage of near term market opportunities). It is expected that this program will deliver improved profitability from mid 2004.

Improvements in relations with Traditional Owners in 2003 are expected to result in further close collaboration on community programs throughout 2004, including the Jabiru Region Sustainability Project. This is expected to become a jointly funded program under the authority of the Jabiru Town Development Authority.

The Directors believe that with a stronger market outlook, more focus on cost reductions, and improved relations with the community, the overall performance of the business will improve in 2004.

Directors' Report

for the year ended 31 December 2003

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 2003.

The directors of the Company at any time during or since the end of the financial period are:

CURRENT DIRECTORS

NAME & QUALIFICATIONS	AGE	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mr B Horwood BCom, FCPA, FAICD Chairman	62	Appointed as a Director in May 2001 and as Chairman in April 2002. Mr Horwood is Managing Director of Rio Tinto Australia. He is also the Chairman of Coal & Allied Industries Limited and a director of a number of other Rio Tinto subsidiaries.
Mr H Kenyon-Slaney BSc(Geol) Chief Executive	42	Appointed Chief Executive and a Director of ERA in January 2004.
Mr R Carter CitWA, BCom, FTSE, FAusIMM, FAIM, FAICD Director	61	Appointed as a Director in November 1999. Mr Carter is Chairman of Ticor Ltd, Zeal Consulting and Prahran Mission - UnitingCare and a Director of Macmahon Holdings Limited.
Mr P Chiaro BSc(EnvEng), M.Eng. Director	50	Appointed as a Director in October 2003. Mr Chiaro is Chief Executive Energy of Rio Tinto plc in London. He is also a Director of Coal & Allied Industries Limited.
Dr B S Hickman BSc, MSc, DSc, FAusIMM, FTSE Director	71	Appointed as a Director in August 1997. Dr Hickman is a Director of Illawarra Technology Corporation Limited and ARRB Transport Research Limited.
Mr A Lloyd BNatRes, MBA, MAICD Director	47	Appointed as a Director in October 2003. Mr Lloyd is Mining Executive Energy Services with Rio Tinto Limited.
Mr S Mann BSc(Hons) Director	46	Appointed as a Director in April 2003 at the nomination of B Class shareholders. Mr Mann is General Manager at the Cogema Australia Group.
Mr H Toyomatsu Director	50	Appointed as a Director in June 2003 at the nomination of C Class shareholders. Mr Toyomatsu is President of Japan Australia Uranium Resources Development Co., Ltd.(JAURD).

PREVIOUS DIRECTORS

Mr R A Cleary BSc(Tech) Chem Eng Chief Executive	60	Appointed Chief Executive and a Director of ERA in July 1999. Mr Cleary resigned as a Director of the Board on 29 January 2004.
Mr B Cusack BE(Hons), MEngSc, FTSE, FAIM, FAusIMM, MAICD Director	61	Appointed to the ERA Board in August 2000. Mr Cusack retired as Chairman in April 2002. He is also a director of Macmahon Holdings Limited and Smorgon Steel Group Limited and Chairman of Oxiana Resources N.L. Mr Cusack resigned as a Director of the Board on 1 September 2003.
Mr G Boyce BSc Director	49	Appointed as a Director in November 2000. Mr Boyce is the former Chief Executive Energy of Rio Tinto plc in London. He is also a former Director of Coal & Allied Industries Limited and a number of other Rio Tinto subsidiaries. Mr Boyce resigned as a Director of the Board on 2 September 2003.
Mr W Kinugawa Director	69	Appointed as a Director in July 2001 at the nomination of the C Class shareholders. Mr Kinugawa is the former President of Japan Australia Uranium Resources Development Co Ltd (JAURD). Mr Kinugawa resigned as a Director of the Board on 18 June 2003.
Dr R Matthews PhD Director	54	Appointed as a Director in March 2001 at the nomination of the B Class shareholders. Dr Matthews is Manager Exploration with Cameco Australia Ltd. Dr Matthews resigned as a Director of the Board on 28 April 2003. Dr Matthews was appointed Alternate Director to Mr S Mann on 28 April 2003.


L-R
Mr Brian Horwood, Chairman
Mr Harry Kenyon-Slaney, Chief Executive

L-R
Dr Brian Hickman
Mr Preston Chiaro
Mr Richard Carter





L-R
Mr Hideki Toyomatsu
Mr Andy Lloyd
Mr Stephen Mann

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 are shown below:

DIRECTOR	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	NO. ATTENDED	NO. HELD*	NO. ATTENDED	NO. HELD*
G Boyce	4	4	–	–
R Carter	6	7	3	3
P Chiaro	1	1	–	–
R Cleary**	7	7	3	3
B Cusack	5	5	–	–
B Hickman	7	7	3	3
B Horwood	7	7	3	3
W Kinugawa	2	3	–	–
A Lloyd	1	1	–	–
S Mann	4	4	–	–
R Matthews	3	3	–	–
H Toyomatsu	2	4	–	–
M Takada (alternate for H Toyomatsu)	1	1	–	–
A Yonekawa (alternate for W Kinugawa)	1	1	–	–
A Lloyd (alternate for G Boyce)	1	1	–	–
T Zempuku (alternate for H Toyomatsu)	1	1	–	–

* *Reflects the number of meetings held during the time the Director held office in the 2003 year.*
***By invitation of the audit committee.*

Note: On the occasions that "B" and "C" class appointed Directors could not attend a meeting of Directors, their alternates attended as required by the Company's Constitution.

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 the date of this report are shown below:

Shares in Energy Resources of Australia Ltd	
B Hickman	1,000 ordinary shares
R Carter	25,000 ordinary shares (beneficially held)
Shares in a Related Body Corporate	
Rio Tinto Limited	
B Cusack	11,452 ordinary shares
B Horwood	3,000 ordinary shares
Options in a Related Body Corporate	
Rio Tinto Limited	
B Cusack	21,174
B Horwood	15,778
R Cleary	6,849
A Lloyd	1,671
Conditional Interests in Ordinary Shares of a Related Body Corporate	
Rio Tinto Limited	
B Cusack	14,311
B Horwood	13,598
A Lloyd	24,170

PRINCIPAL ACTIVITIES

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

(i) mining, processing and the sale of uranium; and

(ii) providing environmental consulting services by Earth Water Life (EWL) Sciences Pty Ltd.

DIVIDENDS

Dividends paid to members by the Company during the financial year were as follows:

	$000
In respect of the previous financial year:	
– As proposed and provided for in last year's financial report, a final dividend of 11.0 cents per share, franked to 100% with (30%) franking credits was declared on 29 January 2003, and paid on 28 February 2003	20,981
In respect of the current financial year:	
– An interim dividend of 6.0 cents per share, franked to 100% with (30%) franking credits was declared on 15 August 2003 and paid on 29 August 2003	11,444
Total dividends paid to members in 2003	32,425

In addition to the above dividend, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of 5.0 cents per share, fully franked at 30%. The dividend payment of $9,536,897 will be paid on 27 February 2004 with a record date of 13 February 2004.

The Company's Dividend Reinvestment Plan will not operate in respect of the final dividend.

REVIEW AND RESULTS OF OPERATIONS

The operating profit after tax for the consolidated entity for the year ended 31 December 2003 was $19.9 million (31 December 2002: $21.2 million). Sales revenue for the year ended 31 December 2003 was $196.2 million (31 December 2002: $198.7 million). Sales for 2003 were 5,259 tonnes including 18 tonnes of third party stock (2002: 5,145 tonnes including 628 tonnes third party stock).

A full review of the operations of the consolidated entity during the year ended 31 December 2003 and the results of those operations are shown in this Annual Report in the sections entitled Chairman's and Chief Executive's Report, Finance, Marketing, Production, Employees, Safety and Health, Radiation, Environment, Earth-Water-Life Sciences, Community and External Relations and Directors' Outlook (pages 3 to 17).

On 24 December 2003 the Full Court of the Federal Court dismissed the Commissioner of Taxation's appeal against the decision handed down on 28 January 2003 in *Energy Resources of Australia Limited v Commissioner of Taxation*. The Commissioner has lodged an application to the High Court for special leave to appeal the case. The decision relates to the valuation of ERA's trading stock for the year ended 30 June 1993. If the special leave is not granted or the appeal should be unsuccessful, the effect will be an increase to ERA's net profit of approximately $10.3 million. The cash flow of the Company will benefit from a tax refund of approximately $6.5 million.

STATE OF AFFAIRS

In the opinion of the Directors, other than matters reported in the Directors' Report and in the Chairman 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 2003.

ENVIRONMENTAL REGULATION

The Ranger operation has had no detrimental impact on the surrounding environment over its 22 years of operation.

ERA operates in accordance with relevant Federal and Territory environmental legislation as well as site-specific environmental licences, permits and statutory authorisations. The Company's Environmental Requirements (ERs) were updated during the year by the relevant authorities.

Under ERA's authorisation to operate, ERA is required to report to the Minister for Mines and Energy (NT), the Office of the Supervising Scientist, the Commonwealth Department of Industry, Science and Resources and the Northern Land Council, any infringements of the conditions and requirements of the authorisation. This includes any incident that is a divergence from strict compliance with statutory requirements, even if this incident has no detrimental environmental impact.

Further details of ERA's environmental performance are included in the Environment Section of the Annual Report (page 13).

EVENTS SUBSEQUENT TO BALANCE DATE

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, except for the tax case item noted in the Review and Results of Operations above, 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 2003.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts in this financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

TAX CONSOLIDATION REGIME

Although a final decision has not been taken, it is highly probable that the parent entity, Energy Resources of Australia Ltd and its wholly owned subsidiary, will be forming a tax consolidated group with effect from 1 January 2003. The entities also intend to enter into a tax funding agreement. Although details of this agreement are yet to be finalised it has been agreed that the primary function of the tax funding agreement will be to:

(a) impose a liability for each entity's share of the tax consolidated group's tax liability so as to reflect as closely as practicable the share of tax which each entity would have been liable to pay if it were not part of the tax consolidated group;
(b) create a receivable/payable with Energy Resources of Australia Ltd to reflect the deferred tax asset/deferred tax liability inherited by Energy Resources of Australia Ltd from its wholly owned subsidiary, both on 1 January 2003 and over time; and
(c) require Energy Resources of Australia Ltd to compensate its wholly owned subsidiary for losses it would have recognised if it were not part of the tax consolidated group, with compensation provided at the time the losses are utilised by Energy Resources of Australia Ltd.

This means Energy Resources of Australia Ltd has recognised the current and deferred tax balances of its wholly owned subsidiary as of 1 January 2003 and a receivable from/payable to the wholly owned subsidiary for identical amounts.

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, the Statement of Financial Position and the Statement of Financial Performance and notes thereto.

A review of developments and the expected results for ERA is presented in the sections entitled Chairman's and Chief Executive's Report in this 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.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

Directors' and executives' remuneration and benefits are set out in note 22.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Clause 11 of the Company's Constitution provides that every Director, Manager, Officer, Employee or Auditor 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.

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

PricewaterhouseCoopers, as Auditor of the Company, also has the benefit of the indemnity in Clause 11.

Insurance

Since the end of the previous financial year the Company has paid insurance premiums in respect of Directors' and Officers' Liability.

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 and of the liabilities covered or the amount of the premium paid in respect of Directors and Officers Liability as such disclosure is prohibited under the terms of the contract.

