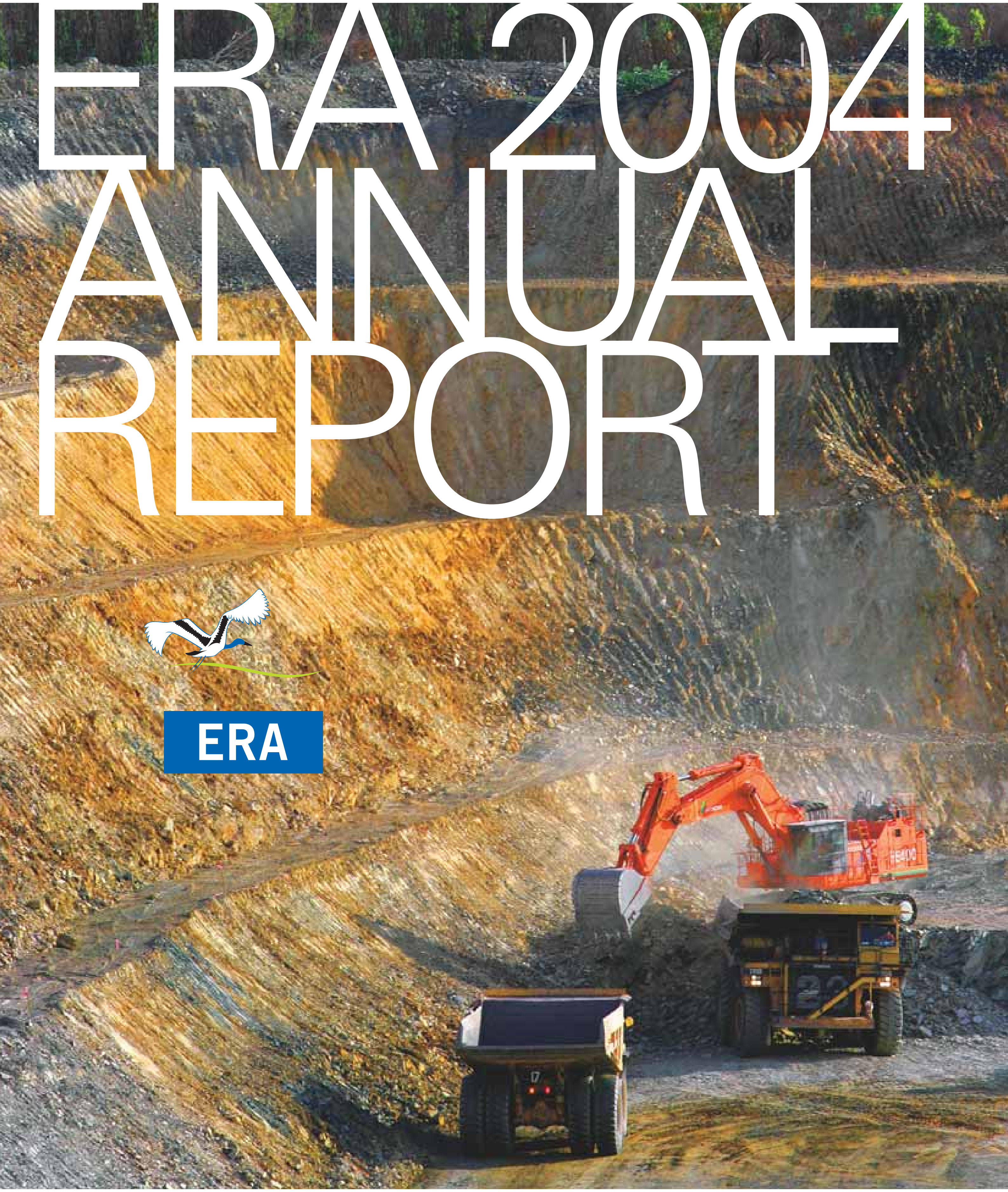
ERA 2004 ANNUAL REPORT



ERA

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2004 HIGHLIGHTS

— RECORD PRODUCTION ACHIEVED OF 5,137 TONNES OF DRUMMED URANIUM OXIDE

— PROFIT INCREASE TO $38.6 MILLION (2003 $19.9 MILLION)

— STRONGER MARKET FOR URANIUM SALES

— COMMUNITY DIALOGUE STRENGTHENED

2005 OBJECTIVES

— IMPROVE HEALTH AND SAFETY PERFORMANCE, WITH THE AIM OF GAINING CERTIFICATION UNDER AUSTRALIAN STANDARD 4801 BY END OF YEAR

— CONTAIN COSTS WHILE FOCUSING ON PLANT RELIABILITY

— CONTINUE TO FORGE STRONGER COMMUNITY LINKS WITH THE TRADITIONAL OWNERS OF RANGER AND JABILUKA, THE MIRARR PEOPLE

COMPANY PROFILE

Dr David Klingner, Chairman
Mr Harry Kenyon-Slaney, Chief Executive

Energy Resources of Australia Ltd is the world's third-largest uranium producer.

Since 1980, the company has mined ore and produced uranium oxide at Ranger, 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 for material mined at Ranger No. 3 open pit and its ore stockpiles until at least 2011. ERA also holds title to the Jabiluka deposit situated 22 kilometres north of Ranger. This project is now under long-term care and maintenance.

The Ranger Project Area and the Jabiluka lease are located on Aboriginal land. The conditions for mining on Aboriginal land are laid down in agreements with 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, a diversified resource group, and has a management services agreement with Rio Tinto.

Vision and Values

At ERA we strive to keep to the values and vision set out 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, aiming 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 Mirarr Traditional Owners of Ranger and Jabiluka.
- Strengthening the culture of compliance with the legal framework within which ERA operates.

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CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

Although ERA faced some difficult operational and reputational issues in 2004, the company achieved record production of uranium oxide and a sharp increase in profit after tax. Importantly, relations with key stakeholders remained strong.

ERA posted a $38.6 million after tax profit during the 2004 calendar year, with earnings before interest and tax of $44.3 million. The benefit of record annual production from Ranger and improved prices for uranium oxide were partly offset by the impact of the strengthening Australian dollar and increased operating costs. Profitability during the year was positively influenced by the High Court decision in favour of the company in a taxation case, as well as a reduction in depreciation charges as a consequence of an increase in reserves.

Uranium prices rose sharply during 2004 due to the reduction in secondary supplies and the concern of customers about reliability of supply. While the benefit of the price rise has not flowed directly into markedly improved returns to shareholders in the short term, it is expected to flow through significantly in the medium to longer term.

A final dividend of 17 cents per share was declared for the year.

The Ranger operation produced 5,137 tonnes of drummed uranium oxide in 2004 – representing a new annual production record. Record sales of 5,605 tonnes were met by the purchase of third party stock. ERA expects sales in 2005 to be at a similar level to 2004, requiring a further increase in production.

ERA continued its record of careful environmental stewardship and protection of the neighbouring Kakadu National Park. The company retained its certification under the internationally recognised ISO 14001 process. The company has also undertaken to seek accreditation to Australian health and safety standard AS 4801 by the end of 2005.

During 2004 the company approved the construction of a water treatment plant at a projected capital cost of $28 million. This plant will enable ERA to meet its commitment to progressively lower the volume of water retained at site, which in turn will allow year-round mining in the operational pit. The new treatment plant will address concerns by stakeholders that the environmental impact of the operation be minimised, and will assist in the eventual rehabilitation of the minesite.

Jabiluka, one of the largest undeveloped uranium deposits in the world, remains a valuable asset to ERA. An agreement with Aboriginal Traditional Owners over the future of Jabiluka has been signed. This agreement recognises the continued existence of the mineral lease and allows for future development at an appropriate time if Mirarr Traditional Owners give their support.

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

The most important of these forums is the Jabiru Region Sustainability Project, jointly conducted by ERA, the Mirarr people, the Northern Land Council, Northern Territory and Commonwealth government agencies. In 2004 a service delivery group, Kakadu Community Development, won the contract to carry out important community work as part of this project, aimed at improving the outlook for business, employment and education in the region.

While the company is firmly committed to the health and safety of all its employees, its performance in these areas in 2004 was unacceptable. The water contamination incident in March, and several unrelated radiation clearance incidents involving mobile equipment, highlighted the need to introduce improved management and control procedures. These were completed in the second half of the year. Independent and company medical advisers state there should be no long-term health effects from these incidents. The Commonwealth Government audited the company three times on these matters. The company passed each audit. ERA has been charged by the Northern Territory government with breaches of the Mining Management Act in relation to the water contamination incident and the equipment clearance incidents, with court hearings to take place in May 2005.

Cost improvement is a high priority for 2005, but this must go hand in hand with improved reliability of the plant.

The company benefited from the move of its corporate head office from Sydney to Darwin early in 2004. This allowed management to develop closer links with key stakeholders both during the difficult period of the water contamination and equipment clearance incidents, and also in conducting its normal operations.

Mr Brian Horwood resigned as Chairman of ERA in January 2005. Formerly Managing Director of Rio Tinto Australia, Mr Horwood was appointed a Director of ERA in May 2001, and became Chairman in April 2002. The Board thanks Mr Horwood for his valuable contribution.

FINANCIAL HIGHLIGHTS

YEAR ENDED 31 DECEMBER		2004	2003	CHANGE %
Revenue (A$ million)		240.0	197.3	42.7
Earnings before interest and tax (A$ million)		44.3	35.3	9.0
Net profit after tax (A$ million)		38.6	19.9	18.7
Total dividends (cents per share)		17.0	11.0	54.5
U_3O_8 production (tonnes drummed)		5,137	5,065	
U_3O_8 sold tonnes	– Ranger material	5,024	5,241	
	– purchased material	581	18	
Total tonnes U_3O_8 sold		5,605	5,259	6.5

FINANCIAL PERFORMANCE

Profit

ERA recorded a net profit after tax of $38.6 million for the year ended 31 December 2004 compared with a profit of $19.9 million for the same period in 2003.

The record annual production from the Ranger mine and improved prices for uranium were largely offset by the impact of the strengthening Australian dollar, increased operating costs at Ranger and the sale of higher priced third party inventory.

Profitability during the year has been positively influenced by the High Court decision in favour of the company in a trading stock tax case, and a reduction in depreciation charges as a consequence of an increase in reserves.

Revenue

Sales for 2004 were 5,605 tonnes including 581 tonnes of third party stock (2003: 5,259 tonnes including 18 tonnes of third party stock). ERA's contractual sales price is partially influenced by the spot market. As at 31 December 2004 the spot market price was US$20.43 per pound (31 December 2003: US$14.40 per pound).

Revenue for the year ended 31 December 2004 was $240.0 million (2003: $197.3 million). The company settled US$47 million (2003: US$49 million) of forward exchange contracts during the year. Settlement of forward exchange contracts combined with the strengthening $A:$US exchange rate resulted in an effective exchange rate for the period of 71.8 cents compared with the 2003 rate of 66.6 cents. The strengthening Australian dollar has negatively impacted revenue by approximately $18 million pre-tax compared with 2003.

Dividends

ERA Directors declared a final dividend for the year of 11 cents per share, fully franked at 30 per cent. The dividend was paid on 28 February 2005. This is in addition to the interim dividend paid in August 2004 of six cents per share, giving total dividends paid to shareholders for the year of 17 cents per share, fully franked (2003: 11 cents per share).

Operations

Drummed production for the year was a record 5,137 tonnes U_3O_8 (2003: 5,065 tonnes). Inventory purchased from third parties was required to meet sales commitments due to customers exercising upward volume flexibilities.

Foreign currency hedges

Foreign currency hedges due to mature in 2005 amount to US$45 million at an average rate of 64 US cents.

ERA was debt free as at 31 December 2004.

MARKETING

The company sold a record 5,605 tonnes of uranium oxide in 2004 (2003: 5,259 tonnes). ERA continues to strengthen its forward order book with four new contracts negotiated during the year.

During the year the market price of uranium oxide climbed strongly, continuing the fundamental change in market dynamics which began late the previous year. Following a 40 per cent increase in spot prices over the course of 2003, the uranium oxide price rose a further 40 per cent in 2004, from US$14.50 per pound in January to US$20.50 per pound by the end of the year.

Market prices for long-term contracts increased at a faster rate and by December 2004 the long-term indicators published by independent analysts had risen to US$25 per pound. Following last year's supply disruptions, market behaviour has fundamentally changed, with security and stability of fuel supply becoming the most important issues for nuclear utilities.

Demand for uranium appears stronger than ever. Across the world, nuclear utilities are increasing plant output and operating efficiency, which in turn increases uranium demand. Plants that once ran at 75 per cent availability are now running at more than 90 per cent availability as utilities generate more electricity with the same assets.

New plant construction is also on the increase around the world, in part because of the growing realisation that nuclear power is an important factor in responding to the issue of greenhouse gas emissions. China has brought eight new reactors into operation in the last five years, and is constructing several more to help ease that country's long-term energy shortfall. South Korea, India, and Japan continue to plan and construct new units, and Finland is constructing its fifth nuclear unit, the first new order in Europe in twenty years. While no new orders have yet been placed in North America, significant pre-order work is being undertaken by US utilities, including applications for early site permits and the streamlining of regulatory processes.

As a result of these favourable demand-side trends, and with supplier and consumer inventories having been substantially depleted, purchasing activity is expected to remain strong in 2005. Buyers now prefer to cover future needs with long-term contracts from reliable suppliers, and the spot market has dwindled as a proportion of overall trade. Despite higher market prices, industry analysts continue to point to a supply shortage that will encourage new mine investment and development.

Over the last 15 years the availability of secondary supplies from various sources tended to keep uranium prices low. Excess uranium inventories were sold by utilities, governments, and even the military following the collapse of the Soviet Union. The US and Russia continue to cooperate on a program to bring highly enriched Russian warhead uranium down to commercial levels for use in reactors.

While this program is scheduled to last until 2013, it appears unlikely to be extended. The Russian government has taken steps to reserve more of this uranium for its own non-military use, contributing to the tightness of supply.

Primary mine supply is beginning to recover in response to improved prices, as some of the larger producers increase their output marginally. However, it is not clear whether the uranium industry can respond quickly enough to forestall further price increases. Although discovered more than twenty years ago, the Cigar Lake deposit in Canada, the world's richest uranium deposit, is only now about to enter the mine construction phase. For the most part, supply will continue to be concentrated in the hands of a few large suppliers in Canada, Australia, Africa and the former Soviet republics of Kazakhstan and Uzbekistan.

PRODUCTION

A total of 5,143 tonnes of uranium oxide was produced during the year, with total drummed production of 5,137 tonnes. This was slightly higher than production in 2003 (5,065 tonnes drummed) and represents a new annual record for the plant.

Production was affected by several shutdown periods arising from the March water contamination incident. Improvements in the mill throughput rate partially offset these production losses.

A total of ten million tonnes of material was excavated from the Ranger Pit No. 3, an increase of 60 per cent over the previous year. Included in this was 0.82 million tonnes of ore grading 0.319 percent U_3O_8, above the average grade for the deposit.

Mining was concentrated in the Djalkmarra area, on the eastern side of the pit, where a significant amount of overburden was removed to expose the ore.

Late in the year additional mining equipment was brought into operation to enable a further increase in the removal of the overburden planned for 2005.

Ore fed to the mill, including ore from stockpiles, totalled 2.086 million tonnes at an average grade of 0.278 per cent U_3O_8.

The improved market conditions led to a re-optimisation study of the Ranger Pit No. 3 and resulted in a slight increase in the size of the final pit, adding 3,290 tonnes of in situ U_3O_8 to the ore reserve. New drilling information and re-interpretation of the base of the orebody, and additional ore found during mining, added an extra 2,682 tonnes of U_3O_8. (Total additional reserves: 5,972 tonnes).

Further work on resource development is planned in 2005 to prove the viability of the Ranger No. 3 orebody at depth, and to examine the possibility of treating low-grade resource stockpiles.

Metallurgical testing and pre-feasibility work on treating stockpiled lateritic ore commenced during the year with a view to processing this material in 2007.

During the year, the company decided to construct a $28 million water treatment plant to lower inventories of both process and pond water held across the site in advance of final rehabilitation, and to assist mining operations. Construction of the plant will commence in March 2005 and is scheduled to finish in November. The plant will treat pond water, mostly stockpile seepage, during the wet season, which will assist mining operations in the open pit. The plant will treat excess process water in the dry season.

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

Resources and Reserves

The Ranger resources and ore reserves in the table below follows a review of ERA's resource and reserve models. Based on additional drill data from 2003 the geological model was updated. This model has been used to develop a new pit design, which in turn has led to an increase in the resources and reserves.

Under this model, total Ranger reserves increased by 5,972 tonnes contained uranium oxide. Total resources increased by 1,303 tonnes contained uranium oxide.

The economic cut-off grade for the ore reserve and resources (the level above which it is economical to process) remains at 0.12% uranium oxide.

RANGER RESERVES RECONCILIATION	
Reserves at 1 January 2004	43,677
Additional Reserves	5,972
Mill Feed 2004	(5,754)
Reserves at 31 December 2004	43,895

YEAR ENDED 31 DECEMBER	2004	2003
Total ore milled, (million tonnes)	2.086	2.067
Processing head grade (% U_3O_8)	0.278	0.281
Mill circuit No. 1 (tonnes per operating hour)	217	206
Mill Circuit No. 2 (tonnes per operating hour)	102	90
Processing recovery (%)	88.8	88.3
Total production (tonnes U_3O_8 drummed)	5,137	5,065
Product grade (% U_3O_8)	99.2	99.1

ORE RESERVES AND MINERAL RESOURCES

	AS AT 31 DECEMBER 2004			AS AT 31 DECEMBER 2003		
	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)
RANGER ORE RESERVES						
Stockpile cut-off grade 0.12% U_3O_8	6.34	0.20	12,878	6.90	0.23	15,737
Ranger No. 3 pit						
In-situ cut-off grade 0.12% U_3O_8						
Proved	4.15	0.29	12,186	3.33	0.26	8,788
Probable	7.50	0.25	18,831	7.76	0.25	19,152
Sub-total Proved and Probable	11.65	0.27	31,017	11.09	0.25	27,940
Total Ranger No. 3, cut-off grade 0.12% U_3O_8						
Stockpile, Proved and Probable Reserve	17.99	0.24	43,895	17.99	0.24	43,677
RANGER MINERAL RESOURCES						
			IN ADDITION TO THE ABOVE RESERVE			
Measured	0.80	0.19	1,529	0.67	0.25	1,181
Indicated	6.26	0.19	12,020	6.93	0.22	12,942
Sub-total Measured and Indicated	7.06	0.19	13,549	7.60	0.19	14,123
Inferred	7.86	0.18	14,520	7.06	0.18	12,643
Total Resources	14.92	0.19	28,069	14.66	0.18	26,766
JABILUKA ORE RESERVES						
Cut-off grade 0.2% U_3O_8						
Proved	6.80	0.57	39,000	6.80	0.57	39,000
Probable	7.00	0.45	32,000	7.00	0.45	32,000
Total Proved and Probable	13.80	0.51	71,000	13.80	0.51	71,000
JABILUKA MINERAL RESOURCES						
			IN ADDITION TO THE ABOVE RESERVE			
Cut-off grade 0.2% U_3O_8						
Measured	0.05	13.76	7,000	0.05	13.76	7,000
Indicated	1.50	0.67	10,000	1.50	0.67	10,000
Sub-total Measured and Indicated	1.55	1.10	17,000	1.55	1.10	17,000
Inferred	15.70	0.48	75,000	15.70	0.48	75,000
Total Resources	17.25	0.54	92,000	17.25	0.54	92,000

The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by the company's Geologist, Stephen Dinkowitz, who is a member of the Australasian Institute of Mining & Metallurgy and a full-time employee of the company. Stephen Dinkowitz has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Stephen Dinkowitz consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

EMPLOYEES

Turnover of employees, running at 25 percent per annum, remained high in 2004 (23 per cent 2003). The company is working to reduce that figure in 2005 with the expectation that a turnover rate of below 20 per cent can be achieved.

ERA participated in a number of industry remuneration surveys to ensure that its remuneration packages remained competitive. By year's end ERA improved a number of trade and specialist remuneration packages to meet the increased competition for skilled labour.

At the end of 2003 new Australian Workplace Agreements were offered to Ranger employees, with a comprehensive range of salary packaging options. Salary packaging was also offered to employees on staff contracts. This staff benefit was introduced at the beginning of 2004.

A new company Staff Medical Assistance Scheme was introduced in 2004. ERA also transferred employees' superannuation membership into the Rio Tinto Staff Superannuation Fund.

During the year induction and training packages were expanded to provide improved safety, health and environmental training and awareness. This expansion of training and induction was complemented by greater use of the Traccess training software. A formal arrangement has been entered into with Charles Darwin University regarding training programs for ERA staff.

SAFETY AND HEALTH

During 2004 ERA experienced an unacceptable increase in the number of injuries occurring at its operations.

While several departments achieved no lost time or medically treated injuries for 2004, the increase from 9 to 12 in the total number of lost time injuries overall was a setback to the company's drive to eliminate all injuries. The number of medically treated injuries remained at three for both 2004 and 2003.

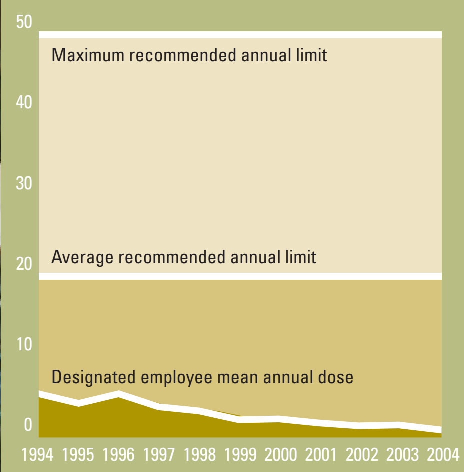
The Chief Executive introduced a new safety and health policy. Safety training was also increased to establish an improved culture of safe behaviour, preventing accidents and injuries.

Specific health and safety initiatives in 2004 included;

- A Rio Tinto audit on ERA conformance with corporate safety standards in October. The audit identified a significant improvement in implementation of the standards since the previous audit.
- An update of the company's cardinal safety rules. These rules provide clear guidance to everyone working at ERA on how to remain safe and protected at all times.
- ERA's risk register was strengthened with risk assessment workshops introduced in all areas of the operations. Work groups updated the register, and plans were developed to mitigate the higher ranked risks.
- The 'working at heights' procedure was updated to include issuing permits for any task requiring this type of work.
- A safety workshop for leaders was held in March. As a result, teams were formed to lead improvement work in the areas of housekeeping, contractor management, incident reporting and risk assessment.
- A revised system of safety visits was introduced, requiring staff to monitor safety behaviour more regularly. The system increases the quality and quantity of safety reports on hazards and safety risks.
- A team comprising management and workforce representatives was formed to prepare the company to seek accreditation under the Australian health and safety standard AS4801. The certification audit will be conducted in September 2005.
- As part of a drive to further improve health standards across the wider group, Rio Tinto introduced a new set of occupational health standards in 2004. ERA has engaged an occupational hygienist to identify any gaps in its current occupational health procedures and to facilitate full compliance to the new standards during 2005.

RADIATION MANAGEMENT

Designated employee mean annual radiation dose



Improving the management of radiation at Ranger was a focus in 2004 following a number of highly publicised breaches of ERA procedures resulting in the company's prosecution under the Mining Management Act.

Whilst radiation doses to all workers remained well below the applicable dose limits, significant improvements in radiation control on the Ranger site were implemented through the development of more rigorous procedures and processes.

These included:

- Stricter control of vehicle movements on and off site
- Improved controls of radioactive contamination within the site
- Installation of a new mine vehicle washdown facility

Work commenced on further developing all aspects of the ERA radiation management system to ensure that it complies with Australian Standard 4801 on Safety Management Systems. Additional resources were also applied to radiation management.

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. These limits are 100 mSv over five years (average of 20 mSv per year) or a maximum of 50 mSv in any one year.

Designated workers are those employees in work categories that have the potential to exceed 5 millisieverts (mSv) per year. There are over 100 designated employees at the Ranger operation and they received a mean radiation dose of 1 mSv during 2004. The graph above depicts the mean annual radiation dose assessed for designated employees working throughout the operation in comparison with the 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 2004 the maximum dose was 0.5 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 2004. 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 (2000 Report to the UN General Assembly) reports 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".

ENVIRONMENT

Water quality monitoring downstream of Ranger mine in Magela Creek demonstrated that the ERA water management system operated very effectively during the 2003/04 wet season and that the environment remained protected.

Uranium concentrations in Magela creek throughout the wet season remained less than 5 per cent of the upper limit set by the Office of the Supervising Scientist.

In June 2004 ERA undertook its first environmental management system surveillance audit against the international standard ISO 14001. The external auditors found only two minor non-conformances in the areas of change management and internal environmental management systems audit. Action plans were put in place to address the auditors' concerns and these actions plans are now complete.

A number of improvements have been made in the area of land management including strengthening of the ERA weed management plan and rehabilitation of disturbed areas at Jabiru East and Jabiluka. In collaboration with the Kakadu Community Development service in Jabiru negotiations were undertaken to engage a local supplier of native seeds and seedlings within Kakadu National Park to assist with eventual rehabilitation of the site.

Recycling of metal waste, waste oil, vehicle batteries, paper, printer and fax cartridges continued. Improvements in the area of waste management include development of a waste disposal register, redesign of the landfill area for better dumping control and implementation of a program to treat radiation contaminated hydrocarbons onsite.

The Jabiluka lease spent its first year under a new care and maintenance regime following civil works in late 2003 to remove mining infrastructure and to backfill the decline. Monitoring of water downstream of Jabiluka continued and there was no evidence of any environmental impact.

ERA has begun to implement a new set of standards introduced across the Rio Tinto Group for all facets of environmental management. ERA is aiming to comply with these standards by June 2005.

Early in 2004 a review of the strategic water management plan for Ranger identified an immediate requirement to build a water treatment plant for treating both process water and pond water. Approval was gained from the regulators to construct the $28 million plant and discharge the treated water after wide consultation with stakeholders. Full-scale operation of the plant will assist in the rehabilitation of Ranger, as well as facilitate mining in the wet season. The plant will be commissioned in November 2005.

Secure storage of tailings in Pit No. 1, both in the short term (during mine operations) and in the long term (post-mining and rehabilitation), is a principal objective. In 2004 the company undertook hydrogeological modelling to understand the tailings distribution better. Test work was also carried out to design and construct a barrier within the pit to seal permeable wall zones in the southeastern part and thus ensure that process water is effectively contained. Approval was received from stakeholders and regulators to construct the barrier and the first stage was completed in December 2004.

Based on the current life-of-mine plan, strategies to design the post-mining landform and revegetation at Ranger have been developed. These have been approved by the Alligator Rivers Region Technical Committee, representing important stakeholders. Construction scheduling and cost analyses will now be carried out in conjunction with design studies to match, as closely as possible, the Ranger post-mining landform with similar natural landforms in the region.