INFORMATION ON AUDITORS

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

Signed at Melbourne this 17th day of February 2004 in accordance with a resolution of the Directors.

B. F. Horwood

B.F. Horwood
Director

Corporate Governance Statement

The Board of ERA is committed to high standards of corporate governance. This statement outlines the main corporate governance practices that were in place during the financial year.

The Board is responsible to ensure that the Company is managed in a way that meets the objectives of all its shareholders, while paying proper regard to the interests of employees and external stakeholders. The recommendations of the ASX Corporate Governance Council ("Council") on corporate governance practices were considered by the Board. The Directors concluded that the corporate governance structures and processes in place are substantially in compliance with the Council's recommendations. In some areas, minor changes were required which have been concluded or are advanced in implementation.

The Company's Corporate Governance section on its website (www.energyres.com.au) sets out the information required by the Council's recommendations.

SHAREHOLDERS' AGREEMENT

The float of ERA in 1980 involved the issue of A Class shares to members of the public, as well as B and C Class shares to ERA's major customers. Prior to the float, the major shareholders and ERA entered into a Shareholders Agreement to govern certain aspects of the conduct of ERA's affairs and their relationship with each other in the future. The current parties to the Shareholders Agreement are:

- North Limited and Peko Wallsend Ltd; both are now wholly-owned subsidiaries of Rio Tinto Limited (RTL) and hold A Class shares;
- The following B Class shareholders:
  - Cameco Resources Australia Pty Ltd;
  - Cogema Australia Pty Ltd, UG Australia Developments Pty Ltd and Interuranium Australia Pty Ltd; and
  - OKG Aktiebolag;
- Japan Australia Uranium Resources Development Co Ltd (owned by a number of Japanese utilities), which holds C class shares; and
- ERA.

Among other things, under the Shareholders Agreement;

- there are restrictions on the issue of further A, B and C Class shares.
- ERA is required to seek listing of any B and C Class shares which are converted into A Class shares.
- the B and C Class shareholders have certain rights of first refusal to purchase from ERA uranium oxide in some circumstances.
- an advisory committee, called the Operations Review Committee, is established to review ERA's technical operations. The B and C Class shareholders and the Rio Tinto entities may appoint representatives to this committee.
- there are various conditions relating to the sale of the parties' shares.
- there is a commitment to support a dividend policy which aims, so far as is prudent and having regard to ERA's contractual commitments and viability, to ensure that at least 75% of ERA's published audited after tax profits is distributed by way of dividend.

ERA is owned 68.4% by the Rio Tinto entities and 6.5% by the general public as A Class shareholders, 14.5% by the B Class shareholders and 10.6% by the C Class shareholder. The existing A Class shares are listed on the Australian Stock Exchange.

BOARD RESPONSIBILITIES & CHARTER

The Board is responsible for ensuring that its composition is sufficient to protect the interests of all stakeholders. The Directors discharge their duties in the best interests of all shareholders. The composition of the Board recognises the majority ownership position of RTL and it is appropriate that Directors associated with the controlling shareholder constitute four Directors on the Board. The Board is aware that related party transactions must be considered carefully. Consequently, related party transactions are considered by the independent directors on the Audit Committee. Directors associated with the relevant related party do not vote on transactions involving the related party.

In carrying out its responsibilities and powers, the Board at all times recognises its over-riding 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 has adopted a Charter that clearly sets out the roles and responsibilities of the Board. The Charter underpins the strategic guidance and effective management oversight provided by the Board. The Charter is available on ERA's website at www.energyres.com.au.

The Board will review 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.

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

The Company's formalisation and disclosure of the functions reserved to the Board and those delegated to management are consistent with recommendation 1.1 of the Council.

BOARD COMPOSITION

At the date of this report the Board of ERA consists of eight directors, seven of whom are non-executive. The Chairman is Mr Horwood, who as of 19 March 2004 will retire as an executive of RTL. Mr Kenyon-Slaney is an executive Director and holds the position of Chief Executive. This is consistent with recommendation 2.3 of the Council that the Chief Executive and Chairman be different people. Three non-executive Directors, Mr Chiaro, Mr Lloyd, and the Chairman, Mr Horwood, are executives of RTL. RTL holds a 68.4% interest in the share capital of ERA.

Details of the Directors, their qualifications and other appointments are set out on page 18.

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. Rio Tinto nominates candidates for Board membership for Board consideration. The Board recognises that this is not compliant with recommendation 2.4 of the Council, but considers that existing practices are satisfactory given that ERA is a subsidiary of RTL.

Non-executive Directors, except those representing B and C Class shareholders, are subject to retirement by rotation every three years in accordance with ERA's Constitution, but may offer themselves for re-election.

INDEPENDENCE

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. As stated above, the composition of the Board recognises RTL's majority shareholding. The Directors are required to, and do, act in accordance with their statutory duties of good faith and for a proper purpose. All related party transactions, including those with RTL, have been determined to be in the interests of ERA.

As noted above, the Chairman, Mr Brian Horwood, is currently a RTL executive. Whilst this is not compliant with recommendation 2.2 of the Council, the Board considers that RTL's 68.4% shareholding warrants this appointment. As previously noted, Mr Horwood will retire from RTL on 19 March 2004.

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 constitutes a quorum. The present members of the Audit Committee are Mr Hickman (Chairman), Mr Carter and Mr Horwood.

The Audit Committee Charter sets out the role and terms of reference of the Audit Committee and is reviewed at least annually.

The Committee provides a formal structure for reviewing ERA's financial statements, accounting policies, control systems, risk management practices, taxation and liaising 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 fulfill 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 2003 meetings of the Audit Committee are set out on page 19.

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

The financial reporting practices and the composition of the Audit Committee complies with recommendations 4.1, 4.2, 4.3 and 4.4 of the Council.

RISK IDENTIFICATION & 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 RTL 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 environment 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; and
- ERA risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

This statement complies with recommendation 7.2 of the Council.

BOARD MEETINGS

The Board normally has five scheduled meetings per year and may meet at other times to deal with urgent issues. The Board meeting attendance details for Directors in 2003 are set out on page 19.

INDEPENDENT PROFESSIONAL ADVICE

There is no formal Board procedure laid down for directors wishing to seek independent professional advice at the Company's expense, in the furtherance of their duties. However, 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. Any such matter would be for the Board to consider at the time, in the light of the specific circumstance, and having in mind the Constitution of the Company.

REMUNERATION

The Company's Remuneration Policy provides an overview of ERA's policy with respect to the remuneration of senior executives. The remuneration of executive officers is set by reference to the wider Rio Tinto context and determined following review by the Rio Tinto Board Remuneration Committee. Executive remuneration and other terms of employment are reviewed annually by ERA and Rio Tinto 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 superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

The Board considers that the Company's Remuneration Policy complies with recommendations 9.1, 9.3 and 9.4. The Board does not consider it necessary to establish a Remuneration Committee as proposed by the Council (recommendation 9.2).

DIRECTORS' REMUNERATION

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 remuneration paid to each Director during the year ended 31 December 2003 is set out in note 22 to the financial report. The aggregate amount of non-executive Directors' remuneration paid was $310,243. 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 and those offered by comparative companies 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.

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 on the Company's website in compliance with recommendation 3.2 of the Council.

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.

PERFORMANCE SELF-ASSESSMENT

The Board intends to introduce an annual performance evaluation of itself that:

(a) compares the requirements of the Board Charter with the performance of the Board;
(b) sets out goals and objectives of the Board for the upcoming year; and
(c) considers any improvements or changes to the Board Charter deemed necessary or desirable.

This complies with the Council's recommendation 8.1.

CODE OF CONDUCT

ERA has a Code of 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. In addition to the Code of Conduct, the Company's employees are required to comply with RTL's statement of business practice – *The Way We Work*.

The Code of Conduct is reviewed annually to ensure it adequately addresses the issues facing the Company and is available for inspection on the Company's website.

The Company has a confidential whistleblower program known as "Speak-Out". Employees are encouraged to report any unethical or illegal practices.

ERA is compliant with the recommendations of the Council in this area (recommendation 10.1).

PUBLIC STATEMENTS & DISCLOSURE MATTERS

ERA makes full and timely disclosures to its shareholders and the market 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. The Chief Executive, Chief Financial Officer and Company Secretary are responsible to the Board for recommending such disclosures. The Company's policies and procedures comply with recommendation 5.1 of the Council.

SHAREHOLDER COMMUNICATION

The Board informs shareholders and others of all major developments and complies with its continuous disclosure requirements. Any material information is announced to the Stock Exchange in accordance with the Listing Rules. The Company has developed communication strategies to achieve effective communications with its stakeholders. This is in accordance with recommendation 6.1 of the Council.

In compliance with recommendation 6.2 of the Council, the external auditor attends the annual general meeting to answer shareholder questions.

Investors' Information

ANNUAL GENERAL MEETING

The 2004 Annual General Meeting will be held at 10:00 am on Monday, 19 April at the All Seasons Premier Menzies Hotel, 14 Carrington Street, Sydney.

TAX FILE NUMBERS

Tax File Numbers or Exemption details are recorded from shareholders who wish to advise 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 that they should contact their sponsored broker to initiate a change of address.

Statements of Financial Performance

for the year ended 31 December 2003

	NOTE	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	THE COMPANY 2003 $000	THE COMPANY 2002 $000
Operating revenues		**196,216**	198,703	**194,930**	197,736
Proceeds from sale of assets other than goods		**67**	241	**19**	241
Other revenue from outside the operating activities		**979**	264	**973**	260
Revenue from ordinary activities	2	**197,262**	199,208	**195,922**	198,237
Changes in inventories of finished goods and work in progress		**15,222**	(16,308)	**15,222**	(16,308)
Raw materials and consumables used		**(51,503)**	(28,803)	**(51,873)**	(28,803)
Employee benefits and contractor expenses		**(36,348)**	(31,935)	**(34,920)**	(30,666)
Government and other royalties		**(10,036)**	(9,962)	**(10,036)**	(9,962)
Commission and shipping expenses		**(8,072)**	(8,434)	**(8,072)**	(8,434)
Depreciation and amortisation expenses	3	**(44,177)**	(39,050)	**(44,016)**	(38,891)
Borrowing costs	3	**(731)**	(2,802)	**(731)**	(2,802)
Statutory and corporate expense		**(13,503)**	(16,195)	**(13,503)**	(16,195)
Other expenses from ordinary activities		**(12,568)**	(9,044)	**(12,569)**	(9,518)
Profit from ordinary activities before income tax expense	3	**35,546**	36,675	**35,424**	36,658
Income tax relating to ordinary activities	4	**(15,674)**	(15,490)	**(15,600)**	(15,458)
Net profit attributable to members of ERA Limited		**19,872**	21,185	**19,824**	21,200
Total changes in equity other than those resulting from transactions with owners as owners		**19,872**	21,185	**19,824**	21,200

The above statements of financial performance are to be read in conjunction with the accompanying notes.