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 but with staff in Victoria (Melbourne and Metung), Queensland (Atherton) and Western Australia (Bunbury). It is wholly owned by ERA and is a Commonwealth Government registered R&D agency. Revenue for 2004 was $3.6 million of which $0.8 million was generated from external (non-ERA) projects which benchmark the company's scientific and technical capability and enhance ERA's reputation for strategic environmental management.

Key project work in 2004 focussed on strategic environmental investigations including:

- analysis of the March water contamination incident to establish that there were no adverse environmental impacts at Ranger or Jabiru East as a result of the incident and development of applications to the authorities to resume operations;
- development of the design for construction of a barrier in Ranger Pit No. 1 to minimize the potential for seepage of process water out of the pit, and negotiation of regulator approval through the Minesite Technical Committee to construct the barrier;
- modelling of process water and tailings in Ranger Pit No. 1 for the development of interim and final rehabilitation strategies for the pit;
- development of strategies for the discharge of treated pond water and process water at Ranger, and negotiation of regulator approval through the Minesite Technical Committee;
- statistical analysis of all radiation monitoring data from Ranger's unique and valuable dataset;
- the status of irrigation areas at Ranger and their capacity to meet water management needs;
- development of initial concepts for the post-mining landform together with target habitats and ecosystems for the minesite;
- updating the annual amended Plans of Rehabilitation for Ranger and Jabiluka.

EWLS continued to represent ERA on the Alligator Rivers Region Technical Committee appointed by the Minister for the Environment and Heritage to oversee and make recommendations about the nature and extent of research necessary to protect and restore the environment in the region from any effects of uranium mining.

The company achieved certification for the International ISO 9001-2000 quality management system.

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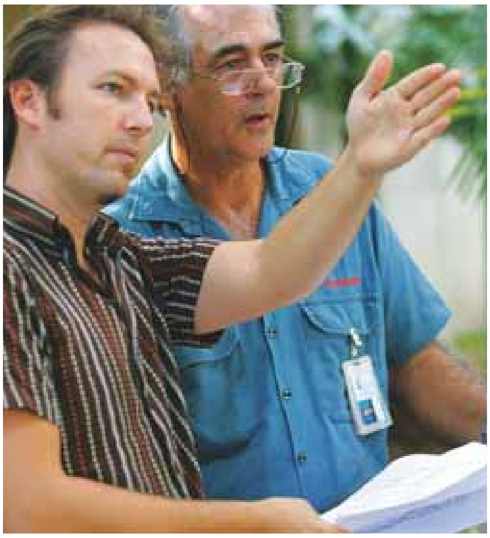
COMMUNITY AND EXTERNAL RELATIONS

In 2004 community relations were strengthened, despite the water and radiation incidents, and the associated media attention.

The company forged closer ties with the Mirarr Traditional Owners in several forums, with talks continuing on a new agreement covering the Ranger lease under the Aboriginal Land Rights (NT) Act.

The company also undertook to work more closely with the Mirarr and their representatives on business and employment enterprises in the Jabiru region.



The Jabiluka Long Term Care and Maintenance Agreement, finalised in 2004 and finally signed in early 2005, underpinned better relations between the company and the Gundjeihmi Aboriginal Corporation (representing the Mirarr people). ERA and the GAC worked with the Northern Land Council to formalise a new understanding over the lease, north of the Ranger project, giving the Mirarr the right to veto future developments. In return, payments over Jabiluka are waived.

During the year ERA was proud to work in partnership with the Mirarr to present the Mahbilil Festival (formerly the Wind Festival) highlighting Aboriginal culture in the western Arnhem Land region. For the first time the festival benefited from the central involvement of the Aboriginal people and the local youth group.

The Territory's Legislative Assembly representative for the region, Marion Scrymgour, paid tribute to the new era of cooperation between the Aboriginal people and ERA in her address to the festival. The festival featured Aboriginal bands, traditional basket-weaving and artworks by local youth.

The Jabiru Region Sustainability Project turned its attention to better service delivery. The JRSP's members from ERA, the Mirarr people, the Northern Land Council and government agencies contracted the Kakadu Community Development (KCD) service to initiate a range of projects benefiting the local people.

The KCD began work in partnership with community members on the following projects:

- Kakadu Youth Employment Scheme
- Kakadu Native Plant Supplies
- The introduction of Year 11 and 12 at Jabiru Area School
- Kakadu Cooperative Waste Management Strategy
- Jabiru Infrastructure Revitalization Proposals
- Kakadu Employment Centre (scheduled to open in 2005)
- Kakadu Youth Centre
- Seven private local indigenous businesses proposals
- Five service and tourism related development proposals
- Sale and re-development of three existing Kakadu businesses
- Improved regional communication methods, including re-design of the Jabiru weekly newspaper; development of an Aboriginal language CD-Rom; songwriting and performances relating to key regional issues; 'Kakadu Community Mapping'; and various regional databases.

In addition, the KCD has played a key role in helping the Jabiru Region Sustainability Working Group to resolve the Mirarr people's native title claim over the Jabiru region, with an agreement on this issue still under discussion.

Aboriginal Employment

At the end of 2004 ERA employed 25 Indigenous staff, including three apprentice trade trainees. There were a further six Aboriginal people employed under a Community Development Employment Program (CDEP). The Aboriginal participation rate in the company was 10.5 per cent, a drop from 13 per cent at the end of 2003, but also reflecting higher numbers of overall ERA permanent and fixed-term employees (2004: 277; 2003:238). ERA has been in discussion with the Gundjeihmi Aboriginal Corporation, representing the Mirarr Traditional Owners of Ranger and Jabiluka, to identify and develop business opportunities providing employment for local Aboriginal people. Opportunities have been identified in environmental work and further discussions will take place in 2005.

Rio Tinto Child Health Partnership

ERA paid $25,000 to the Kakadu Health Service for the employment of a maternal health educator under this program, and will continue to work with Territory and local health administrators to try to ensure better health for young Aboriginal mothers and their babies.

Payments – Ranger and Jabiluka

During 2004 ERA paid $8.1 million in Ranger royalties to the Commonwealth government. This money is ultimately distributed to Northern Territory based Aboriginal groups. Additionally ERA paid $2.4 million in royalties to the Commonwealth government for distribution to the Northern Territory government during 2004. Ranger has paid a total of $207.7 million in royalties since the project began in 1980.

Sporting projects and sponsorships in 2004

The AFL team, the Western Bulldogs, as part of their premiership match in Darwin in July sent three players on a community visit to Jabiru and Oenpelli, organised and sponsored by ERA. The visit has forged a strong relationship between the team and local communities. The company has kept its close association with the AFL with a similar visit taking place in early 2005 by AFL Indigenous All-Stars.

DIRECTORS' OUTLOOK

Nuclear power is a critical component of large-scale energy production around the world. It already makes up 16 per cent of total global electricity production, and there is an increased interest in nuclear power to meet the world's rising power needs.

In 2004 a total of 31 countries operated 439 commercial nuclear reactors, with 25 more under construction. France and Lithuania obtain around three-quarters of their power from nuclear energy, while Belgium, Bulgaria, Hungary, Slovakia, South Korea, Sweden, Switzerland, Slovenia and Ukraine get one-third or more. Japan, Germany and Finland get more than a quarter of their power from nuclear energy, while the USA gets one-fifth. China and India are embarking on ambitious nuclear power programs to support their growing 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. Some high-profile environmentalists have become public advocates for a switch to nuclear power as a way of avoiding environmental problems associated with greenhouse gas emissions. Fluctuations in the price of fossil fuels, political instability in the Middle East, and power shortages in parts of the world have also renewed interest in base-load nuclear power generation.

In order to meet the uranium demands of the nuclear power industry in the future, investment in new mines will be required. The market price for uranium oxide has risen dramatically for the second year in succession and has started to reach the levels where there is increased interest in new investment in exploration and mine development.

Further strengthening in prices is still required to reinforce the appetite for new investment.

Looking to the future, ERA has a strong forward order book and anticipates sales in 2005 will be similar to 2004 levels.

Foreign currency hedges due to mature in 2005 amount to US$45 million at an average rate of 64 US cents. At the end of 2004 ERA was debt free.

Considerable effort was made in the course of 2004 to improve ERA's operating performance. Maintenance expenditure in the plant has been increased markedly to ensure the necessary reliability to keep it performing at the record production levels required to meet market demand.

The commitment to the construction of a water treatment plant at considerable capital cost emphasises the commitment of the company to minimising the environmental impact of the operation and to reassure all stakeholders of the robustness of the environmental safeguards.

The relocation of the head office to Darwin in 2004 has contributed to the increasingly good relationship with Traditional Owners and other key local stakeholders.

DIRECTORS' REPORT
for the year ended 31 December 2004

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 2004.

DIRECTORS
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
Dr D Klingner BSc(Hons), PhD, FAusIMM Chairman	61	Appointed as a Director in July 2004 and as Chairman in January 2005. Dr Klingner is a Director of Codan Limited.
Mr H Kenyon-Slaney BSc Chief Executive	43	Appointed Chief Executive and a Director of ERA in January 2004.
Mr R Carter CitWA, BCom, FTSE, FAusIMM, FAIM, FAICD Director	62	Appointed as a Director in November 1999. Mr Carter is Chairman of Macmahon Holdings Ltd, Zeal Consulting and Prahran Mission – UnitingCare.
Mr P Chiaro BSc, M.Eng Director	51	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.
Prof. H Garnett BSc(Hons), PhD, FTSE, FAICD Director	58	Appointed as a Director in January 2005. Professor Garnett is Vice Chancellor at Charles Darwin University, Director of the Business Higher Education Round Table Board, Director IDP Education Australia Limited.
Mr A Lloyd BNatRes, MBA, MAICD Director	48	Appointed as a Director in October 2003. Mr Lloyd is Mining Executive Energy Services with Rio Tinto Limited.
Mr S Mann BSc(Hons) Director	47	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	51	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

Dr B Hickman BSc, MSc, DSc, FAusIMM, FTSE Former Director	72	Appointed as a Director in August 1997. Dr Hickman is a Director of Illawarra Technology Corporation Limited and ARRB Transport Research Limited. Mr Hickman resigned as a Director of the Board on 25 October 2004.
Mr B Horwood BCom, FCPA, FAICD Former Chairman	63	Appointed as a Director in May 2001 and as Chairman in April 2002. Mr Horwood was Managing Director of Rio Tinto Australia. He was also the Chairman of Coal & Allied Industries Limited and a Director of a number of other Rio Tinto subsidiaries. He is also Chairman of Oil Search Limited. Mr Horwood resigned as Director and Chairman of the Board on 27 January 2005.
Mr R Cleary BSc(Tech) Chem Eng Former Chief Executive	61	Appointed as Chief Executive and a Director of ERA in July 1999. Mr Cleary resigned as a Director of the Board on 29 January 2004.

TOP L-R

• Dr David Klingner, Chairman • Mr Brian Horwood • Mr Harry Kenyon-Slaney, Chief Executive • Dr Brian Hickman • Mr Preston Chiaro

BOTTOM L-R

• Mr Richard Carter • Prof. Helen Garnett • 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	
	ATTENDED	HELD*	ATTENDED	HELD*
R Carter	5	5	3	3
P Chiaro	4	5	–	–
R Cleary**	1	1	1	1
B Hickman	4	4	2	2
B Horwood	5	5	3	3
A Lloyd	4	5	–	–
S Mann	5	5	–	–
H Toyomatsu	1	5	–	–
D Klingner	3	3	–	–
H Kenyon-Slaney**	4	4	2	2
ALTERNATES				
M Takada (alternate for H Toyomatsu)	1	1	–	–
Y Furusawa (alternate for H Toyomatsu)	1	1	–	–
Y Matsukawa (alternate for H Toyomatsu)	1	1	–	–
T Zempuku (alternate for H Toyomatsu)	1	1	–	–
F Nicholls (alternate for P Chiaro and A Lloyd)	1	1	–	–

* *Reflects the number of meetings held during the time the Director held office in the 2004 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 Constitution.

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2004

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

R Carter	25,000 ordinary shares

Shares in a Related Body Corporate

Rio Tinto Limited	
B Horwood	5,278 ordinary shares
D Klingner	12,253 ordinary shares
Rio Tinto plc	
H Kenyon-Slaney	4,594 ordinary shares

Options in Ordinary Shares of a Related Body Corporate

Rio Tinto Limited	
B Horwood	15,778
D Klingner	71,039
A Lloyd	25,148
Rio Tinto plc	
H Kenyon-Slaney	16,668
P Chiaro	281,790

Conditional Interests in Ordinary Shares of a Related Body Corporate

Rio Tinto Limited	
B Horwood	10,965
A Lloyd	1,307
D Klingner	44,738
Rio Tinto plc	
H Kenyon-Slaney	5,255
P Chiaro	70,856

REMUNERATION OF DIRECTORS AND EXECUTIVES

Details of the nature and amount of each element of the emoluments of each Director of the company are set out in note 21 of the financial report.

Details of the nature and amount of each element of the emoluments of each of the officers of the company are set out in note 21 of the financial report. These officers are also the specified executives of the company with the greatest authority for strategic direction and management of the company.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the 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 in last year's financial report, a final dividend of 5.0 cents per share, franked to 100% with (30%) franking credits, was declared on 29 January 2004, and paid on 27 February 2004.	9,537
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 22 July 2004 and paid on 30 August 2004.	11,444
Total dividends paid to members in 2004	20,981

In addition to the above dividend, since the end of the financial year the Directors have declared the payment of a final ordinary dividend of 11.0 cents per share, fully franked at 30%. The dividend payment of $20,981,173 was paid on 28 February 2005 with a record date of 14 February 2005.

REVIEW AND RESULTS OF OPERATIONS

The net profit after tax for the consolidated entity for the year ended 31 December 2004 was $38.6 million (2003: $19.9 million). Earnings before interest and tax (EBIT) were $44.3 million (2003: $35.3 million).

The increase in sales revenue was due to the increase in the average realised sales price of uranium oxide (2004: US$13.68/lb, 2003: US$11.19/lb) and the increase in sales volume (2004: 5,605 tonnes, 2003: 5,259 tonnes). These increases have been partially offset by the strengthening in the A$:US$ exchange rate (average effective exchange rate 2004: 71.8 cents, 2003: 66.0 cents). The strengthening Australian dollar has negatively impacted revenue by approximately $18 million compared with 2003.

On 30 November 2004 the High Court of Australia dismissed the Commissioner of Taxation's application for special leave to appeal from the decision of the Full Court of the Federal Court of 24 December 2003 in Commissioner of Taxation v Energy Resources of Australia Ltd.

The decision has increased the 2004 after tax profit by $11 million. ERA will benefit from a cash refund of approximately $7.5 million of which $5.5 million has been received.

The company settled US$47 million (2003: US$49 million) in forward currency exchange contracts during the year at an average of A$:US$ exchange rate of 64 cents (2003: 64 cents). No new currency exchange contracts were entered into during the year.

Drummed production for the year was a record 5,137 tonnes uranium oxide (2003: 5,065 tonnes uranium oxide). Third party inventory was required to meet higher sales commitments arising from some customers electing to exercise upward volume flexibilities in their contracts.

Operating costs increased for the full year to 31 December 2004. Maintenance expenditure has been a significant contributor to the rise in costs as efforts directed towards improving the integrity and reliability of the plant and equipment led to increased usage of materials and labour.

Other areas in which operating costs rose included increased usage of process materials resulting from a change in plant operation strategy to optimise uranium recovery, rising employee costs, and higher expenditure on refurbishment of housing in Jabiru.

In 2004 reserves were increased by 5,972 tonnes of contained uranium oxide.

Depreciation benefited from the increase in reserves and therefore a reduction in the unit of production depreciation charge. The effect reduced the depreciation charge for 2004 by $4.2 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 2004.

ENVIRONMENTAL REGULATION

The Ranger operation has had no detrimental impact on the surrounding environment over its 23 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.

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, 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 2004.

DIRECTORS' REPORT CONTINUED

for the year ended 31 December 2004

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 to the nearest thousand dollars, unless otherwise indicated.

LIKELY DEVELOPMENTS

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

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

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 of the company's constitution.

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

Insurance

Since the end of the previous financial year, the company has paid insurance premiums in respect of 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 7th day of March 2005 in accordance with a resolution of the Directors.

Dr D. Klingner
Chairman

AUDITORS' INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

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AUDITORS' INDEPENDENCE DECLARATION

As lead auditor for the audit of Energy Resources of Australia Ltd for the year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

Tim Goldsmith

Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
7 March 2005

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2004

CORPORATE GOVERNANCE

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 corporate governance structures and processes in place are substantially in compliance with recommendations of the Australian Stock Exchange ("ASX") Corporate Governance Council ('Council') on corporate governance practices.

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 listing of ERA on the ASX 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 listing, 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 Ltd and Peko Wallsend Ltd; both are now wholly owned subsidiaries of Rio Tinto Limited (Rio Tinto) and hold A Class shares;
- the following B Class shareholders:
  - Cameco Resources Australia Pty Ltd;
  - Interuranium Australia Pty Ltd
- 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 furt her 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 three classes of shareholders 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 per cent of ERA's published audited after tax profits is distributed by way of dividend.

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

BOARD RESPONSIBILITIES & CHARTER

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

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

The Board reviews the Charter on an annual basis.

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

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

BOARD COMPOSITION

The composition of the Board recognises the majority ownership position of Rio Tinto Limited. It is considered appropriate that Directors associated with the controlling shareholder constitute a majority of Directors on the Board. Notwithstanding this, the Directors discharge their duties in the interests of all shareholders.

The Audit Committee is comprised of a majority of independent Directors. Among other matters, the Audit Committee considers related party transactions. Directors associated with the relevant related party neither consider nor approve transactions involving the related party.

At the date of this report the Board of ERA consists of eight Directors, seven of whom are non-executive. The Chairman is Dr D. Klingner. 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. Two non-executive Directors, Mr Chiaro and Mr Lloyd, are executives of Rio Tinto. The Chairman, Dr D. Klingner, retired as an employee of Rio Tinto on 30 June 2004. Rio Tinto holds a 68.4 per cent interest in the share capital of ERA. Mr Mann is an executive of Cogema Australia Group that holds 7.8 per cent interest in ERA.

Mr Toyomatsu is President of Japan Australia Uranium Resources Development Co. that holds 10.6 per cent interest in 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. The Board recognises that this is not compliant with recommendation 2.4 of the Council, but considers existing practices satisfactory in view of the company's ownership structure.

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 Rio Tinto'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 Rio Tinto, have been determined to be in the interests of ERA.

The Chairman, Dr D. Klingner, was until recently a Rio Tinto executive. Whilst this is not compliant with recommendation 2.2 of the Council, the Board considers that Rio Tinto's 68.4 per cent shareholding warrants this position.

AUDIT COMMITTEE

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

The Audit Committee charter sets out the role and terms of reference of the Audit Committee and is reviewed 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 ASX and other regulatory requirements.

Attendance details of the 2004 meetings of the Audit Committee are set out on page 19.

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

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

RISK IDENTIFICATION AND MANAGEMENT

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

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

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

for the year ended 31 December 2004

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's 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 2004 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 2004 is set out in note 21 to the financial report. The aggregate amount of non-executive Directors' remuneration paid was $389,721. 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 results.

PERFORMANCE SELF-ASSESSMENT

In 2004 the Board performed an annual 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 Rio Tinto'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 AND 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 and the Chief Financial Officer 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 ASX 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

for the year ended 31 December 2004

Annual General Meeting

The 2005 AGM will be held at 10:00 am on Wednesday, 27 April 2005 at The Shangri-la Hotel, 176 Cumberland Street, Sydney.

Types Of Shares

ERA has three classes of shares; A, B and C. The different classes have equal voting rights. However, B and C Class shareholders have special Director-appointing powers. The publicly listed shares are limited to A Class shares.

Tax File Numbers

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

Information On Shareholding

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

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

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

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

STATEMENTS OF FINANCIAL PERFORMANCE
for the year ended 31 December 2004

	NOTE	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	THE COMPANY 2004 $000	THE COMPANY 2003 $000
Operating revenues		**236,270**	196,216	**235,477**	194,930
Proceeds from sale of assets other than goods		**171**	67	**171**	19
Other revenue from outside the operating activities		**3,587**	979	**3,581**	973
Revenue from ordinary activities	2	**240,028**	197,262	**239,229**	195,922
Changes in inventories of finished goods and work in progress		**(160)**	15,222	**(160)**	15,222
Raw materials and consumables used		**(68,275)**	(51,503)	**(68,275)**	(51,873)
Employee benefits and contractor expenses		**(45,040)**	(36,348)	**(44,315)**	(34,920)
Government and other royalties		**(10,571)**	(10,036)	**(10,571)**	(10,036)
Commission and shipping expenses		**(7,627)**	(8,072)	**(7,627)**	(8,072)
Depreciation and amortisation expenses	3	**(40,421)**	(44,177)	**(40,289)**	(44,016)
Borrowing costs	3	**(187)**	(731)	**(187)**	(731)
Statutory and corporate expenses		**(15,877)**	(13,503)	**(15,877)**	(13,503)
Other expenses from ordinary activities		**(4,221)**	(12,568)	**(4,226)**	(12,569)
Profit from ordinary activities before income tax expense	3	**47,649**	35,546	**47,702**	35,424
Income tax relating to ordinary activities	4	**(9,034)**	(15,674)	**(9,050)**	(15,600)
Net profit attributable to members of ERA Ltd		**38,615**	19,872	**38,652**	19,824
Total changes in equity other than those resulting from transactions with owners as owners		**38,615**	19,872	**38,652**	19,824

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

		CENTS	CENTS
Basic earnings per share:	29	**20.2**	10.4
Diluted earnings per share	29	**20.2**	10.4

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2004

		CONSOLIDATED		THE COMPANY	
	NOTE	2004 $000	2003 $000	2004 $000	2003 $000
Current Assets					
Cash assets	6	**55,064**	31,080	**54,989**	31,079
Receivables	7	**53,942**	43,452	**54,020**	43,236
Inventories	8	**95,253**	88,097	**95,253**	88,097
Hedge book asset	14	**4,855**	3,696	**4,855**	3,696
Other	9	**1,087**	2,094	**1,069**	2,080
Total Current Assets		**210,201**	168,419	**210,186**	168,188
Non-Current Assets					
Receivables	7	**–**	192	**–**	192
Investments		**–**	–	**100**	100
Inventories	8	**24,407**	24,694	**24,407**	24,694
Exploration, evaluation and development expenditure	10	**203,017**	203,017	**203,017**	203,017
Property, plant and equipment	11	**303,370**	335,568	**302,933**	335,029
Deferred tax assets		**3,526**	2,950	**3,526**	2,950
Hedge book asset	14	**27,391**	21,487	**27,391**	21,487
Total Non-Current Assets		**561,711**	587,908	**561,374**	587,469
Total Assets		**771,912**	756,327	**771,560**	755,657
Current Liabilities					
Payables	12	**25,211**	24,093	**25,256**	23,834
Current tax liabilities		**6,944**	10,471	**6,944**	10,471
Provisions	13	**3,014**	3,935	**2,932**	3,841
Deferred gain on hedge book	14	**4,855**	3,696	**4,855**	3,696
Total Current Liabilities		**40,024**	42,195	**39,987**	41,842
Non-Current Liabilities					
Payables	12	**17**	19	**17**	19
Deferred tax liabilities		**70,936**	74,960	**70,936**	74,960
Provisions	13	**1,565**	3,321	**1,475**	3,266
Deferred gain on hedge book	14	**27,391**	21,487	**27,391**	21,487
Total Non-Current Liabilities		**99,909**	99,787	**99,819**	99,732
Total Liabilities		**139,933**	141,982	**139,806**	141,574
Net Assets		**631,979**	614,345	**631,754**	614,083
Shareholders' Equity					
Share capital	15	**214,585**	214,585	**214,585**	214,585
Reserves	16	**389,500**	389,500	**389,500**	389,500
Retained profits	17	**27,894**	10,260	**27,669**	9,998
Total Shareholders' Equity		**631,979**	614,345	**631,754**	614,083

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 2004

		CONSOLIDATED		THE COMPANY	
	NOTE	2004 $000 INFLOWS/ OUTFLOWS	2003 $000 INFLOWS/ OUTFLOWS	2004 $000 INFLOWS/ OUTFLOWS	2003 $000 INFLOWS/ OUTFLOWS
Cash flows from operating activities					
Receipts from customers		**229,262**	206,172	**228,173**	205,318
Payments to suppliers and employees		**(161,572)**	(137,318)	**(160,565)**	(136,549)
		67,690	68,854	**67,608**	68,769
Interest received		**1,415**	980	**1,409**	974
Borrowing costs paid		**(187)**	(731)	**(187)**	(731)
Income taxes paid		**(22,647)**	(22,725)	**(22,663)**	(22,552)
Income tax refund – trading stock case		**5,485**	–	**5,485**	–
Refund from/(payment to) Rehabilitation Trust Fund		**–**	(538)	**–**	(538)
Net cash inflow from operating activities	27(a)	**51,756**	45,840	**51,652**	45,922
Cash flows from investing activities					
Payments for property, plant and equipment		**(8,359)**	(7,204)	**(8,329)**	(6,991)
Proceeds from sale of property, plant and equipment		**171**	67	**171**	19
Net cash outflow from investing activities		**(8,188)**	(7,137)	**(8,158)**	(6,972)
Cash flows from financing activities					
Dividends paid		**(20,981)**	(32,425)	**(20,981)**	(32,425)
Net cash outflow from financing activities		**(20,981)**	(32,425)	**(20,981)**	(32,425)
Net increase in cash held		**22,587**	6,278	**22,513**	6,525
Cash at the beginning of the financial year		**31,080**	24,812	**31,079**	24,564
Effects of exchange rate changes on cash		**1,397**	(10)	**1,397**	(10)
Cash at the end of the financial year	6	**55,064**	31,080	**54,989**	31,079

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 2004

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 policies adopted have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 30 June 2005 and the year ending 31 December 2005. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(y).

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities as at balance date and the results for the year ended of the company, being the parent entity, and its controlled entity ('the consolidated entity'). Details of the controlled entity appear in note 25. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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.

(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 stockpiles containing ore at less than the cut-off grade. Stores are valued at cost or net realisable value where applicable taking into account obsolescence.

(i) Recoverable Amount of Non-current Assets

The carrying amounts of non-current assets 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 life of mine
— Plant and equipment* – units of production over Ranger life of 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. See below for the estimated useful lives.*

— Office equipment: computers** – 3 years
— Office equipment: general** – 5 years
— Plant and equipment** – 5 years
— Furniture & fittings** – 10 years
— Motor vehicles** – 5 years

*** Assets where the useful operating life is greater than the life of Ranger are depreciated using life of Ranger.*

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.

In 2004 reserves were increased by 5,972 tonnes of contained uranium oxide.