		CENTS	CENTS
Basic earnings per share	31	**10.4**	11.1
Diluted earnings per share	31	**10.4**	11.1

Statements of Financial Position

as at 31 December 2003

	NOTE	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	THE COMPANY 2003 $000	THE COMPANY 2002 $000
Current Assets					
Cash assets	6	**31,080**	24,812	**31,079**	24,564
Receivables	7	**43,452**	47,708	**43,236**	47,924
Inventories	8	**85,688**	69,226	**85,688**	69,226
Hedge book asset	15	**3,696**	–	**3,696**	–
Deferred loss on hedge book	15	**–**	11,368	**–**	11,368
Other	9	**4,503**	4,549	**4,489**	4,549
Total Current Assets		**168,419**	157,663	**168,188**	157,631
Non-Current Assets					
Receivables	7	**192**	458	**192**	458
Investments		**–**	–	**100**	100
Inventories	8	**24,694**	27,365	**24,694**	27,365
Exploration, evaluation and development expenditure	10	**203,017**	203,017	**203,017**	203,017
Property, plant and equipment	11	**335,568**	372,597	**335,029**	372,081
Deferred tax assets		**2,950**	2,785	**2,950**	2,694
Hedge book asset	15	**21,487**	–	**21,487**	–
Deferred loss on hedge book	15	**–**	66,375	**–**	66,375
Total Non-Current Assets		**587,908**	672,597	**587,469**	672,090
Total Assets		**756,327**	830,260	**755,657**	829,721
Current Liabilities					
Payables	12	**24,093**	22,784	**23,834**	22,672
Current tax liabilities		**10,471**	14,961	**10,471**	14,930
Provisions	13	**3,935**	24,363	**3,841**	24,281
Deferred gain on hedge book	15	**3,696**	–	**3,696**	–
Hedge book liability	15	**–**	11,368	**–**	11,368
Other	14	**–**	4,013	**–**	4,013
Total Current Liabilities		**42,195**	77,489	**41,842**	77,264
Non-Current Liabilities					
Payables	12	**19**	14	**19**	14
Deferred tax liabilities		**74,960**	77,357	**74,960**	77,300
Provisions	13	**3,321**	3,108	**3,266**	3,065
Deferred gain on hedge book	15	**21,487**	–	**21,487**	–
Hedge book liability	15	**–**	66,375	**–**	66,375
Total Non-Current liabilities		**99,787**	146,854	**99,732**	146,754
Total Liabilities		**141,982**	224,343	**141,574**	224,018
Net Assets		**614,345**	605,917	**614,083**	605,703
Shareholders' Equity					
Share capital	16	**214,585**	214,585	**214,585**	214,585
Reserves	17	**389,500**	389,500	**389,500**	389,500
Retained profits	18	**10,260**	1,832	**9,998**	1,618
Total Shareholders' Equity		**614,345**	605,917	**614,083**	605,703

The above statements of financial position are to be read in conjunction with the accompanying notes.

Statements of Cash Flows

for the year ended 31 December 2003

	NOTE	CONSOLIDATED 2003 $000 INFLOWS/ (OUTFLOWS)	CONSOLIDATED 2002 $000 INFLOWS/ (OUTFLOWS)	THE COMPANY 2003 $000 INFLOWS/ (OUTFLOWS)	THE COMPANY 2002 $000 INFLOWS/ (OUTFLOWS)
Cash flows from operating activities					
Receipts from customers		**206,172**	234,014	**205,318**	233,047
Payments to suppliers and employees		**(137,318)**	(120,252)	**(136,549)**	(119,407)
		68,854	113,762	**68,769**	113,640
Interest received		**980**	264	**974**	260
Borrowing costs paid		**(731)**	(2,144)	**(731)**	(2,144)
Income taxes paid		**(22,725)**	(13,139)	**(22,552)**	(13,139)
Refund from/(payment to) Rehabilitation Trust Fund		**(538)**	9,482	**(538)**	9,482
Net cash inflow from operating activities	28(a)	**45,840**	108,225	**45,922**	108,099
Cash flows from investing activities					
Payments for property, plant and equipment		**(7,204)**	(9,264)	**(6,991)**	(9,248)
Proceeds from sale of property, plant and equipment		**67**	241	**19**	241
Net cash outflow from investing activities		**(7,137)**	(9,023)	**(6,972)**	(9,007)
Cash flows from financing activities					
Repayment of borrowings – related parties		**–**	(76,000)	**–**	(76,000)
Dividends paid		**(32,425)**	(3,815)	**(32,425)**	(3,815)
Net cash outflow from financing activities		**(32,425)**	(79,815)	**(32,425)**	(79,815)
Net increase in cash held		**6,278**	19,387	**6,525**	19,277
Cash at the beginning of the financial year		**24,812**	5,690	**24,564**	5,552
Effects of exchange rate changes on cash		**(10)**	(265)	**(10)**	(265)
Cash at the end of the financial year	6	**31,080**	24,812	**31,079**	24,564

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

Notes to the financial statements

for the year ended 31 December 2003

1. SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuations of non-current assets.

Unless otherwise stated, the accounting polices adopted have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities as at balance date and the results for the year then ended of the Company, being the parent entity, and its controlled entity ("the consolidated entity"). Details of the controlled entity appear in note 26. The balances and effects of transactions with the controlled entity have been eliminated in full.

(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.

A significant portion of the Company's uranium oxide sales are provisionally priced based on prices at the time of shipment. Actual settlement is generally based on average market prices for a specific future period. Provisionally priced sales are adjusted monthly to current spot prices. These adjustments, and adjustments arising on final settlements, are reflected in sales revenue.

Rendering of Services

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

Asset Sales

The proceeds on disposal of assets is recognised at the date control of the asset passes to the acquirer.

Other Revenue

Interest income is recognised as it accrues.

Refunds from the Ranger Rehabilitation Trust Fund are recognised as revenue when the cash has been remitted to the Company, except in certain circumstances where payments to the Ranger Rehabilitation Trust Fund are considered by the Company to be of a temporary nature, and thus recognised as a receivable as a refund is expected in relation to the payment in a subsequent period.

(d) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of those transactions. 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 statement of financial performance in the financial year in which the exchange rates change.

Currency Hedging

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the sale of goods, together with subsequent gains or losses resulting from those transactions are deferred up to the date of the sale and included in the measurement of the sale.

The deferred gains or losses result in an equal and offsetting hedge asset and hedge liability being recognised. In the case of hedges of exchange rate items which have not been closed out during the year, gains or losses are brought to account as deferred gains or losses in the reporting period in which the rates change. Any exchange differences on the hedge transactions that have been closed out after that date are included in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the foreign currency hedge prior to its termination are included in the statement of financial performance for the period.

(e) Borrowing Costs

Borrowing costs (including interest) are included in the statement of financial performance 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.

Borrowing costs incurred during the period in which active development is suspended for extended periods are recognised as expenses in the statement of financial performance.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(f) Income Tax

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(g) Receivables

Trade debtors are normally settled within 45 days and are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful amounts.

(h) Inventories

Inventories, other than stores, are carried at the lower of cost and net realisable value using the average cost method. Cost includes both fixed and variable production costs. No accounting value is attributed to ore in situ or broken ore within the mine. Stores are valued at cost less a provision, where applicable, for obsolescence.

(i) Recoverable amount of Non-current Assets

The carrying amounts of non-current assets, other than exploration and evaluation expenditure carried forward, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amount for property, plant and equipment including mine properties, along with development expenditure, the relevant cashflows have been discounted to their present value.

(j) Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and, except for land, are depreciated as outlined below.

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 economically recoverable resources; 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 Ranger mine
- Plant and equipment* – units of production over Ranger mine

* *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.*

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.

Ranger Project Rights

Ranger Project Rights are amortised on a unit of production basis over the life of the economically recoverable resources of Ranger.

(k) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs incurred in conducting exploration activities are carried forward and a provision equal in amount is created by charging the statement of financial performance. The provision is reversed where it is determined that the related area of interest has economically recoverable reserves and is to be developed.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest. The Jabiluka project is on care and maintenance, and all costs incurred on this project during this period are expensed immediately.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(k) Exploration, Evaluation and Development Expenditure continued

When an area of interest is abandoned or the Directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

When production commences, carried forward exploration, evaluation and development costs are transferred to mine properties and are amortised on a units of production basis over the life of the economically recoverable reserves.

(l) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 55 days.

(m) Uranium Loan

The Company as and when required may enter into a uranium loan facility. Drawdowns of uranium under the loan agreement will be initially recorded at the uranium spot price. Uranium drawn down and held as buffer stock will be classified as current inventory. The entire loan will be classified as a current borrowing.

(n) Rehabilitation

ERA is required to rehabilitate the Ranger Project Area upon cessation of mining operations. The cost of rehabilitation upon cessation of mining will be met out of funds held in the Ranger Rehabilitation Trust Fund.

In order to determine the cost of rehabilitation an annual independent assessment is made. The assessed cost of rehabilitation is then compared to the amount held in the Trust Fund resulting in either a surplus or deficit. A surplus or deficit, or part thereof, is recognised in the statement of financial performance unless it is considered temporary, with a corresponding receivable or provision for rehabilitation being recognised in the statement of financial position. Where a temporary surplus or deficit occurs, no adjustments are made, however, disclosure of such amounts is reflected in the notes to the financial statements. In instances where temporary deficits require cash outlays to be made, an amount receivable from the fund is recognised.

ERA is required to rehabilitate the Jabiluka Lease Area to a standard compatible with incorporation into Kakadu National Park if desired by the landowners, upon cessation of mining operations. The cost of rehabilitation is currently secured by a bank guarantee and fully provided for in the financial statements.

(o) Derivatives

The consolidated entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The consolidated entity has used the following derivative financial instruments to hedge these risks: forward foreign exchange contracts and foreign exchange options. Derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposure.

Derivative financial instruments are not held for speculative purposes.

(p) Employee Entitlements

(i) Wages and Salaries, Annual Leave and Sick Leave

The provisions for employee entitlements to wages, salaries, annual leave and sick 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.

(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.

Change in accounting policy

The policy in 1(p)(i) above, was adopted with effect from 01 January 2003 to comply with AASB 1028 *Employee Benefits* released in June 2001. No material adjustments were required and therefore no restatements of the balances are shown.

(iii) Superannuation Plan

Contributions to superannuation funds are recognised as an expense in the statement of financial performance as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(q) Investments

Controlled Entities

The investment in the controlled entity is carried in the Company's financial report at the lower of cost or recoverable amount. Dividends and distributions are recognised in the statement of financial performance when they are declared by the controlled entity.

(r) Interest bearing liabilities

Borrowings are recognised as a liability in the statement of financial position at the principal amount. Interest expense is accrued at the contracted rate.

(s) Cash

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.

(t) 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.

(u) 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.

(v) Employee share savings plan

On 10 September 2001, qualifying employees across the global Rio Tinto Group, including employees of the Company, were invited to participate in the Rio Tinto Share Savings Plan (SSP). Under the SSP, qualifying employees who elect to participate in the SSP, determine a fixed rate savings plan for either a three or five year term, which is restricted to be within a set minimum and maximum per month as determined each year under the SSP, which for the 2003 share savings plan were set at $60 and $605 respectively. Options are granted annually to participating employees, with the number of options granted determined by their fixed rate savings plan. Options granted are for the acquisition of Rio Tinto Limited or Rio Tinto plc shares at a price that is at a 20% discount to the market price at the time of the grant.

No accounting entries are made in relation to the Rio Tinto SSP until options are exercised, at which time any shortfall between the exercise price paid by the employee of the Company and the market price of the Rio Tinto Limited or Rio Tinto plc shares at the date of exercise is charged by Rio Tinto to the Company and recognised as an employee benefits expense in the statement of financial performance.

(w) Tax Consolidation

Although a final decision has not been taken, it is highly probable that Energy Resources of Australia Ltd and its wholly owned subsidiary will form a tax consolidated group with effect from 1 January 2003.

As a consequence, Energy Resources of Australia Ltd, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned entity in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax funding agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax funding agreement are recognised as a component of income tax expense (revenue).

The above is an accounting policy which covers a new situation. This does not represent a change in accounting policy.

(x) 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.

Change in accounting policy for providing for dividends

The above policy was adopted with effect from 1 January 2003 to comply with AASB 1044 Provisions, Contingent Liabilities and Contingent Assets released in October 2001. In previous periods, in addition to providing for the amounts of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial period but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the financial period where the dividend was proposed, recommended or declared between the end of the financial period and the completion of the financial report.

An adjustment of $20,981,000 was made against retained profits at the beginning of the financial period to reverse the amount provided at 31 December 2002 for the proposed final dividend for that period that was recommended by the directors between the end of the financial period and the completion of the final report. This reduced the current liabilities – provisions and total liabilities at the beginning of the financial period by $20,981,000 with corresponding increases in net assets, retained profits, total equity and total dividends provided for or paid during the current financial year.

The restatements of retained profits, provisions and total dividends provided for or paid during the year set out below show the information that would have been disclosed had the new accounting policy always been applied.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(x) Dividends continued

	31 DEC 2003 $000 (RESTATED)	31 DEC 2002 $000 (RESTATED)
Restatement of retained profits		
Previously reported retained profits at the end of the financial period	**1,832**	1,628
Change in accounting policy for providing for dividends	**20,981**	3,815
Restated retained profits at the beginning of the financial period	**22,813**	5,443
Net profit attributable to members	**19,872**	21,185
Total available for appropriation	**42,685**	26,628
Dividends provided for or paid (see below)	**(32,425)**	(3,815)
Restated retained profits at the end of the financial period	**10,260**	22,813
Restatement of current liabilities – provisions		
Previously reported carrying amount at the end of the financial period	**3,935**	24,363
Adjustment for change in accounting policy	**–**	(20,981)
Restated carrying amount at the end of the financial period	**3,935**	3,382
Restatement of dividends provided for or paid		
Previously reported total dividends provided for or paid during the financial period	**32,425**	20,981
Adjustment for change in accounting policy	**–**	(17,166)
Restated total dividends provided for or paid during the financial period	**32,425**	3,815

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
2. REVENUE				
Revenue from operating activities				
Sale of goods	**194,930**	197,736	**194,930**	197,736
Rendering of services	**1,286**	967	**–**	–
Total sales revenue	**196,216**	198,703	**194,930**	197,736
Revenue from outside operating activities				
Interest received/receivable, other parties	**979**	264	**973**	260
Proceeds from sale property, plant and equipment	**67**	241	**19**	241
	197,262	199,208	**195,922**	198,237
3. OPERATING PROFIT				
The operating profit before income tax expense includes the following specific net gains and expenses:				
Cost of sales	**124,999**	123,369	**124,999**	123,369
Amortisation of Ranger Project Rights	**18,380**	16,051	**18,380**	16,051
Depreciation of non-current assets:				
Land and buildings	**3,787**	3,118	**3,743**	3,074
Plant and equipment	**22,010**	19,881	**21,893**	19,766
Total depreciation	**25,797**	22,999	**25,636**	22,840
Net exchange loss on translation of US$ bank accounts	**1,948**	1,498	**1,948**	1,498
Royalty payments	**2,235**	2,220	**2,235**	2,220
Payments to Aboriginal interests	**7,800**	7,742	**7,800**	7,742
Auditors' Remuneration – PricewaterhouseCoopers	**132**	105	**132**	105
Rental expense relating to operating leases	**312**	348	**298**	333
Borrowing costs:				
Related parties	**248**	2,466	**248**	2,466
Other parties	**483**	336	**483**	336
Net (credit)/expense from movements in provision for:				
Employee entitlements	**766**	463	**742**	489
Stores obsolescence	**(512)**	(258)	**(512)**	(258)
Doubtful debts	**(44)**	32	**(44)**	32
Research and development expenditure	**2,986**	3,080	**2,663**	2,460
Net (gain)/loss on sale of property, plant and equipment	**(11)**	(143)	**8**	(153)

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000

4. INCOME TAX

(a) Income tax expense

	2003 $000	2002 $000	2003 $000	2002 $000
Income tax is calculated as follows:				
Operating profit before income tax	**35,546**	36,675	**35,424**	36,658
Prima facie income tax expense at 30%	**10,664**	11,003	**10,627**	10,997
Tax effect of permanent differences:				
Amortisation of Ranger Project Rights	**5,514**	4,815	**5,514**	4,815
Other non-allowable items	**4**	47	**4**	21
Research and development concession	**(24)**	(375)	**(24)**	(375)
Income tax over provided in prior years	**(484)**	–	**(521)**	–
Income tax expense attributable to operating profit	**15,674**	15,490	**15,600**	15,458
Income tax expense	**15,674**	15,490	**15,600**	15,458

Although a final decision has not been taken, it is highly probable that the parent entity, Energy Resources of Australia Ltd and its wholly owned subsidiary, will be forming a tax consolidated group with effect from 1 January 2003. The entities also intend to enter into a tax funding agreement although details of this agreement are yet to be finalised.

As a consequence, Energy Resources of Australia Ltd, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned controlled entity in this group in future financial statements as if those transactions, events and balances were its own, in addition to the current and deferred tax balances arising in relation to its own transactions, events and balances. Amounts receivable or payable under the tax funding agreement will be recognised separately by Energy Resources of Australia Ltd as tax-related amounts receivable or payable. The impact on the income tax expense and results of Energy Resources of Australia Ltd is unlikely to be material because of the tax funding agreement.

The financial effect of the implementation of the legislation has not had a material impact on the financial statements for the year ended 31 December 2003.

Trading Stock Case

On 24 December 2003 the Full Court of the Federal Court dismissed the Commissioner of Taxation's appeal against the decision handed down on 28 January 2003 in *Energy Resources of Australia Limited v Commissioner of Taxation*. The Commissioner has lodged an application to the High Court for special leave to appeal the case.

If the special leave is not granted or the appeal is unsuccessful, the effect will be an increase to ERA's after tax profit by approximately $10.3 million. The cash flow of the Company will benefit from a tax refund of approximately $6.5 million. No benefit arising from this judgement has been included in the financial results of the current financial year.

	CENTS PER SHARE	TOTAL AMOUNT $'000	DATE OF PAYMENT	FRANKED TAX RATE	PERCENTAGE FRANKED

5. DIVIDENDS

Dividends proposed or paid by the Company are:

	CENTS PER SHARE	TOTAL AMOUNT $'000	DATE OF PAYMENT	FRANKED TAX RATE	PERCENTAGE FRANKED
2002					
Final – ordinary	11.0	20,981	28 February 2003	30%	100%
2003					
Interim – ordinary	**6.0**	**11,444**	**29 August 2003**	**30%**	**100%**

Dividends not recognised at the end of the year

Since the end of the year the directors have recommended the payment of a final dividend of 5.0 cents (2002: 11.0 cents) fully paid per ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed final dividend expected to be paid on 27 February 2004 out of retained profits at the end of the year but not recognised as a liability (in accordance with the new accounting policy required under AASB 1044) is $9,536,897.

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
Dividend Franking Account				
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends:				
30% franking credits (2002: 30%)	**36,400**	24,114	**35,964**	23,697

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

Tax Consolidation Regime

Consistent with note 4, the new Tax Consolidation Regime will impact the franking account balances of the Company and wholly-owned Australian resident subsidiary. The potential impact of the new Tax Consolidation Regime has not been taken into account in determining the balance of the Company's franking account. Any impact is not expected to be material.

6. CASH ASSETS

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	THE COMPANY 2003 $000	THE COMPANY 2002 $000
Current				
Cash at bank and on hand	**31,080**	24,812	**31,079**	24,564

Notes to the financial statements continued

for the year ended 31 December 2003

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
7. RECEIVABLES				
Current				
Trade debtors	**24,155**	32,026	**23,848**	31,469
	24,155	32,026	**23,848**	31,469
Other debtors	**4,161**	2,898	**4,970**	2,884
Less provision for doubtful debts	**(39)**	(83)	**(39)**	(83)
	4,122	2,815	**4,931**	2,801
Foreign exchange hedge asset on debtors	**5,435**	–	**5,435**	–
Related entity	**9,740**	12,867	**9,022**	13,654
	43,452	47,708	**43,236**	47,924
Non-current				
Other debtors	**192**	458	**192**	458
	192	458	**192**	458
8. INVENTORIES				
Current				
Stores and spares at cost	**12,053**	11,313	**12,053**	11,313
Less provision for obsolescence	**(1,146)**	(1,658)	**(1,146)**	(1,658)
	10,907	9,655	**10,907**	9,655
Ore stockpiles at cost	**12,183**	12,195	**12,183**	12,195
Work in progress at cost	**4,308**	2,546	**4,308**	2,546
Finished product U_3O_8 at cost	**58,290**	44,830	**58,290**	44,830
	85,688	69,226	**85,688**	69,226
Non-current				
Ore stockpiles at cost	**24,694**	27,365	**24,694**	27,365
9. OTHER ASSETS				
Current				
Prepayments	**4,503**	4,549	**4,489**	4,549
	4,503	4,549	**4,489**	4,549
10. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE				
Non-current				
Exploration and Evaluation Phase:				
Exploration expenditure at cost	**–**	881	**–**	881
Less provision for write down	**–**	(881)	**–**	(881)
	–	–	**–**	–
Development Phase:				
Balance brought forward	**203,017**	203,017	**203,017**	203,017
Total exploration, evaluation and development expenditure	**203,017**	203,017	**203,017**	203,017

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000

11. PROPERTY, PLANT AND EQUIPMENT

(a) Non-current

	2003 $000	2002 $000	2003 $000	2002 $000
Mine land and buildings				
Mine land and buildings				
Mine land and buildings at cost	**92,968**	92,932	**92,452**	92,416
Less accumulated depreciation	**(61,624)**	(57,837)	**(61,407)**	(57,664)
	31,344	35,095	**31,045**	34,752
Plant and equipment				
Plant and equipment at cost	**448,312**	441,404	**447,617**	440,794
Less accumulated depreciation	**(286,566)**	(264,760)	**(286,111)**	(264,323)
	161,746	176,644	**161,506**	176,471
Mine properties				
Ranger Project Rights at cost	**407,000**	407,000	**407,000**	407,000
Less accumulated amortisation	**(264,522)**	(246,142)	**(264,522)**	(246,142)
	142,478	160,858	**142,478**	160,858
Total property, plant and equipment	**335,568**	372,597	**335,029**	372,081

(b) Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	2003 $000	2002 $000	2003 $000	2002 $000
Mine land and buildings				
Mine land and buildings				
Carrying amount at 31 December 2002	**35,095**	38,213	**34,752**	37,826
Additions	**36**	–	**36**	–
Depreciation	**(3,787)**	(3,118)	**(3,743)**	(3,074)
Carrying amount at 31 December 2003	**31,344**	35,095	**31,045**	34,752
Plant and equipment				
Carrying amount at 31 December 2002	**176,644**	187,359	**176,471**	187,083
Additions	**7,168**	9,264	**6,955**	9,248
Write back of assets disposed	**(56)**	(98)	**(27)**	(94)
Depreciation	**(22,010)**	(19,881)	**(21,893)**	(19,766)
Carrying amount at 31 December 2003	**161,746**	176,644	**161,506**	176,471
Mine properties				
Carrying amount at 31 December 2002	**160,858**	176,909	**160,858**	176,909
Amortisation	**(18,380)**	(16,051)	**(18,380)**	(16,051)
Carrying amount at 31 December 2003	**142,478**	160,858	**142,478**	160,858