Depreciation and amortisation benefited from the increase in reserves and therefore a reduction in the unit of production charge. The effect reduced the depreciation and amortisation expense for 2004 by $4.2 million.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(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 resources.

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 resources 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 under a long-term care and maintenance regime, and all costs incurred on this project during this period are expensed immediately.

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 resources.

(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 are reflected. 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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Employee Entitlements continued

(ii) Long Service Leave

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

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

(iii) Superannuation Plan

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

(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 2004 share savings plan were set at $15 and $660 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 per cent 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

In 2004, the wholly owned Australian resident subsidiary within the Energy Resources of Australia Ltd Group, and the company, elected to enter the Tax Consolidation Regime from 1 January 2003. No material impact has resulted.

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 impact on income tax expense for the year is disclosed in note 4.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(y) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the company's financial statements for the half-year ending 30 June 2005 and the year ended 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on translation to IFRS will be made, retrospectively, against opening retained earnings as at 1 January 2004.

A project team has been established to achieve transition to IFRS reporting, beginning with the half-year ending on 30 June 2005. The team reports on a regular basis to the Audit Committee. To date, the project team has analysed the Australian equivalents to IFRS and has identified the need for a number of accounting policy changes. There may be additional accounting policy changes required as interpretations in the application of all Australian equivalents to IFRS are finalised.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

(i) Income Tax

Under the new AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method. Items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) Rehabilitation and Closedown Costs

Under the new AASB 137 Provisions, Contingent Liabilities and Contingent Assets, a full provision for rehabilitation and closedown costs will be accounted as the present value of the cost of treating current disturbance. The rehabilitation trust fund currently held off-balance sheet will be recognised as an asset in the balance sheet. This will result in a change to the current accounting policy which will impact the level of retained earnings carried forward in the financial statements.

(iii) Equity-based Compensation Benefits

Under the new AASB 2 Share-Based Payment, equity-based compensation to employees will be recognised as an expense in respect of services rendered. This may result in a change to the current accounting policy due to the group employing executives who benefit under the Rio Tinto share plans.

(iv) Financial Instruments

Under the new AASB 132 Financial Instruments: Disclosure and Presentation, items classified as foreign exchange contracts held for hedging purposes will be marked to market value at each balance date with the gain or loss being recognised in equity for transfer to profit when the hedged production is delivered. Currently gains or losses are deferred on the balance sheet.

Further, embedded derivatives that may be contained within sales and purchase contracts will require separation from the host contract and be fair valued. ERA has completed a review and it is unlikely there will be any contracts captured under this standard.

The company will disclose the financial impact of transfer to the Australian equivalents to IFRS in May 2005.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
2. REVENUE				
Revenue from Operating Activities				
Sale of goods	**235,477**	194,930	**235,477**	194,930
Rendering of services	**793**	1,286	**–**	–
Total sales revenue	**236,270**	196,216	**235,477**	194,930
Revenue from outside Operating Activities				
Interest received/receivable, other parties	**3,587**	979	**3,581**	973
Proceeds from sale of property, plant and equipment	**171**	67	**171**	19
	240,028	197,262	**239,229**	195,922
3. OPERATING PROFIT				
The operating profit before income tax expense includes the following specific net gains and expenses:				
Cost of Sales	**162,155**	124,999	**162,155**	124,999
Amortisation of Ranger Project Rights	**16,291**	18,380	**16,291**	18,380
Depreciation of non-current assets:				
Land and buildings	**3,346**	3,787	**3,307**	3,743
Plant and equipment	**20,784**	22,010	**20,691**	21,893
Total depreciation	**24,130**	25,797	**23,998**	25,636
Net exchange loss on translation of US$ bank accounts	**2,449**	1,948	**2,449**	1,948
Royalty payments	**2,408**	2,235	**2,408**	2,235
Payments to Aboriginal interests	**8,163**	7,800	**8,163**	7,800
Rental expense relating to operating leases	**475**	312	**475**	298
Borrowing costs:				
Related parties	**138**	248	**138**	248
Other parties	**49**	483	**49**	483
Other charges against assets:				
Write-down of stores to net realisable value	**428**	(22)	**428**	(22)
Research and development expenditure	**3,189**	2,986	**3,189**	2,663
Net (gain)/loss on sale of property, plant and equipment	**(35)**	(11)	**(35)**	8

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
4. INCOME TAX				
(a) Income Tax Expense				
Income tax is calculated as follows:				
Operating profit before income tax	**47,649**	35,546	**47,707**	35,424
Prima facie income tax expense at 30%	**14,295**	10,664	**14,312**	10,627
Tax effect of permanent differences:				
Amortisation of Ranger Project Rights	**4,887**	5,514	**4,887**	5,514
Other non-allowable items	**9**	4	**8**	4
Research and development concession	**–**	(24)	**–**	(24)
Tax effect of finalisation of trading stock case	**(9,624)**	-	**(9,624)**	-
Income tax overprovided in prior years	**(533)**	(484)	**(533)**	(521)
Income tax expense attributable to operating profit	**9,034**	15,674	**9,050**	15,600
Income tax expense	**9,034**	15,674	**9,050**	15,600

Tax Consolidation

Energy Resources of Australia Ltd and its wholly owned Australian controlled entity decided to implement the tax consolidation legislation as of 1 January 2003. The accounting policy on implementation of the legislation is set out in note 1(w). No material impact has resulted.

The wholly owned entity has fully compensated Energy Resources of Australia Ltd for deferred tax liabilities assumed by Energy Resources of Australia Ltd on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to Energy Resources of Australia Ltd.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly owned entity reimburses Energy Resources of Australia Ltd for any current income tax payable by Energy Resources of Australia Ltd arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Energy Resources of Australia Ltd. In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly owned entity in the case of a default by Energy Resources of Australia Ltd.

Taxation Case

On 30 November 2004, the High Court of Australia dismissed the Commissioner of Taxation's application for special leave to appeal from the decision of the Full Court of the Federal Court of 24 December 2003 in *Commissioner of Taxation v Energy Resources of Australia Ltd* relating to the valuation of trading stock.

The decision has increased the 2004 after tax profit by $11 million consisting of $9.6 million of tax and $1.4 million of tax-effected interest. In addition to the profit impact, ERA will also benefit from a cash refund of approximately $7.5 million of which $5.5 million has already been received.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

5. DIVIDENDS

Dividends provided for or paid during the year:

	CENTS PER SHARE	TOTAL AMOUNT $000	DATE OF PAYMENT	FRANKED TAX RATE	PERCENTAGE FRANKED
2003					
Final – ordinary	5.0	9,537	27 February 2004	30%	100%
2004					
Interim – ordinary	**6.0**	**11,444**	30 August 2004	30%	100%

Dividends Not Recognised at the End of the Year

Since the end of the year, the Directors declared the payment of a final dividend of 11.0 cents (2003: 5.0) fully paid per ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed final dividend was paid on 28 February 2005 out of retained profits at the end of the year but not recognised as a liability is $20,981,173.

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	THE COMPANY 2004 $000	THE COMPANY 2003 $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 used in payment of the above dividends:				
30% franking credits (2003: 30%)	**44,520**	36,400	**43,986**	35,964

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 has impacted the franking account balances of the company and wholly owned Australian resident subsidiary. The impact is not material.

6. CASH ASSETS

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	THE COMPANY 2004 $000	THE COMPANY 2003 $000
Current				
Cash at bank and on hand	**6,862**	20,098	**6,787**	20,097
Deposits on call	**48,202**	10,982	**48,202**	10,982
Cash Assets	**55,064**	31,080	**54,989**	31,079

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
7. RECEIVABLES				
Current				
Trade debtors	**39,936**	24,155	**39,211**	23,848
	39,936	24,155	**39,211**	23,848
Other debtors	**7,346**	4,161	**8,149**	4,970
Less provision for doubtful debts	**(36)**	(39)	**(36)**	(39)
	7,310	4,122	**8,113**	4,931
Foreign exchange hedge asset on debtors	**6,552**	5,435	**6,552**	5,435
Related entity	**144**	9,740	**144**	9,022
	53,942	43,452	**54,020**	43,236
Non-current				
Other debtors	**–**	192	**–**	192
	–	192	**–**	192
8. INVENTORIES				
Current				
Stores and spares at cost	**14,921**	9,448	**14,921**	9,448
Stores and spares at NRV	**1,371**	1,459	**1,371**	1,459
	16,292	10,907	**16,292**	10,907
Ore stockpiles at cost	**14,006**	12,183	**14,006**	12,183
Work in progress at cost	**7,113**	6,717	**7,113**	6,717
Finished product U_3O_8 at cost	**57,842**	58,290	**57,842**	58,290
	95,253	88,097	**95,253**	88,097
Non-current				
Ore stockpiles at cost	**24,407**	24,694	**24,407**	24,694
9. OTHER ASSETS				
Current				
Prepayments	**1,087**	2,094	**1,069**	2,080
	1,087	2,094	**1,069**	2,080
10. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE				
Non-current				
Jabiluka: Long-term care and maintenance development project				
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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2004

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
11. PROPERTY, PLANT AND EQUIPMENT				
(a) Non-current				
Mine land and buildings				
Mine land and buildings at cost	**92,968**	92,968	**92,452**	92,452
Less accumulated depreciation	**(64,970)**	(61,624)	**(64,714)**	(61,407)
	27,998	31,344	**27,738**	31,045
Plant and equipment				
Plant and equipment at cost	**454,806**	448,312	**454,088**	447,617
Less accumulated depreciation	**(305,621)**	(286,566)	**(305,080)**	(286,111)
	149,185	161,746	**149,008**	161,506
Mine properties				
Ranger Project Rights at cost	**407,000**	407,000	**407,000**	407,000
Less accumulated amortisation	**(280,813)**	(264,522)	**(280,813)**	(264,522)
	126,187	142,478	**126,187**	142,478
Total property, plant and equipment	**303,370**	335,568	**302,933**	335,029
(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:				
Mine land and buildings				
Carrying amount at 31 December 2003	**31,344**	35,095	**31,045**	34,752
Additions	**–**	36	**–**	36
Depreciation	**(3,346)**	(3,787)	**(3,307)**	(3,743)
Carrying amount at 31 December 2004	**27,998**	31,344	**27,738**	31,045
Plant and equipment				
Carrying amount at 31 December 2003	**161,746**	176,644	**161,506**	176,471
Additions	**8,359**	7,168	**8,329**	6,955
Write back of assets disposed	**(136)**	(56)	**(136)**	(27)
Depreciation	**(20,784)**	(22,010)	**(20,691)**	(21,893)
Carrying amount at 31 December 2004	**149,185**	161,746	**149,008**	161,506
Mine properties				
Carrying amount at 31 December 2003	**142,478**	160,858	**142,478**	160,858
Amortisation	**(16,291)**	(18,380)	**(16,291)**	(18,380)
Carrying amount at 31 December 2004	**126,187**	142,478	**126,187**	142,478
12. PAYABLES				
Current				
Amount owing to related entities	**1,788**	1,699	**1,831**	2,416
Trade creditors	**22,774**	21,959	**22,944**	21,042
Other creditors	**649**	435	**481**	376
	25,211	24,093	**25,256**	23,834
Non-Current				
Other Creditors	**17**	19	**17**	19
	17	19	**17**	19

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
13. PROVISIONS				
Current				
Employee entitlements	**3,014**	3,935	**2,932**	3,841
	3,014	3,935	**2,932**	3,841
Non-current				
Employee entitlements	**565**	657	**475**	602
Rehabilitation	**1,000**	2,664	**1,000**	2,664
	1,565	3,321	**1,475**	3,266

Movements in Provisions

Movements in provisions during the financial year, other than employee benefits are set out below.

	REHABILITATION	TOTAL
Carrying amount at the start of the year	**2,664**	2,664
Payments	**(1,664)**	(1,664)
Carrying amount at the end of the year	**1,000**	1,000

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
14. HEDGE BOOK COMMITMENTS				
Current Asset				
Hedge asset	**4,855**	3,696	**4,855**	3,696
	4,855	3,696	**4,855**	3,696
Current Liability				
Deferred gain on hedge book	**4,855**	3,696	**4,855**	3,696
	4,855	3,696	**4,855**	3,696
Non-current Asset				
Hedge asset	**27,391**	21,487	**27,391**	21,487
	27,391	21,487	**27,391**	21,487
Non-current Liability				
Deferred gain on hedge book	**27,391**	21,487	**27,391**	21,487
	27,391	21,487	**27,391**	21,487

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

	THE COMPANY		THE COMPANY	
	2004 SHARES	2003 SHARES	2004 $000	2003 $000
15. SHARE CAPITAL				
Issued and paid up capital comprises:				
A Class shares fully paid	**142,865,446**	142,865,446		
B Class shares fully paid	**27,573,468**	27,573,468		
C Class shares fully paid	**20,299,020**	20,299,020		
	190,737,934	190,737,934	**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.

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
16. 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 capital to shareholders from this reserve.

17. RETAINED PROFITS

Retained profits at the beginning of the financial year.	**10,260**	1,832	**9,998**	1,618
Adjustment resulting from change in accounting policy for providing dividends	–	20,981	–	20,981
Net profits attributable to members of Energy Resources of Australia	**38,615**	19,872	**38,652**	19,824
Dividends provided for or paid	**(20,981)**	(32,425)	**(20,981)**	(32,425)
Retained profits at the end of the financial year	**27,894**	10,260	**27,669**	9,998

18. 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 2004, was $48,487,800 (including a 5 percent contingency). At 31 March 2004 the Ranger Rehabilitation Trust Fund held funds in deficit of the assessed liability. The temporary deficit in the trust fund has been met by a bank guarantee to the value of $9,999,537.