	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	THE COMPANY 2003 $000	THE COMPANY 2002 $000
12. PAYABLES				
Current				
Amount owing to related entities	**1,699**	286	**2,416**	409
Trade creditors	**21,959**	21,744	**21,042**	21,608
Other creditors	**435**	754	**376**	655
	24,093	22,784	**23,834**	22,672
Non-Current				
Other Creditors	**19**	14	**19**	14
	19	14	**19**	14
13. PROVISIONS				
Current				
Employee entitlements	**3,935**	3,382	**3,841**	3,300
Dividends	**–**	20,981	**–**	20,981
	3,935	24,363	**3,841**	24,281
Non-current				
Employee entitlements	**657**	444	**602**	401
Rehabilitation	**2,664**	2,664	**2,664**	2,664
	3,321	3,108	**3,266**	3,065
14. OTHER LIABILITIES				
Current				
Foreign exchange hedge liability on debtors	**–**	4,013	**–**	4,013
15. HEDGE BOOK COMMITMENTS				
Current				
Hedge asset	**3,696**	–	**3,696**	–
Deferred loss on hedge book	**–**	11,368	**–**	11,368
	3,696	11,368	**3,696**	11,368
Current liability				
Deferred gain on hedge book	**3,696**	–	**3,696**	–
Hedge book liability	**–**	11,368	**–**	11,368
	3,696	11,368	**3,696**	11,368
Non-current asset				
Hedge asset	**21,487**	–	**21,487**	–
Deferred loss on hedge book	**–**	66,375	**–**	66,375
	21,487	66,375	**21,487**	66,375
Non-current liability				
Deferred gain on hedge book	**21,487**	–	**21,487**	–
Hedge book liability	**–**	66,375	**–**	66,375
	21,487	66,375	**21,487**	66,375

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000

16. SHARE CAPITAL

Issued and paid up capital comprises:

142,865,446 A Class shares fully paid				
27,573,468 B Class shares fully paid				
20,299,020 C Class shares fully paid				
190,737,934 Total fully paid shares	**214,585**	214,585	**214,585**	214,585

The B and C Class shares rank pari passu with the A Class shares except that the B and C Class shares have limitations, restrictions and special rights as to conversion, quotation and disposal of shares and voting in specified matters.

17. RESERVES

Capital reconstruction	**389,500**	389,500	**389,500**	389,500

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 dividends from this reserve.

18. RETAINED PROFITS

Retained profits at the beginning of the financial year	**1,832**	1,628	**1,618**	1,399
Adjustment resulting from change in accounting policy providing for providing of dividends	**20,981**	–	**20,981**	–
Net profits attributable to members of Energy Resources of Australia	**19,872**	21,185	**19,824**	21,200
Dividends provided for or paid	**(32,425)**	(20,981)	**(32,425)**	(20,981)
Retained profits at the end of the financial year	**10,260**	1,832	**9,998**	1,618

19. CONTINGENT LIABILITIES

Rehabilitation

ERA has given an undertaking to the Commonwealth Government to rehabilitate the Ranger Project Area after cessation of mining operations. The latest estimated cost of rehabilitation, should ERA have been required to cease mining at 31 March 2003, was $37,841,900 (including a 5% contingency). At 31 March 2003 the Ranger Rehabilitation Trust Fund held funds in deficit of the assessed liability and the deficit amount of $538,010 was paid by ERA to the fund during the year. At year end the Trust was fully funded.

Bank Guarantee

ERA has issued a bank guarantee as security for the Jabiluka Rehabilitation Trust for $2,663,900. This bank guarantee is required to be in place until the next assessment of the Trust Fund, when the amount will be adjusted in line with the new requirement. The expected rehabilitation cost has been fully provided for in the statement of financial position.

Legal actions against ERA

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.

On 24 December 2003 the Full Court of the Federal Court dismissed the Commissioner of Taxation's appeal against the decision handed down on 28 January 2003 in the *Energy Resources of Australia Limited v Commissioner of Taxation*. The Commissioner has lodged an application to the High Court for special leave to appeal the case.

No material losses are anticipated in respect of any of the above contingent liabilities or legal disputes.

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
20. COMMITMENTS				
(a) Capital expenditure commitments contracted but not provided for and payable:				
Not later than 1 year	**1,108**	567	**1,108**	567
(b) Lease commitments				
(i) Operating leases				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than 1 year	**312**	362	**298**	356
Later than 1 year but not later than 5 years	**985**	54	**972**	54
	1,297	416	**1,270**	410

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.

The lease of the new ERA headquarters commenced on 14 January 2004. The term of the lease is for 5 years with an annual rental of approximately $224,000 p.a.

	CONSOLIDATED		THE COMPANY	
(ii) Mineral tenement leases				
Future mineral tenement lease payment not provided for in the financial statements and payable:				
Not later than 1 year	**73**	73	**73**	73
Later than 1 year but not later than 5 years	**291**	291	**291**	291
Later than 5 years	**1,062**	1,135	**1,062**	1,135
	1,426	1,499	**1,426**	1,499

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 2004 in respect of tenement lease rentals.

(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 Aboriginals Benefit Account pursuant to a determination under Section 63(5)(b) of the *Aboriginal Land Rights (NT) Act 1976*. These amounts are calculated at 4.25% of Ranger net sales revenue (amounts paid during 2003: $7,600,000. 2002: $7,542,000);

(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% of Ranger net sales revenue (amounts paid during 2003: $2,235,000. 2002: $2,220,000);

(iv) Amounts such that the Ranger Rehabilitation Trust Fund as at 31 March each year is equal to the independently assessed rehabilitation liability at Ranger. In December 2003 $538,010 cash was contributed to the Trust Fund.

20. COMMITMENTS CONTINUED

(d) ERA is liable to make payments to the Northern Land Council pursuant to a Deed Poll entered into by the Company in May 1998, in respect of Jabiluka, as listed below:

(i) Aboriginal Housing – $755,000 p.a.* for 10 years from the commencement of production;

(ii) Women's Resource Centre – $100,000 p.a.* from commencement of construction, 15 June 1998, until two years after cessation of the project;

(iii) Social Impact Monitoring – $100,000 p.a.* from commencement of construction, 15 June 1998, until two years after cessation of the project, then $50,000 p.a.* for three years;

(iv) Control of Alcohol – $70,000 p.a.* from commencement of construction, 15 June 1998, until two years after cessation of the project;

(v) Education – $200,000 to establish an Aboriginal Education Unit. In addition $70,000 p.a.* from June 1999 until two years after cessation of the project.

** Subject to CPI escalation.*

(e) 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 royalty payment of $3,400,000 on the commencement of production.

(ii) Annual royalty payments calculated at 4.5% of net sales revenue less $500,000 less any amounts paid to the Aboriginals Benefit Reserve by the Commonwealth under the conditions specified in the mining lease for the first 10 years and thereafter at 5% of net sales revenue less any amounts paid to the Aboriginals Benefit Reserve by the Commonwealth under the conditions specified in the mining lease (refer commitment (f) below).

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

Notes to the financial statements continued

for the year ended 31 December 2003

	NOTE	CONSOLIDATED 2003 $000	CONSOLIDATED 2002 $000	THE COMPANY 2003 $000	THE COMPANY 2002 $000
21. EMPLOYEE ENTITLEMENTS					
Aggregate employee entitlements, including on-costs					
Current	13	**3,935**	3,382	**3,841**	3,300
Non-current	13	**657**	444	**602**	401
		4,592	3,826	**4,443**	3,701

	NUMBER		NUMBER	
Employee numbers				
Number of employees at year end	**238**	184	**219**	169

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates	**3.25%**	–	**3.25%**	–
Discount rate (%)	**4.71%**	5.5%	**4.71%**	5.5%
Settlement terms (years)	**7**	7	**7**	7

Directors' Retirement Allowance

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, an additional amount equal to 5% of the statutory three years emoluments.

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.

Superannuation

The Company's employees are members of the Rio Tinto Staff Superannuation Fund (the Fund) which provides benefits on retirement, death, disablement or leaving service. The principal benefits are lump sum accumulation benefits.

The Fund also provides defined benefits to a closed group of members but none of these members are employees of the Company.

Formerly, the Company's employees were members of the North Superannuation Fund. The assets and liabilities in respect of all members of the North Superannuation Fund were transferred to the Rio Tinto Superannuation Fund on 30 April 2001.

The assets attributable to ERA employees who are members of the Fund equal the accumulation account balances in respect of these members.

Contributions are made by the Company as a percentage of salary as specified by the Company. The contributions are legally enforceable up to the date upon which such obligation is terminated pursuant to the Trust Deed and negotiated agreements.

22. DIRECTORS' AND EXECUTIVES' REMUNERATION

The total sum available for remuneration of non-executive Directors is approved by the shareholders.

The remuneration of executive officers is set by reference to the wider Rio Tinto context determined following review by Rio Tinto Board Remuneration Committee. Executive remuneration and other terms of employment are reviewed annually by ERA and Rio Tinto Limited 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 superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Details of the nature and amount of each element of the remuneration of each Director and each of the five highest paid executives of the Company and the consolidated entity for the year ended 31 December 2003 are set out below:

	DIRECTORS' BASE FEE $	COMMITTEE FEES $	SUPERANNUATION $	OTHER $	TOTAL $
Non-Executive Directors					
B Horwood	**65,000**	**10,000**	–	–	**75,000** [1]
G Boyce	**24,375**	–	–	–	**24,375** [1]
B Cusack	**24,375**	–	**28,843**	–	**53,218**
R Carter	**32,500**	**10,000**	**3,825**	–	**46,325**
B Hickman	**32,500**	**10,000**	**3,825**	–	**46,325**
W Kinugawa	**16,250**	–	–	–	**16,250**
S Mann	**24,375**	–	–	–	**24,375** [2]
R Matthews	**8,125**	–	–	–	**8,125** [3]
H Toyomatsu	**16,250**	–	–	–	**16,250** [4]

1 *Amounts paid directly to Rio Tinto Limited*
2 *Amounts paid directly to Cogema Australia Pty Ltd*
3 *Amounts paid directly to Cameco Australia Pty Ltd*
4 *Amounts paid directly to Japan Australia Uranium Resources Development Co Ltd*

	BASE SALARY $	MOTOR VEHICLE $	BONUS $	SUPERANNUATION $	OTHER BENEFITS* $	TOTAL $
Executive Director						
R Cleary	**314,843**	**32,465**	**99,600**	**70,995**	**100,145**	**618,048**
Officers						
The Company						
M Coulter	**187,283**	**26,584**	**43,200**	**40,335**	**69,986**	**367,388**
C Kinnell	**224,456**	**26,161**	**56,300**	–	**169,604**	**476,521**
J Hughes	**117,073**	**19,938**	**35,800**	**24,941**	**469,131**	**666,883**
S Prebble	**207,083**	**26,584**	–	**37,445**	**36,051**	**307,163**
Consolidated Entity						
Includes each of the Executives of the Company detailed above and:						
A Milnes	**184,750**	**26,584**	**46,200**	**39,492**	**23,250**	**320,276**

* *Includes items such as termination payments, the value of options issued, all fringe benefits provided together with any related fringe benefits tax and annual leave and long service leave entitlements accrued during the year.*

22. DIRECTORS' AND EXECUTIVES' REMUNERATION CONTINUED

Options Issued Under the Rio Tinto Share Option Plan

Included in the remuneration noted above within Other Benefits, are options over unissued ordinary shares of Rio Tinto Limited granted during or since the end of the financial year to any of the Directors or the five most highly remunerated executive officers of the Company and consolidated entity as part of their remuneration as follows:

OFFICERS	OPTIONS ISSUED NUMBER	VALUE OF OPTIONS INCLUDED IN REMUNERATION $
The Company		
R Cleary	**4,724**	**39,375**
M Coulter	**2,824**	**23,538**
J Hughes	**1,331**	**11,000**
S Prebble	**2,699**	**22,500**
Consolidated Entity		
Includes each of the Executives of the Company detailed above and:		
A Milnes	**2,789**	**23,250**

All options issued above were granted on 7 March 2003, with an issue price of shares of $33.336 and an expiry date of 6 March 2013.