Bank Guarantee

ERA has issued a bank guarantee as security for the Jabiluka Rehabilitation Trust for $1,000,000. 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

A hearing in the Darwin Magistrate's Court is scheduled for 6 May 2005 to hear charges from the water incident and radiation clearance breaches at Ranger.

The remaining argument in the action listed in the Federal Court against the former Federal Minister for Resources and ERA claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative is dormant. Should ERA proceed with the Jabiluka Mill Alternative, notice will be given to the applicant who may or may not wish to pursue the argument further.

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

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
19. COMMITMENTS				
(a) Capital expenditure commitments contracted but not provided for and payable:				
Not later than 1 year	**1,873**	1,108	**1,873**	1,108
(b) Lease commitments				
(i) Operating leases Future operating lease rentals not provided for in the financial statements and payable:				
Not later than 1 year	**3,776**	312	**3,776**	298
Later than 1 year but not later than 5 years	**662**	985	**662**	972
	4,438	1,297	**4,438**	1,270

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.

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	THE COMPANY 2004 $000	THE COMPANY 2003 $000
(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	**989**	1,062	**989**	1,062
	1,353	1,426	**1,353**	1,426

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 2005 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 percent of Ranger net sales revenue (amounts paid during 2004: $8,163,000. 2003: $7,600,000);

(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 percent of Ranger net sales revenue (amounts paid during 2004: $2,408,000. 2003: $2,235,000);

(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 2004 a bank guarantee of $9,999,537 was raised to cover the temporary deficit to the trust fund.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2004

19. COMMITMENTS CONTINUED

(d) ERA is liable to make payments to the Northern Land Council (NLC) pursuant to a Deed Poll entered into by the Company in May 1998, in respect of Jabiluka, for $755,000 p.a. (subject to CPI escalation), for 10 years from the commencement of production.

(e) ERA is liable to make payments to the 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 at Jabiluka.

(ii) Annual royalty payments calculated at 4.5 percent 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 percent 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 percent of net sales revenue from the Jabiluka project.

		CONSOLIDATED		THE COMPANY	
	NOTE	2004 $000	2003 $000	2004 $000	2003 $000
20. EMPLOYEE ENTITLEMENTS					
Aggregate employee entitlements, including on-costs					
Current	13	**3,014**	3,935	**2,932**	3,841
Non-current	13	**565**	657	**475**	602
		3,579	4,592	**3,407**	4,443

	2004 NUMBER	2003 NUMBER	2004 NUMBER	2003 NUMBER
Employee numbers				
Number of employees at year end	**273**	238	**254**	219

	2004	2003	2004	2003
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 (%)	**3.00**	3.25	**3.00**	3.25
Discount rate (%)	**5.35**	4.71	**5.35**	4.71
Settlement terms (years)	**7**	7	**7**	7

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, two of whom 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.

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES

The following persons were Directors of Energy Resources of Australia Ltd during the financial year.

Chairman – Non-executive
B Horwood – from 1 January 2004 to 28 January 2005
D Klingner – from 28 January 2005

Executive Directors
R Cleary, Chief Executive from 1 January 2004 to 29 January 2004
H Kenyon-Slaney, Chief Executive from 29 January 2004 to 31 December 2004

Non-executive Directors
R Carter
P Chiaro
D Klingner
A Lloyd
S Mann
H Toyomatsu

B Hickman resigned from the position of non-executive Director on 25 October 2004.

Executives (other than Directors) with the Greatest Authority for Strategic Direction and Management
The following persons were the executives with the greatest authority for strategic direction and management of the consolidated entity ("specified executives") during the financial year:

NAME	POSITION	EMPLOYER (DIRECTLY OR BY SECONDMENT)
R Antal	Chief Financial Officer	Energy Resources of Australia Ltd
C Kinnell	GM – Marketing	Energy Resources of Australia Ltd
A Milnes	GM – EWLS	EWL Sciences Pty Ltd
M Coulter	GM – Strategic Planning (from 1 January to 17 September 2004)	Energy Resources of Australia Ltd
S Prebble	GM – Operations (from 1 January to 3 December 2004)	Energy Resources of Australia Ltd
D Paterson	GM – Business Development (from 18 October 2004)	Energy Resources of Australia Ltd
C Salisbury	GM – Operations (from 20 December 2004)	Energy Resources of Australia Ltd

All of the above persons were also specified executives during the year ended 31 December 2003, except for R Antal who commenced employment with the company on 1 September 2003, D Paterson and C Salisbury who commenced employment with the company during 2004.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2004

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Remuneration of Directors and Executives

Principles used to Determine the nature and amount of remuneration

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 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.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined separately to the fees of non-executive Directors. The Chairman does not participate in any discussions relating to the determination of his own remuneration.

Directors' Fees

At the 2001 Annual General Meeting shareholders determined that the aggregate remuneration for non-executive Directors of ERA would be $500,000 per annum.

The aggregate amount of non-executive Directors remuneration paid was $389,721. 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.

The current base remuneration was last revised in April 2004.

Retirement Allowances for Directors

The entering into of contracts with Directors for the provision of a retirement allowance was approved by shareholders on 18 October 1990. A retirement allowance provides benefits to certain non-executive Directors who have served for three years or less, an amount equal to the fees; or longer than three years, an amount equal to the statutory three years emoluments plus for each year or part of a year of service exceeding three, an additional amount equal to 5 per cent of the statutory three years' emoluments.

In April 2004, the Board resolved to remove this retirement allowance for non-executive Directors appointed after this date. Non-executive Directors appointed after this date are entitled to statutory superannuation contributions.

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

Executive Remuneration

The executive pay and reward framework has four components:

- base pay and benefits
- short-term incentive performance incentives (STIP)
- long-term incentives through participation in the Rio Tinto share option plan (SOP) and performance shares (MCCP) and
- other remuneration such as superannuation.

The short-term and long-term incentive plans are variable components of the total remuneration package as they are tied to achievement of specific measures of personal and/or business performance and are therefore at risk. The other components of the package are referred to as 'fixed' as they are not at risk, although some, eg base salary, are also related to performance.

The composition of the total remuneration package is designed to provide an appropriate balance between fixed and variable components in line with Rio Tinto and ERA objectives of aligning total remuneration with delivered personal and business performance.

Base Salary

Base salary is set at a level consistent within market expectations within the wider Rio Tinto remuneration framework which may be delivered as a mix of cash and prescribed non-financial benefits.

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Remuneration of Directors and Executives continued

Principles used to determine the nature and amount of remuneration continued

Short-Term Incentive Plan (STIP)

STIP provides a cash bonus opportunity for participants and is designed to support the overall remuneration policy by:

- focussing participants on achieving goals which contribute to sustainable shareholder value, and
- providing significant bonus differential based on delivered performance against personal, business and other targets including environment, safety and health.

Share Option Plan

An annual grant of options to purchase shares (in Rio Tinto Limited and Rio Tinto plc) in the future at current market prices is made to eligible senior executives. The Rio Tinto Remuneration Committee decides the level of grants each year, taking into consideration local market practice and personal performance. The exercise of options is conditional on the Rio Tinto Group meeting stretching performance conditions set by the committee.

Mining Companies Comparative Plan

Under this plan, a conditional right to receive shares is granted annually to eligible senior executives. The conditional awards only vest if performance conditions are satisfied. The performance conditions compare Rio Tinto's Total Shareholder Return ('TSR') with the TSR of a comparator group of 15 other international mining companies over the same four-year period. Rio Tinto's TSR is calculated as a weighted average of the TSR of Rio Tinto plc and Rio Tinto Limited.

Other Share Plans

ERA executives may participate in the Rio Tinto Limited Share Savings Plan as per note 1(v).

Details of remuneration

Details of the remuneration of each Director of Energy Resources of Australia Ltd and each of the specified executives of the consolidated entity, are set out in the following tables.

Directors of Energy Resources of Australia Ltd

	PRIMARY			POST-EMPLOYMENT		EQUITY	
2003	CASH SALARY AND FEES $	CASH BONUS (STIP) $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	OPTIONS $	TOTAL $
B Horwood	83,750	–	–	6,268	–	–	90,018
H Kenyon-Slaney	228,220	–	82,020	10,800	–	74,630	395,670
R Cleary	39,940	–	2,380	5,730	381,870	–	429,920
P Chiaro[(1)]	45,625	–	–	–	–	–	45,625
A Lloyd[(1)]	45,625	–	–	–	–	–	45,625
R Carter	56,458	–	–	5,081	–	–	61,539
B Hickman	44,701	–	–	4,023	131,656	–	180,380
D Klingner	22,312	–	–	–	–	–	22,312
S Mann[(2)]	45,625	–	–	–	–	–	45,625
H Toyomatsu[(3)]	45,625	–	–	–	–	–	45,625
Total	657,881	–	84,400	31,902	513,526	74,630	1,362,339

(1) *Amounts paid directly to Rio Tinto*

(2) *Amounts paid directly to Cogema Australia Pty Ltd*

(3) *Amounts paid directly to Japan Australia Uranium Resources Development Co Ltd*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2004

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Remuneration of Directors and Executives continued

Details of remuneration continued

Total remuneration of Directors of Energy Resources of Australia Ltd for the year ended 31 December 2003 is set out below. Information for individual Directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

	PRIMARY			POST-EMPLOYMENT		EQUITY	
2003	CASH SALARY AND FEES $	CASH BONUS (STIP) $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	RETIREMENT BENEFITS $	OPTIONS $	TOTAL $
Total	649,363	99,600	32,465	107,488	–	39,375	928,291

Specified executives of the consolidated entity

2004$							
R Antal	197,970	14,220	21,300	35,980	–	7,790	277,260
M Coulter (from 1/1/04 to 17/9/04)	163,580	45,080	18,750	71,250	–	24,620	323,280
C Kinnell	264,200	61,480	107,710	9,970	–	27,230	470,590
A Milnes	193,940	46,500	26,320	45,440	–	24,360	336,560
S Prebble (from 1/1/04 to 3/12/04)	269,120	41,360	24,300	45,650	–	29,360	409,790
D Paterson (from 18/10/04)	69,510	–	5,340	9,590	–	5,070	89,510
C Salisbury (from 20/12/04)	50,040	–	790	1,950	–	787	53,567
Total	1,208,360	208,640	204,510	219,830	–	119,217	1,960,557

Total remuneration of specified executives for the year ended 31 December 2003 is set out below. Information for individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities. In some cases, different individuals are included than those specified in the year ended 31 December 2004.

2003$							
Total	1,608,379	181,500	125,851	142,213	–	80,288	2,138,231

Service Agreements

Remuneration and other terms of employment for the Chief Executive and specified executives are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses, performance-related share plans within the wider Rio Tinto context and other benefits including car allowances. Other major provisions of the agreements relating to remuneration are set out below.

H Kenyon-Slaney – Chief Executive
Term of agreement – Open and anticipated to be for a period of up to three years subject to extension by mutual agreement, appointed 20 January 2004.
Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2004 of $200,850 to be reviewed annually by the remuneration committee.
Termination by the employee is with three months' written notice to the company or six months' written notice to Rio Tinto or by the employer giving three months' written notice or equivalent salary in lieu of notice.

R Antal – Chief Financial Officer and Company Secretary
Term of agreement – Open, commenced 1 September 2003
Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2004 of $158,000 to be reviewed annually.
Termination by the employee is one month's notice in writing or by the employer giving three months' notice or equivalent salary in lieu of notice.

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Remuneration of Directors and Executives continued

Details of remuneration continued

M Coulter – General Manager Strategic Planning
Term of agreement – Open, terminated due to transfer to another Rio Tinto company on 17 September 2004.
Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 17 September 2004 of $133,000.

C Kinnell – General Manager Marketing
Term of agreement – Three-year secondment with option of extension, appointed 27 August 2002.
Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2004 of $244,000 to be reviewed annually.
Termination by the employee is with three months' written notice to the company or six months' written notice to Rio Tinto or by the employer giving three months' written notice or equivalent salary in lieu of notice.

A Milnes – General Manager EWL Sciences
Term of agreement – Open, commenced 1 July 1996.
Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2004 of $193,000 to be reviewed annually.
Termination by the employee is one month's notice in writing or by the employer giving three months' notice or equivalent salary in lieu of notice.

S Prebble – General Manager Operations
Term of agreement – Open, terminated 3 December 2004 (left the Rio Tinto Group).
Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 3 December 2004 of $193,000.

D Paterson – General Manager Business Development
Term of agreement – Open, commenced 18 October 2004.
Base salary (excluding superannuation, allowances and other benefits) paid for the period 18 October to 31 December 2004 of $34,000, salary to be reviewed annually.
Termination by the employee is one month's notice in writing or by the employer giving three months' notice or equivalent salary in lieu of notice.

C Salisbury – General Manager Operations
Term of agreement – Open, commenced 20 December 2004.
Base salary (excluding superannuation, allowances and other benefits) paid for the period 20 December to 31 December 2004 of $9,500, salary to be reviewed annually.
Termination by the employee is one month's notice in writing or by the employer giving three months' notice or equivalent salary in lieu of notice.