The value of options included in remuneration above, is the assessed fair value which has been based on advice from Rio Tinto Limited.

Directors' income reflects remuneration in connection with the management of the affairs of the Company and its controlled entity.

The number of Directors of the Company, including Executive Directors, whose income from the Company and related parties (including Rio Tinto Limited), falls within the following:

	THE COMPANY	
	2003	2002
$0 to $9,999	**1**	–
$10,000 to $19,999	**2**	–
$20,000 to $29,999	**2**	–
$30,000 to $39,999	**–**	3
$40,000 to $49,999	**2**	3
$50,000 to $59,999	**–**	1
$310,000 to $319,999*	**1**	–
$550,000 to $559,999	**–**	1
$570,000 to $579,999	**1**	–

* *Includes amounts paid out upon retirement.*

	CONSOLIDATED		THE COMPANY	
	2003 $	2002 $	2003 $	2002 $
22. DIRECTORS' AND EXECUTIVES' REMUNERATION CONTINUED				
Total income paid or payable, or otherwise made available to all Directors of the Company from the Company or related parties:				
The Company			**1,068,656**	827,117
Total income paid or payable, or otherwise made available to all Directors of the Company and controlled entity from the Company or any related party:				
The Company	**1,068,656**	827,117		
Retirement benefits of Directors				
Retirement benefits paid to Directors of the Company and controlled entities, being amounts that have been previously approved by the members of the Company in a general meeting	**–**	–	**–**	–

The Company considers that the Executives of ERA comprise the Chief Executive together with his direct reports who are responsible for the management of significant resources of the Company.

Income includes salary, all fringe benefits provided together with any related fringe benefits tax, annual leave and long service leave entitlements accrued during the year, superannuation contributions and the value of options issued under the Rio Tinto Limited Share Option Plan.

The number of executive officers of the Company and of controlled entities whose remuneration from the Company and related parties falls within the following bands:

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
$100,000 to $109,999	**–**	–	**–**	–
$120,000 to $129,999	**–**	–	**–**	–
$130,000 to $139,999	**–**	–	**–**	–
$280,000 to $289,999	**–**	1	**–**	1
$290,000 to $299,999	**–**	1	**–**	1
$300,000 to $309,999	**1**	–	**1**	–
$310,000 to $319,999	**–**	1	**–**	–
$320,000 to $329,999	**1**	–	**1**	–
$330,000 to $339,999	**–**	1	**–**	1
$340,000 to $349,999	**–**	1	**–**	1
$360,000 to $369,999	**1**	–	**1**	–
$470,000 to $479,999	**1**	–	**1**	–
$550,000 to $559,999	**–**	1	**–**	1
$610,000 to $619,999	**1**	–	**1**	–
$670,000 to $679,999	**1**	–	**1**	–

	$	$	$	$
Total remuneration received or due and receivable by these Executives from:				
The Company	**2,436,003**	1,814,668	**2,436,003**	1,814,668
Related parties	**320,276**	313,444	**–**	–
	2,756,279	2,128,112	**2,436,003**	1,814,668

23. AUDITOR'S REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
PricewaterhouseCoopers – Australian Firm				
Audit or review of financial reports of the entity or entity in the consolidated entity	**142**	167	**142**	167
Other audit related work	**7**	–	**7**	–
Total audit and other assurance services	**149**	167	**149**	167
Advisory services and tax	**–**	–	**–**	–
Total remuneration	**149**	167	**149**	167

24. RELATED PARTIES

Directors

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

R Carter, R Cleary, B Hickman, P Chiaro, B Cusack, G Boyce (Alternates: A Harding, A Lloyd, F Nicholls), B Horwood, A Lloyd, S Mann (Alternate: R Matthews), R Matthews (Alternate: Mr J L Narcy, D McGrane, S Mann), H Toyomatsu (Alternates: Y Furusawa, Y Matsukawa, M Araya, M Takada), W Kinugawa (Alternates: K Tsuzuku, T Yonezawa, M Mori, A Yonekawa, T Takeda).

Information relating to Directors' remuneration and retirement benefits is set out in note 22. Information relating to Directors' shareholdings is set out in the Directors' Report.

Transactions with Directors' and Director-related Entities

Mr H Toyomatsu is a Director of ERA. Japan Australia Uranium Resources Development Co Ltd (JAURD) is considered to be a Director-related entity of Mr H Toyomatsu.

JAURD purchased drummed U_3O_8 from ERA during the year. All purchases were conducted on commercial terms and conditions.

Sales revenue derived from JAURD totalled $33,259,061 (2002: $43,865,166).

Commission paid to JAURD totalled $284,863 (2002: $455,597).

Amounts receivable from JAURD at 31 December 2003 totalled $9,012,821 (2002: $12,866,749).

In September 2002 ERA signed a uranium loan agreement with JAURD. The agreement provides ERA with a facility to borrow up to 1,184 tonnes of U_3O_8. The agreement is on commercial terms. No drawdowns on the facility occurred during the year.

Interest paid in respect of the uranium loan totalled $Nil (2002: $Nil).

Facility fee paid in respect of the uranium loan totalled $118,814 (2002: $71,959).

Controlled Entity

Information relating to the controlled entity is set out in note 26.

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% of the issued ordinary shares of the Company. North Limited owns 34.1% directly and the remaining 34.3% through its subsidiary, Peko Wallsend Ltd.

Loan from Related Party

During the period ERA entered into a US$15,000,000 one year loan facility with North Finance Limited, a wholly owned subsidiary of Rio Tinto Limited. This facility was negotiated on commercial terms and conditions. At 31 December 2003 no amount of the facility was utilised. (2002: nil).

24. RELATED PARTIES CONTINUED

Superannuation Fund

Information relating to the consolidated entity's superannuation fund is set out in note 21.

Tax Consolidation

Although a final decision has not been taken, it is highly probable that the parent entity, Energy Resources of Australia Ltd and its wholly owned subsidiary, will be forming a tax consolidated group with effect from 1 January 2003. A tax funding agreement will be entered into between Energy Resources of Australia Ltd and the wholly owned subsidiary in the tax consolidated group. Transactions between Energy Resources of Australia Ltd and its wholly-owned Australian controlled entity under the tax funding agreement are described in note 4.

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
Related Party Transactions				
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with related parties:				
Management fees paid to ultimate parent entity:				
– Rio Tinto Limited	**1,350**	1,350	**1,350**	1,350
Consulting fees paid to:				
– EWL Sciences Pty Ltd – controlled entity	**–**	–	**1,881**	1,412
– Rio Tinto Limited	**5,458**	2,193	**5,458**	2,193
Interest paid to related parties	**–**	2,010	**–**	2,010
Aggregate amounts recognised in relation to other transactions with each class of other related parties:				
Dividends paid/payable to				
– Parent entity – North Limited	**11,054**	8,455	**11,054**	8,455
– Related parties – Peko Wallsend Ltd	**11,122**	8,506	**11,122**	8,506
Aggregate amounts receivable from and payable to each class of other related parties at balance date were as follows:				
Current assets – cash assets				
– Related parties – Rio Tinto Finance Ltd	**10,982**	23,313	**10,982**	23,313
Current assets – receivables				
– Related parties – JAURD	**9,013**	12,867	**9,013**	12,867
– Controlled entities – EWL Sciences Pty Ltd	**–**	–	**10**	787
Current liabilities – creditors				
– Related parties – Rio Tinto Limited	**1,699**	286	**1,699**	286
– Controlled entities – EWL Sciences Pty Ltd	**–**	–	**717**	123

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

25. SHAREHOLDER–CUSTOMER TRANSACTIONS

All sales were conducted on commercial terms and conditions.

Total revenue derived from shareholder customers totalled $33,259,061 (2002: $43,865,166).

Amounts receivable from Shareholder related customers as at 31 December 2003 totalled $9,012,821(2002: $12,866,749).

26. INVESTMENT IN CONTROLLED ENTITY

NAME OF ENTITY	PLACE OF INCORPORATION	CLASS OF SHARE	INTEREST HELD 2003	INTEREST HELD 2002
EWL Sciences Pty Ltd	NSW	Ordinary	**100%**	100%

The above controlled entity is wholly-owned and no dividends were paid to the parent entity (2002: $Nil).

27. SEGMENT INFORMATION

Primary Reporting – Business Segments

2003	URANIUM $000	CONSULTING $000	ELIMINATIONS $000	CONSOLIDATED $000
Sales to external customers	**194,930**	**1,286**	**–**	**196,216**
Inter-segment sales	**–**	**1,881**	**(1,881)**	**–**
Total sales revenue	**194,930**	**3,167**	**(1,881)**	**196,216**
Other Revenue	**992**	**54**	**–**	**1,046**
Total Segment revenue	**195,922**	**3,221**	**(1,881)**	**197,262**
Operating Profit/(loss) before tax	**35,424**	**194**	**(72)**	**35,546**
Income Tax expense	**15,600**	**74**	**–**	**15,674**
Operating Profit/(loss) after tax	**19,824**	**120**	**(72)**	**19,872**
Total assets (exc Tax)	**752,707**	**1,544**	**(874)**	**753,377**
Total liabilities (exc Tax)	**56,143**	**408**	**–**	**56,551**
Acquisitions of non-current assets	**6,991**	**213**	**–**	**7,204**
Depreciation & amortisation expense	**44,016**	**161**	**–**	**44,177**
Other non-cash expenses	**186**	**25**	**–**	**211**
Net cash inflow from operating activities	**45,922**	**(82)**	**–**	**45,840**

2002	URANIUM $000	CONSULTING $000	ELIMINATIONS $000	CONSOLIDATED $000
Sales to external customers	197,736	967	–	198,703
Inter-segment sales	–	1,412	(1,412)	–
Total sales revenue	197,736	2,379	(1,412)	198,703
Other Revenue	501	4	–	505
Total Segment revenue	198,237	2,383	(1,412)	199,208
Operating Profit/(loss) before tax	36,658	27	(10)	36,675
Income Tax expense	(15,458)	(32)	–	(15,490)
Operating Profit/(loss) after tax	21,200	(5)	(10)	21,185
Total assets (exc Tax)	827,027	1,235	(787)	827,475
Total liabilities (exc Tax)	131,788	237	–	132,025
Acquisitions of non-current assets	9,248	16	–	9,264
Depreciation & amortisation expense	38,891	159	–	39,050
Other non-cash expenses	263	(26)	–	237
Net cash inflow from operating activities	108,099	126	–	108,225

2003	CONSOLIDATED $000

27. SEGMENT INFORMATION CONTINUED

Secondary Reporting – Geographical Segments

Segment revenues from sales to external customers:	
Asia	**86,303**
United States	**76,844**
Europe	**31,783**
Australia	**1,286**
	196,216

2002	CONSOLIDATED $000
Segment revenues from sales to external customers:	
Asia	86,963
United States	79,917
Europe	30,856
Australia	967
	198,703

All consolidated assets are in Australia.