Share-based compensation – Share Option Plan
The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE
Rio Tinto Limited				
13 March 2002	13 March 2012	$39.8708	$13.7100	13 March 2005
7 March 2003	7 March 2013	$33.3360	$6.6798	7 March 2006
22 April 2004	22 April 2014	$34.4060	$6.5200	22 April 2007
Rio Tinto plc				
13 March 2002	13 March 2012	£14.5860	£4.9900	13 March 2005
7 March 2003	7 March 2013	£12.6300	£2.9740	7 March 2006
22 April 2004	22 April 2014	£13.2900	£2.9100	22 April 2007

Options are granted at the discretion of the Rio Tinto remuneration committee in line with Rio Tinto guidelines.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Equity Instrument Disclosures Relating to Directors and Executives

Share-based compensation – Mining Companies Comparative Plan

The terms and conditions of each right to shares affecting remuneration in this or future reporting periods are as follows:

AWARD DATE	VESTING DATE	SHARE PRICE AT 31 DECEMBER 2004
Rio Tinto plc		
1 January 2001	1 January 2005	£15.33
1 January 2002	1 January 2006	£15.33
1 January 2003	1 January 2007	£15.33
1 January 2004	1 January 2008	£15.33
Rio Tinto Limited		
1 January 2001	1 January 2005	$39.1200
1 January 2002	1 January 2006	$39.1200
1 January 2003	1 January 2007	$39.1200
1 January 2004	1 January 2008	$39.1200

Share-based compensation – employee share scheme

Details of the Directors of the consolidated entity and specified executives who have elected to participate in the Rio Tinto Employee Share Scheme as at 31 December 2004.

R Antal: 2004 Rio Tinto Limited scheme commencing 1 January 2005
P Chiaro: 2002 Rio Tinto plc scheme available 1 January 2006

Options provided as remuneration

Details of options over ordinary shares in Rio Tinto Limited and Rio Tinto plc (a related company) provided as remuneration to each Director in respect of their duties as officers of the consolidated entity and each of the specified executives of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR	NUMBER OF OPTIONS VESTED DURING THE YEAR
Rio Tinto plc		
Directors of Energy Resources of Australia Ltd		
H Kenyon-Slaney	5,255	–
Specified executives of the consolidated entity		
C Kinnell	1,362	–
Rio Tinto Limited		
Specified executives of the consolidated entity		
R Antal	961	–
M Coulter	1,192	–
A Milnes	1,180	–
S Prebble	1,143	–

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Equity Instrument Disclosures Relating to Directors and Executives continued

Conditional awards provided as remuneration

Details of conditional awards of ordinary shares in Rio Tinto Limited and Rio Tinto plc (a related company) provided as remuneration to each Director in respect of his duties as an officer of the consolidated entity and each of the specified executives of the consolidated entity are set out below. When exercisable, each award converts into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

NAME	NUMBER OF CONDITIONAL AWARDS GRANTED DURING THE YEAR	NUMBER OF CONDITIONAL AWARDS VESTED/LAPSED DURING THE YEAR	
Rio Tinto plc			
Directors of Energy Resources of Australia Ltd			
H Kenyon-Slaney	5,255	–	–
Specified executives of the consolidated entity			
C Kinnell	1,362	–	–
Rio Tinto Limited			
Specified executives of the consolidated entity			
R Antal	961	–	–
M Coulter	1,192	–	–
A Milnes	1,180	–	–
S Prebble	1,143	–	–

Option holdings

The number of options over ordinary shares in Rio Tinto Ltd or Rio Tinto plc held during the financial year by each Director of Energy Resources of Australia and each of the specified executives of the consolidated entity are set out below.

NAME	BALANCE AT THE START OF THE YEAR**	GRANTED DURING THE YEAR AS REMUNERATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR: VESTED AND EXERCISEABLE	BALANCE AT THE END OF THE YEAR: UNVESTED
Rio Tinto plc						
Directors of Energy Resources of Australia Ltd						
H Kenyon-Slaney	11,413	5,255	–	–	–	16,668
P Chiaro*	211,300	–	–	70,490	87,174	194,616
Specified executives of the consolidated entity						
C Kinnell	5,753	1,362	–	–	–	7,115
Rio Tinto Ltd						
Directors of Energy Resources of Australia Ltd						
B Horwood*	14,819	–	–	–	–	14,819
D Klingner*	137,718	–	(70,796)	4,117	–	71,039
A Lloyd*	24,170	–	(2,000)	1,307	1,755	21,722
Specified executives of the consolidated entity						
R Antal	–	961	–	–	–	961
M Coulter	7,607	1,192	–	–	–	8,799
T Milnes	5,027	1,180	–	–	–	6,207
D Paterson	6,242	–	–	–	–	6,242
S Prebble	6,268	1,143	–	–	–	7,411
C Salisbury	6,124	–	–	–	–	6,124

** Note: Other changes during the year represents the granting of options in respect of their duties to the wider Rio Tinto Group.*
*** Note: Includes commencement of employment with ERA.*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

21. DIRECTORS' AND EXECUTIVES' DISCLOSURES CONTINUED

Equity Instrument Disclosures Relating to Directors and Executives continued

Conditional Awards

The number of conditional awards of ordinary shares in Rio Tinto Ltd or Rio Tinto plc held during the financial year by each Director of Energy Resources of Australia and each of the specified executives of the consolidated entity are set out below.

NAME	BALANCE AT THE START OF THE YEAR**	GRANTED DURING THE YEAR	CRYSTALISATION OF PRIOR AWARD VESTED	CRYSTALISATION OF PRIOR AWARD LAPSED	AWARDS CANCELLED	BALANCE AT THE END OF THE YEAR
Rio Tinto plc						
Directors of Energy Resources of Australia Ltd						
H Kenyon-Slaney	–	5,255	–	–	–	5,255
P Chiaro*	29,923	46,995	(3,788)	(2,274)	–	70,856
Specified executives of the consolidated entity						
C Kinnell	–	1,362	–	–	–	1,362
Rio Tinto Ltd						
Directors of Energy Resources of Australia Ltd						
B Horwood*	13,598	1,013	(2,278)	(1,368)	–	10,965
D Klingner*	41,378	21,463	(4,570)	(2,743)	(10,790)	44,738
A Lloyd*	–	1,307	–	–	–	1,307
Specified executives of the consolidated entity						
R Antal	–	961	–	–	–	961
M Coulter	–	1,192	–	–	–	1,192
T Milnes	–	1,180	–	–	–	1,180
D Paterson	1,195	–	–	–	–	1,195
S Prebble	–	1,143	–	–	–	1,143
C Salisbury	1,153	–	–	–	–	1,153

** Note: Changes during the year represents the granting of awards in respect of their duties to the wider Rio Tinto Group.*
*** Note: Includes commencement of employment with ERA.*

Share Holdings

The number of shares held in Energy Resources of Australia Ltd, Rio Tinto Limited or Rio Tinto plc held during the financial year by each Director of Energy Resources of Australia Ltd and each of the specified executives of the consolidated entity are set out below.

NAME	BALANCE AT THE START OF THE YEAR	RECEIVED DURING THE YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Energy Resources of Australia Ltd				
Directors of Energy Resources of Australia Ltd				
R Carter	25,000	–	–	25,000
Rio Tinto Limited				
Directors of Energy Resources of Australia Ltd				
B Horwood	3,000	2,278	–	5,278
D Klingner	20,253	–	(8,000)	12,253
A Lloyd	–	2,000	(2,000)	–
Rio Tinto plc				
Directors of Energy Resources of Australia Ltd				
H Kenyon-Slaney	4,594	–	–	4,594

Loans and Other Transactions with Directors and Specified Executives

There are no loans with Directors and specified executives. Other transactions with Director-related entities are disclosed in note 23 – related parties.

22. AUDITOR'S REMUNERATION

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $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	**167**	142	**167**	142
Other audit related work				
Other assurance services	**28**	7	**28**	7
Total audit and other assurance services	**195**	149	**195**	149
Advisory services and tax	**–**	–	**–**	–
Total remuneration	**195**	149	**195**	149

23. 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, H Kenyon-Slaney, B Horwood, D Klingner (Alternate: F Nicholls), A Lloyd (Alternate: F Nicholls), P Chiaro (Alternate: F Nicholls), S Mann (Alternate: R Matthews), H Toyomatsu (Alternates: Y Furusawa, Y Matsukawa, M Araya, M Takada, T Zempuku).

Information relating to Directors' remuneration and retirement benefits is set out in note 21.

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 $31,904,173 (2003: $33,259,061).

Commission paid to JAURD totalled $251,016 (2003: $284,863)

No amount was receivable from JAURD at 31 December 2004. (2003: $9,012,821).

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 (2003: $Nil).

Facility fee paid in respect of the uranium loan totalled $121,782 (2003: $118,814).

Controlled Entity

Information relating to the controlled entity is set out in note 25.

Ultimate Parent Entity

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

Loan from Related Party

During the period ERA did not renew a US$15,000,000 one year loan facility entered into in 2003 with North Finance Limited, a wholly owned subsidiary of Rio Tinto Limited. This facility was negotiated on commercial terms and conditions. At no stage in 2004 was the facility utilised (2003: $Nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2004

23. RELATED PARTIES CONTINUED

Superannuation Fund
Information relating to the consolidated entity's superannuation fund is set out in note 20.

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

Tax Consolidation
The wholly owned Australian resident subsidiary within the Energy Resources of Australia Ltd Group, and the company, have elected to enter the Tax Consolidation Regime from 1 January 2003. No material impact has resulted.

A tax funding agreement has been 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.

Related Party Transactions

	CONSOLIDATED		THE COMPANY	
	2004 $000	2003 $000	2004 $000	2003 $000
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	**–**	–	**2,831**	1,881
— Rio Tinto Limited	**2,731**	2,233	**2,731**	2,233
Other reimbursements for commercial services:				
— Rio Tinto Limited	**4,200**	3,225	**4,200**	3,225
Amounts received from related parties:				
— Rio Tinto Limited – fees	**138**	–	**138**	–
— Rio Tinto Limited – interest	**1,015**	–	**1,015**	–
Aggregate amounts recognised in relation to other transactions with each class of other related parties:				
Dividends paid/payable to				
— Parent entity – North Limited	**7,155**	11,054	**7,155**	11,054
— Related parties – Peko Wallsend Ltd	**7,195**	11,122	**7,195**	11,122
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	**48,202**	10,982	**48,202**	10,982
Current assets – receivables				
— Related parties – JAURD	**–**	9,013	**–**	9,013
— Related parties – Other	**144**	–	**144**	–
— Controlled entities – EWL Sciences Pty Ltd	**–**	–	**–**	10
Current liabilities – creditors				
— Related parties – Rio Tinto Limited	**1,788**	1,699	**1,788**	1,699
— Controlled entities – EWL Sciences Pty Ltd	**–**	–	**43**	717

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

24. SHAREHOLDER-RELATED CUSTOMER TRANSACTIONS

All sales were conducted on commercial terms and conditions.

Revenue derived from shareholder related customer transactions totalled $31,904,173 (2003: $33,259,061).

Amounts receivable from shareholder related customer transactions as at 31 December 2004 totalled $Nil (2003: $9,012,821).

25. INVESTMENT IN CONTROLLED ENTITY

NAME OF ENTITY	PLACE OF INCORPORATION	CLASS OF SHARE	INTEREST HELD 2004	INTEREST HELD 2003
EWL Sciences Pty Ltd	NSW	Ordinary	100%	100%

The above controlled entity is wholly owned and no dividends were paid to the parent entity (2003: $Nil).

26. SEGMENT INFORMATION

Primary Reporting – Business Segments

2004	URANIUM $000	CONSULTING $000	ELIMINATIONS $000	CONSOLIDATED $000
Sales to external customers	**235,477**	**793**	**–**	**236,270**
Intersegment sales	**–**	**2,831**	**(2,831)**	–
Total sales revenue	**235,477**	**3,624**	**(2,831)**	**236,270**
Other revenue	**3,752**	**6**	**–**	**3,758**
Total Segment revenue	**239,229**	**3,630**	**(2,831)**	**240,028**
Segment result before tax	**47,707**	**(58)**	**–**	**47,649**
Income tax expense	**9,050**	**(16)**	**–**	**9,034**
Segment result after tax	**38,657**	**(42)**	**–**	**38,615**
Total assets (exc tax)	**768,034**	**1,327**	**(975)**	**768,386**
Total liabilities (exc tax)	**61,926**	**127**	**–**	**62,053**
Acquisition of non-current assets	**8,329**	**30**	**–**	**8,359**
Depreciation and amortisation expense	**40,289**	**132**	**–**	**40,421**
Other non-cash expenses	**(1,038)**	**23**	**–**	**(1,015)**
Net cash inflow from operating activities	**51,652**	**104**	**–**	**51,756**

2003	URANIUM $000	CONSULTING $000	ELIMINATIONS $000	CONSOLIDATED $000
Sales to external customers	194,930	1,286	–	196,216
Intersegment 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
Segment result before tax	35,424	194	(72)	35,546
Income tax expense	15,600	74	–	15,674
Segment result 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	211	–	7,202
Depreciation and 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

26. SEGMENT INFORMATION CONTINUED

Secondary Reporting – Geographical Segments

2004	CONSOLIDATED $000
Segment revenues from sales to external customers:	
Asia	**89,268**
United States	**107,519**
Europe	**38,548**
Africa	**142**
Australia	**793**
	236,270

2003	CONSOLIDATED $000
Segment revenues from sales to external customers:	
Asia	86,303
United States	76,844
Europe	31,783
Australia	1,286
	196,216

All consolidated assets are in Australia.

(a) Business Segments

The consolidated entity is organised into the following divisions by service with Uranium being the primary division:
Uranium – mining, processing and sale of uranium
Consulting – providing environmental consulting services

(b) 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 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.