(a) Accounting Policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1. 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 goodwill 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.

(b) Intersegment Transfers

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

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000
28. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of operating profit after income tax to net cash inflow from operating activities				
Operating profit after income tax	**19,872**	21,185	**19,824**	21,200
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on sale of non-current assets	**(11)**	(143)	**8**	(153)
Add/(less) non-cash items:				
Depreciation and amortisation	**44,177**	39,050	**44,016**	38,891
Net exchange differences	**10**	265	**10**	265
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other debtors	**4,522**	15,221	**4,954**	15,511
(Increase)/decrease in inventories	**(13,791)**	16,233	**(13,791)**	16,150
(Increase)/decrease in prepayments	**46**	13,244	**60**	13,244
(Decrease)/increase in trade creditors	**1,309**	8,092	**1,162**	8,061
(Decrease)/increase in provision for income taxes payable	**(4,490)**	3,006	**(4,459)**	2,862
(Decrease)/increase in net provision for deferred income tax liability and future income tax benefit	**(2,562)**	(655)	**(2,596)**	(655)
(Decrease)/increase in other provisions/liabilities	**(3,242)**	(7,273)	**(3,266)**	(7,277)
Net cash inflow provided by operating activities	**45,840**	108,225	**45,922**	108,099
29. FINANCING ARRANGEMENTS				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdrafts	**1,500**	1,500	**1,500**	1,500
Loan from related party	**20,032**	71,429	**20,032**	71,429
	21,532	72,929	**21,532**	72,929
Facilities not utilised at balance date:				
Bank overdrafts	**1,500**	1,500	**1,500**	1,500
Loan from related party	**20,032**	71,429	**20,032**	71,429
	21,532	72,929	**21,532**	72,929

Bank Overdrafts

The bank overdrafts are unsecured and may be drawn at anytime. The bank overdrafts are payable on demand and are subject to annual review. The interest rate applicable at balance date was 8.0% p.a. (2002: 8.0% p.a.).

Loan From Related Party

The loan is unsecured and denominated in either Australian or United States dollars. This facility terminates in July 2004. The interest rate applicable at balance date was 5.24% p.a. (2002: 5.24% p.a.).

	CONSOLIDATED		THE COMPANY	
	2003 $000	2002 $000	2003 $000	2002 $000

30. RECEIVABLES AND PAYABLES DENOMINATED IN FOREIGN CURRENCIES

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates are as follows:

United States dollars:				
Current – Receivables				
Trade debtors	**3,400**	5,372	**3,400**	5,372

	2003 CENTS	2002 CENTS

31. EARNINGS PER SHARE

Basic earnings per share	**10.4**	11.1
Diluted earnings per share	**10.4**	11.1

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share: 2003: 190,737,934 shares; (2002: 190,737,934 shares).

32. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2003	NOTE	FLOATING INTEREST RATE $000	NON-INTEREST BEARING $000	TOTAL $000.	WEIGHTED AVERAGE INTEREST RATE % P.A
Financial assets					
Cash	6	**31,080**	–	**31,080**	**4.5**
Receivables	7	–	**43,644**	**43,644**	
Foreign Exchange hedge asset	15	–	**25,183**	**25,183**	
Total		**31,080**	**68,827**	**99,907**	
Financial liabilities					
Accounts payable	12	–	**24,112**	**24,112**	
Hedge book liability	15	–	**25,183**	**25,183**	
Total		–	**49,295**	**49,295**	

32. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES CONTINUED

(a) Interest Rate Risk (continued)

2002	NOTE	FLOATING INTEREST RATE $000	NON-INTEREST BEARING $000	TOTAL $000.	WEIGHTED AVERAGE INTEREST RATE % P.A
Financial assets					
Cash	6	24,812	–	24,812	4.7
Receivables	7	–	48,249	48,249	
Deferred loss on hedge book	15	–	77,743	77,743	
Total		24,812	125,992	150,804	
Financial liabilities					
Accounts Payable	12	–	22,798	22,798	
Dividends Payable	13	–	20,981	20,981	
Foreign exchange hedge liability	14	–	4,013	4,013	
Hedge book liability	15	–	77,743	77,743	
Total		–	125,535	125,535	

(b) Foreign Exchange Risk

The consolidated entity derives most of its revenue in United States dollars and incurs most of its costs in Australian dollars.

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.

Hedging of net United States dollars (US$) exposure against the Australian dollar (A$)

		2003		2002	
	MATURITY	AMOUNT US$000	WEIGHTED AVERAGE RATE A$/US$	AMOUNT US$000	WEIGHTED AVERAGE RATE A$/US$
Forwards					
Sell US$/Buy A$	Less than 1 year	**29,000**	**0.61**	31,000	0.61
	1 to 5 years	**99,000**	**0.61**	102,000	0.61
	More than 5 years	**8,000**	**0.57**	34,000	0.61
	Total	**136,000**	**0.61**	167,000	0.61
Options					
Purchased US$ Put options	Less than 1 year	**18,000**	**0.70**	18,000	0.70
	1 to 5 years	**72,000**	**0.70**	72,000	0.70
	More than 5 years	**–**	**–**	18,000	0.70
	Total	**90,000**	**0.70**	108,000	0.70
Sold US$ Call options – Barrier [1]	Less than 1 year	**12,000**	**0.71**	18,000	0.70
	1 to 5 years	**48,000**	**0.71**	72,000	0.70
	More than 5 years	**–**	**–**	18,000	0.70
	Total	**60,000**	**0.71**	108,000	0.70

32. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES CONTINUED

(b) Foreign Exchange Risk (continued)

		2003		2002	
	MATURITY	AMOUNT US$000	KNOCK-OUT RATE A$/US$	AMOUNT US$000	KNOCK-OUT RATE A$/US$
Sold US$ call options – Barrier (1)	Less than 1 year	**12,000**	**0.77**	18,000	0.76
	1 to 5 years	**48,000**	**0.77**	72,000	0.76
	More than 5 years	**–**	**–**	18,000	0.76
	Total	**60,000**	**0.77**	108,000	0.76

The net unrealised gains and losses on foreign currency hedges are:

		UNREALISED HEDGE GAINS/(LOSSES)	
CURRENCY	MATURITY	2003 A$000	2002 A$000
US$ hedges	Less than 1 year	**3,696**	(11,368)
	1 to 5 years	**19,690**	(53,378)
	More than 5 years	**1,797**	(17,010)
	Total	**25,183**	(81,756)

(1) *Certain sold US$ call options ("knock-out calls") will be cancelled should at any time during their term the A$/US$ rate exceed a pre-determined rate. During the year options to the value of US$30 million were knocked-out.*

The valuation of these financial instruments detailed in this note reflects the estimated amounts which the consolidated entity would recognise in the Statement of Financial Performance if the contracts were terminated or replaced as at the reporting date current market rate. The amounts ultimately recognised in the future will be determined with reference to the exchange rates prevailing at that time.

(c) Commodity Price Risk

The consolidated entity is exposed to uranium price risk. 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.

(d) Credit Risk Exposures

Credit risk refers to the likelihood of a loss being incurred as a direct result of failure by a counterparty to perform as contracted.
The consolidated entity manages its credit risks through the use of allocated counterparty limits based on independent agency ratings.

The credit risk exposure arising from derivative financial instruments is measured by the net fair value of the contracts (see section (e) below – Derivative Financial Instruments).

The consolidated entity is not materially exposed to any individual customer. Material concentrations of credit risk on trade debts due from customers (on a basis of geographical location) are United States 39%, Europe 17%, and Asia 44%.

32. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES CONTINUED

(e) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties, other than in a forced or liquidation sale, net of transaction costs.

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

(i) On-Balance Sheet Financial Instruments

Short Term Instruments and Other Loans

The carrying amounts of cash, short term deposits, trade debtors, term debtors, other debtors, bank overdrafts, accounts payable, lease liabilities, employee share scheme loans, dividends payable and employee entitlements approximate net fair value.

Long Term Borrowings

Net fair value of floating rate loans is considered to approximate the carrying amount due to the frequency of interest rate re-setting. The fair value of fixed rate loans is determined on a mark-to-market basis.

Derivative Financial Instruments

For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles.

33. ECONOMIC DEPENDENCY

A controlled entity, EWL Sciences Pty Ltd (EWLS), depends on Energy Resources Australia Limited (ERA) for a significant source of revenue. During the 2003 reporting period, 59% of EWLS revenue was derived from services provided to ERA.

34. EVENTS SUBSEQUENT TO BALANCE DATE

No 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 other than in relation to the taxation case which is detailed in Note 4.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 27 to 56:

(a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the *Corporations Act 2001*; 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.

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

B. F. Horwood

B.F. Horwood
Director

Melbourne
17 February 2004

Independent Auditors' Report

Audit Opinion

In our opinion, the financial report of Energy Resources of Australia Ltd:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Energy Resources of Australia Ltd and the Energy Resources of Australia Ltd Group (defined below) as at 31 December 2003, and of their performance for the year ended on that date; and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Energy Resources of Australia Ltd (the company) and the Energy Resources of Australia Ltd Group (the consolidated entity), for the year ended 31 December 2003. The consolidated entity comprises both the company and the entity it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
17 February 2004

Shareholder Information

TWENTY LARGEST SHAREHOLDERS

of A Class Ordinary Shares as at 31 December 2003

SHAREHOLDERS	NUMBER OF SHARES HELD
Peko Wallsend Ltd	65,407,896
North Limited	65,042,208
Cogent Nominees Pty Ltd	2,807,270
Equity Trustees Limited	2,126,270
J P Morgan Nominees Australia Limited	383,971
Citicorp Nominees Pty Limited	325,066
National Nominees Limited	304,380
Citicorp Nominees Pty Limited (CFS WSLE 452 Aust Share A/C)	282,819
Ganra Pty Ltd	240,000
ANZ Nominees Limited	171,233
Queensland Law Foundation Pty Ltd	100,000
Caithness Consolidated Pty Ltd	80,000
UBS Warburg Private Clients Nominees Pty Ltd	71,707
Mr John William Smith	70,000
Mr B H Daniels and Mrs J L Daniels (BH Daniels Super)	66,216
AG & GK Pty (AMC Super)	60,705
Mr A Voloder and Mrs Y Voloder	60,000
PSS Board C/O JP Morgan Nominees	58,183
Ferngem Pty Ltd	58,106
Abadi Pty Ltd	50,000
Total of top twenty holdings	137,766,030

The proportion of A Class Ordinary Shares held by the twenty largest shareholders is 96.45 per cent.

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.

DISTRIBUTION OF SHAREHOLDERS

as at 31 December 2003

(a) A Class Ordinary Shareholders

Equal to 74.90 per cent of the issued capital

NUMBER OF SHARES HELD	NUMBER OF SHARE-HOLDERS	% OF SHARE-HOLDERS	NUMBER OF SHARES	% OF ISSUED SHARES
1–1,000	5,194	86.70	1,041,186	0.73
1,001–5,000	576	9.60	1,493,916	1.05
5,001–10,000	125	2.09	967,365	0.67
10,001–100,000	86	1.44	2,271,866	1.59
100,001 and over	10	0.17	137,091,113	95.96
	5,991	100.00	142,865,446	100.00

(b) B Class Ordinary Shareholders

Equal to 14.46 per cent of the issued capital

SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED SHARES
Cameco Resources Australia Pty Ltd	12,769,348	46.31
UG Australia Developments Pty Ltd	7,982,576	28.95
Interuranium Australia Pty Ltd	3,776,989	13.70
Cogema Australia Pty Ltd	3,044,555	11.04
	27,573,468	100.00

(c) C Class Ordinary Shareholders

Equal to 10.64 per cent of the issued capital

SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED SHARES
Japan Australia Uranium Resources Development Co Ltd	20,299,020	100.00
Total Issued Capital	190,737,934	100.00

REGISTER OF SUBSTANTIAL SHAREHOLDERS

Shares held as at 31 December 2003

A CLASS ORDINARY SHAREHOLDERS	NUMBER OF SHARES HELD
Peko Wallsend Ltd	65,407,896
North Limited*	65,042,208
B CLASS ORDINARY SHAREHOLDERS	**NUMBER OF SHARES HELD**
Cameco Resources Australia Pty Ltd	12,769,348
UG Australia Developments Pty Ltd	7,982,576
Interuranium Australia Pty Ltd	3,776,989
Cogema Australia Pty Ltd**	3,044,555
C CLASS ORDINARY SHAREHOLDERS	**NUMBER OF SHARES HELD**
Japan Australia Uranium Resources Development Co Ltd	20,299,020

* *By a notice of change in interest of substantial shareholders dated 29 May 1992 received from North Limited, ERA was informed that North Limited has a relevant interest in all A Class ordinary shares held by Peko Wallsend Ltd and all the B Class shares and C Class shares on issue. The relevant interest is said to have arisen under an agreement and a series of instruments entered into by ERA with its shareholders between September 1980 and December 1981.*

** *By notice of change of interest of substantial shareholders dated 20 January 1992 received from Compagnie Générale Des Matières Nucléaires (COGEMA), ERA was informed that COGEMA has a relevant interest in all shares held by UG Australia Developments Pty Ltd, Interuranium Australia Pty Ltd and Cogema Australia Pty Ltd.*

Stock Exchange Listing

ERA A Class shares are listed on the exchanges of the Australian Stock Exchange Ltd. The home exchange is Sydney.

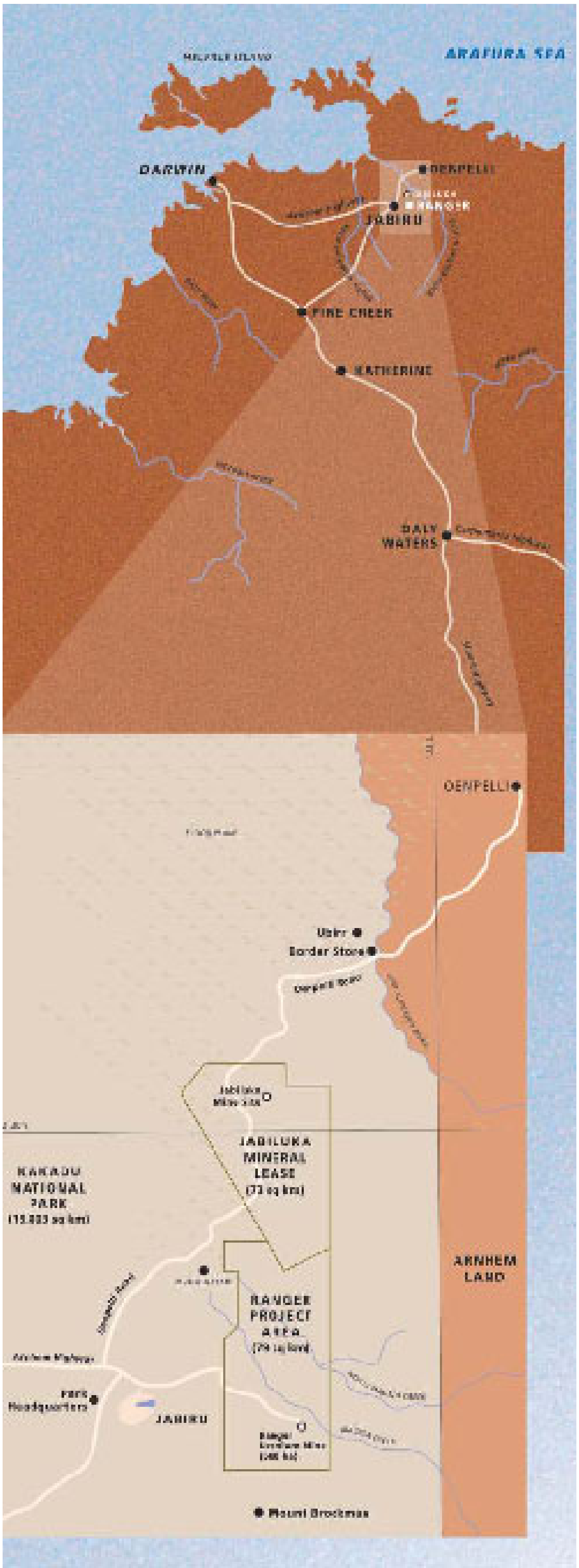
Ten-Year Performance

YEAR ENDED 30 JUNE	2003	2002††	2001†	2000	1999	1998	1997	1996	1995	1994
Sales Revenue ($000)	**196,216**	198,703	232,808	181,847	172,930	201,336	230,561	180,350	140,034	152,178
Earnings Before Interest and Tax ($000)	**35,298**	39,214	36,467	46,312	45,831	48,810	73,759	60,839	38,006	46,055
Profit Before Tax ($000)	**35,546**	36,675	29,652	44,280	43,152	47,617	71,572	58,560	35,424	44,281
Income Tax Expense ($000)	**15,674**	15,490	13,624	9,597	21,254	20,885	31,147	17,831	23,058	17,774
Profit After Tax ($000)	**19,872**	21,185	16,028	34,683	21,898	26,732	40,425	40,729	12,366	26,507
Total Assets ($000)	**756,327**	830,260	810,699	807,966	928,991	907,230	924,768	865,045	899,984	920,489
Shareholders' Equity ($000)	**614,345**	605,917	605,713	604,945	663,723	668,528	668,499	654,777	640,752	651,652
Long Term Debt ($000)	**–**	–	–	–	–	81,226	27,006	31,073	69,952	88,499
Current Ratio	**4.0**	2.2	1.3	1.0	1.4	3.5	1.4	2.2	2.1	2.3
Liquid Ratio	**1.9**	1.1	0.6	0.3	0.5	1.2	0.7	1.1	1.1	1.1
Gearing Ratio (%)	**–**	–	–	–	–	10.8	3.9	4.5	9.8	12.0
Interest Cover (times)	**48.0**	14.0	4.7	8.0	13.8	12.8	19.6	11.2	7.5	13.1
Return on Shareholders' Equity (%)	**3.2**	3.5	2.6	5.7	3.3	4.0	6.1	6.3	1.9	4.2
Earnings Per Share (cents)	**10**	11	8	18	11	14	21	21	6*	7
Dividends Per Share (cents)	**11.0**	11.0	8.0	49.0	14.0	14.0	14.0	14.0	252.5	–
Payout Ratio (%)	**106**	99	95	270**	122	100	66	66	1,758**	–
Share Price ($)	**3.40**	1.71	1.94	2.31	1.70	3.05	5.90	4.65	2.92	1.25
Price-Earning Ratio	**30.9**	15.4	23.1	12.8	14.8	21.8	27.8	21.8	45.6	19.2
Dividend Yield (%)	**3.24**	6.4	4.1	21.2**	8.24	4.6	2.4	3.0	86.5**	–
Net Tangible Assets per Share ($)	**3.22**	3.18	3.18	3.17	3.48	3.50	3.50	3.43	3.36	1.59
No. of employees	**238**	184	231	257	272	255	246	215	198	193
Profit After Tax per Employee ($000)	**83.5**	115.1	70.3	134.9	80.5	100.9	164.3	189.4	62.4	137.3
Ore Mined (million tonnes)	**1.8**	0.8	3.2	2.4	2.5	2.3	0.7	–	0.8	0.7
Ore Milled (million tonnes)	**2.1**	1.8	2.5	1.5	1.8	1.8	1.6	1.2	0.6	0.4
Mill Head Grade (% U_3O_8)	**0.28**	0.28	0.29	0.30	0.27	0.27	0.31	0.35	0.35	0.39
Mill Recovery (%)	**88.3**	89.7	90.6	91.6	91.1	86.8	85.5	85.1	82.9	85.7
Production (tonnes U_3O_8) – drummed	**5,065**	4,470	6,564	4,144	4,375	4,162	4,237	3,453	1,548	1,462
Sales – Ranger Concentrates (tonnes U_3O_8)	**5,241**	4,517	5,937	4,511	4,006	4,635	3,956	3,364	2,013	1,935
Sales – Other Concentrates (tonnes U_3O_8)	**18**	628	408	3	–	293	1,464	868	1,418	1,510
Sales – Total (tonnes U_3O_8)	**5,259**	5,145	6,345	4,514	4,006	4,928	5,420	4,232	3,431	3,445

† *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*

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)
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	= share price/earnings per share
Dividend Yield	= dividend per share/share price
Net Tangible Assets per Share	= net assets/number of shares issued



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R. Antal
Chief Financial Officer and Company Secretary

M. Coulter
General Manager Strategic Planning and External Relations

C. Kinnell
General Manager – Marketing

Dr A. Milnes
General Manager – EWL Sciences Pty Ltd

S. Prebble
General Manager – Operations

AUDITORS

PricewaterhouseCoopers

2003 ANNOUNCEMENTS

29 January 2003	Quarterly Production and Exploration Report to 31 December 2002 (unaudited)
29 January 2003	Full Year Results 2002
21 February 2003	Energy Resources of Australia Limited (ERA) v Commissioner of Taxation
27 March 2003	ERA Wins Northern Territory Safety Award
23 July 2003	Quarterly Production and Exploration Report to 30 June 2003 (unaudited)
23 July 2003	Half-Year Results 2003
29 April 2003	Quarterly Production and Exploration Report to 31 March 2003 (unaudited)
1 August 2003	ERA Welcomes Minister's Approval for Jabiluka Long-Term Care
18 August 2003	ERA Accelerates Bid to Join World's Best Environmental Managers
7 October 2003	ERA to Relocate HQ to Darwin
9 October 2003	ERA Pledges $125,000 for Rio Tinto Child Health Partnership
17 October 2003	Quarterly Production and Exploration Report to 30 September 2003 (unaudited)
21 October 2003	Appointment of Directors
24 December 2003	Federal Court Decision in ERA Trading Stock Case

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

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ERA

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