(c) 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 2004 $000	CONSOLIDATED 2003 $000	THE COMPANY 2004 $000	THE COMPANY 2003 $000
27. NOTES TO THE STATEMENTS OF CASHFLOWS				
(a) Reconciliation of Operating Profit after Income Tax to Net Cash Inflow from Operating Activities				
Operating profit after income tax	**38,615**	19,872	**38,652**	19,824
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on sale of non-current assets	**(35)**	(11)	**(35)**	8
Add/(less) non-cash items:				
Depreciation and amortisation	**40,421**	44,177	**40,289**	44,016
Net exchange differences	**(1,397)**	10	**(1,397)**	10
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other debtors	**(8,126)**	4,522	**(8,420)**	4,954
(Increase)/decrease in inventories	**(6,869)**	(13,791)	**(6,869)**	(13,791)
(Increase)/decrease in prepayments	**1,007**	46	**1,011**	60
(Increase)/decrease in interest receivable	**(2,172)**	–	**(2,172)**	-
(Decrease)/increase in trade creditors	**1,118**	1,309	**1,422**	1,162
(Decrease)/increase in provision for income taxes payable	**(3,527)**	(4,490)	**(3,527)**	(4,459)
(Decrease)/increase in net provision for deferred income tax liability and future income tax benefit	**(4,600)**	(2,562)	**(4,600)**	(2,596)
(Decrease)/increase in other provisions/liabilities	**(2,679)**	(3,242)	**(2,702)**	(3,266)
Net cash inflow provided by operating activities	**51,756**	45,840	**51,652**	45,922

28. FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	THE COMPANY 2004 $000	THE COMPANY 2003 $000
Total facilities available:				
Bank overdrafts	**1,500**	1,500	**1,500**	1,500
Loan from related party	**–**	20,032	**–**	20,032
	1,500	21,532	**1,500**	21,532
Facilities not utilised at balance date:				
Bank overdrafts	**1,500**	1,500	**1,500**	1,500
Loan from related party	**–**	20,032	**–**	20,032
	1,500	21,532	**1,500**	21,532

Bank Overdrafts

The bank overdrafts are unsecured and may be drawn at any time. The bank overdrafts are payable on demand and are subject to annual review. The interest rate applicable at balance date was 8.0 per cent p.a. (2003: 8.0 per cent p.a.).

Loan From Related Party

The loan was unsecured and denominated in either Australian or United States dollars. This facility was terminated in July 2004.

29. EARNINGS PER SHARE

	2004 CENTS	2003 CENTS
Basic earnings per share:	**20.2**	10.4
Diluted earnings per share	**20.2**	10.4

Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share: 2004: 190,737,934 shares; (2003: 190,737,934 shares).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

30. 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:

2004	NOTE	FLOATING INTEREST RATE $000	NON-INTEREST BEARING $000	TOTAL	WEIGHTED AVERAGE INTEREST RATE % P.A.
Financial assets					
Cash	6	**55,064**	**–**	**55,064**	**5.1**
Receivables	7	**–**	**53,942**	**53,942**	
Foreign exchange hedge asset	14	**–**	**32,246**	**32,246**	
Total		**55,064**	**86,188**	**141,252**	
Financial liabilities					
Accounts payable	12	**–**	**25,228**	**25,228**	
Hedge book liability	14	**–**	**32,246**	**32,246**	
Total		**–**	**57,474**	**57,474**	

2003					
Financial assets					
Cash	6	31,080	–	31,080	4.5
Receivables	7	–	43,644	43,644	
Foreign exchange hedge asset	14	–	25,183	25,183	
Total		31,080	68,827	99,907	
Financial liabilities					
Accounts payable	12	–	24,112	24,112	
Hedge book liability	14	–	25,183	25,183	
Total		–	49,295	49,295	

30. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES CONTINUED

(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$) exposure against the Australian dollar (A$)

		2004		2003	
	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	27,000	0.61	29,000	0.61
	1 to 5 years	80,000	0.61	99,000	0.61
	More than 5 years	–	–	8,000	0.57
	Total	107,000	0.61	136,000	0.61
Options					
Purchased US$ Put options	Less than 1 year	18,000	0.70	18,000	0.70
	1 to 5 years	54,000	0.70	72,000	0.70
	Total	72,000	0.70	90,000	0.70
Sold US$ Call options – Barrier[1]	Less than 1 year	–	–	12,000	0.71
	1 to 5 years	–	–	48,000	0.71
	Total	–	–	60,000	0.71

Sold US$ Call options – Barrier[1]

		2004		2003	
	MATURITY	AMOUNT US$000	KNOCK-OUT RATE A$/US$	AMOUNT US$000	KNOCK-OUT RATE A$/US$
	Less than 1 year	–	–	12,000	0.77
	1 to 5 years	–	–	48,000	0.77
	Total	–	–	60,000	0.77

[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 predetermined rate. During the year, options to the value of US$60 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 profit and loss statement 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.

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

		UNREALISED HEDGE GAINS/(LOSSES)	
CURRENCY	MATURITY	2004 A$000	2003 A$000
US$ hedges	Less than 1 year	**4,855**	3,696
	1 to 5 years	**27,391**	19,690
	More than 5 years	**–**	1,797
	Total	**32,246**	25,183

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2004

30. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES CONTINUED

(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 45 per cent, Europe 17 per cent, and Asia 38 per cent.

(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.

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.

31. ECONOMIC DEPENDENCY

A controlled entity, EWL Sciences Pty Ltd (EWLS), depends on Energy Resources of Australia Ltd for a significant source of revenue. During the 2004 reporting period, 78 per cent of EWLS revenue (2003: 59 per cent) was derived from services provided to ERA.

32. 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.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 28 to 60 are in accordance with the Corporations Act 2001 including:

- complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2004 and their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dr D Klingner
Director

Melbourne
7 March 2005

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INDEPENDENT AUDIT REPORT

to the members of Energy Resources of Australia Ltd

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report of Energy Resources of Australia Ltd (the company) and the Energy Resources of Australia Ltd Group (defined below) for the financial year ended 31 December 2004 included on Energy Resources of Australia Ltd's web site. The company's directors are responsible for the integrity of the Energy Resources of Australia Ltd web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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 2004, 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 2004. The consolidated entity comprises both the company and the entities 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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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.

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
7 March 2005

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

of A Class Ordinary Shares as at 31 December 2004

SHAREHOLDERS	NUMBER OF SHARES HELD
Peko Wallsend Ltd	65,407,896
North Limited	65,042,208
Cogent Nominees Pty Ltd	2,778,948
Equity Trustees Limited	2,305,391
Citicorp Nominees Pty Limited	635,580
Westpac Custodian Nominees	453,557
National Nominees Limited	445,353
ANZ Nominees Limited	268,799
Ganra Pty Ltd	240,000
Queensland Law Foundation Pty Ltd	110,000
Mr Laurence John Gluskie	80,000
Mr William John Smith	70,000
Mr B H Daniels and Mrs J L Daniels (BH Daniels Super)	66,216
UBS Private Clients Nominees Pty Ltd	63,275
Mr A Voloder and Ms Y Voloder	60,175
Ferngem Pty Ltd	58,106
Abadi Pty Ltd	50,000
Giovanni Nominees Pty Ltd	50,000
Mrs Jane Maree Tynan	49,921
Mr William McGregor	46,917
Total of top twenty holdings	138,282,342

The proportion of A Class Ordinary Shares held by the twenty largest shareholders is 96.79 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.

REGISTER OF SUBSTANTIAL SHAREHOLDERS

Shares held as at 31 December 2004

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
Interuranium Australia Pty Ltd	14,804,120
Cameco Resources Australia Pty Ltd	12,769,348

C CLASS ORDINARY SHAREHOLDERS	NUMBER OF SHARES HELD
Japan Australia Uranium Resources Development Co. Ltd	20,299,020

DISTRIBUTION OF SHAREHOLDERS

as at 31 December 2004

(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	4,867	86.72	968,694	0.68
1,001–5,000	533	9.50	1,382,526	0.97
5,001–10,000	126	2.25	979,144	0.68
10,001–100,000	76	1.35	1,847,350	1.29
100,001 and over	10	0.18	137,687,732	96.38
	5,612	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
Interuranium Australia Pty Ltd	14,804,120	53.69
Cameco Resources Australia Pty Ltd	12,769,348	46.31
	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

* *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

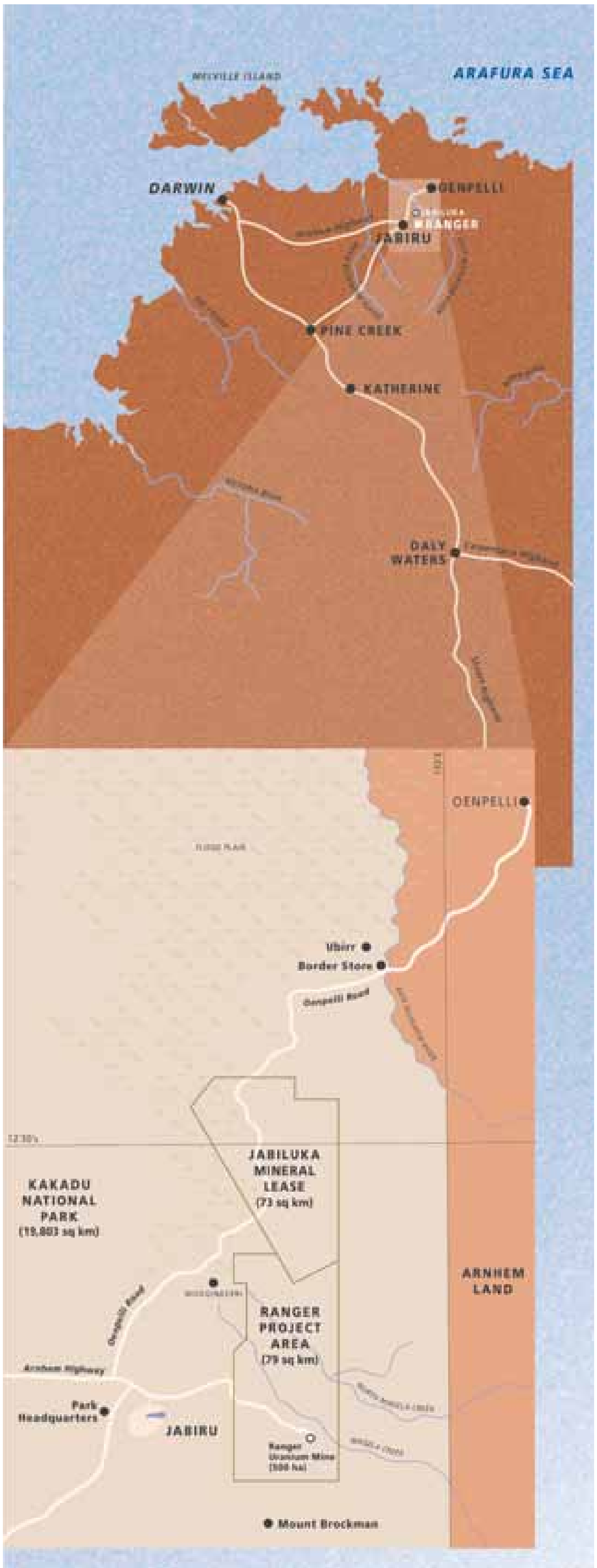
YEAR ENDED 30 JUNE	2004	2003	2002++	2001+	2000	1999	1998	1997	1996	1995
Sales Revenue ($000)	**236,270**	196,216	198,703	232,808	181,847	172,930	201,336	230,561	180,350	140,034
Earnings Before Interest and Tax ($000)	**44,250**	35,298	39,214	36,467	46,312	45,831	48,810	73,759	60,839	38,006
Profit Before Tax ($000)	**47,649**	35,546	36,675	29,652	44,280	43,152	47,617	71,572	58,560	35,424
Income Tax Expense ($000)	**9,034**	15,674	15,490	13,624	9,597	21,254	20,885	31,147	17,831	23,058
Profit After Tax ($000)	**38,615**	19,872	21,185	16,028	34,683	21,898	26,732	40,425	40,729	12,366
Total Assets ($000)	**771,912**	756,327	830,260	810,699	807,966	928,991	907,230	924,768	865,045	899,984
Shareholders' Equity ($000)	**631,979**	614,345	605,917	605,713	604,945	663,723	668,528	668,499	654,777	640,752
Long Term Debt ($000)	**–**	–	–	–	–	–	81,226	27,006	31,073	69,952
Current Ratio	**5.3**	4.0	2.2	1.3	1.0	1.4	3.5	1.4	2.2	2.1
Liquid Ratio	**3.1**	1.9	1.1	0.6	0.3	0.5	1.2	0.7	1.1	1.1
Gearing Ratio (%)	**–**	–	–	–	–	–	10.8	3.9	4.5	9.8
Interest Cover (times)	**242**	48.0	14.0	4.7	8.0	13.8	12.8	19.6	11.2	7.5
Return on Shareholders' Equity (%)	**6.1**	3.2	3.5	2.6	5.7	3.3	4.0	6.1	6.3	1.9
Earnings Per Share (cents)	**20**	10	11	8	18	11	14	21	21	6*
Dividends Per Share (cents)	**17.0**	11.0	11.0	8.0	49.0	14.0	14.0	14.0	14.0	252.5
Payout Ratio (%)	**84**	106	99	95	270**	122	100	66	66	1,758**
Share Price ($)	**6.59**	3.40	1.71	1.94	2.31	1.70	3.05	5.90	4.65	2.92
Price–Earning Ratio	**38.8**	30.9	15.4	23.1	12.8	14.8	21.8	27.8	21.8	45.6
Dividend Yield (%)	**2.58**	3.24	6.4	4.1	21.2**	8.24	4.6	2.4	3.0	86.5
Net Tangible Assets per Share ($)	**3.31**	3.22	3.18	3.18	3.17	3.48	3.50	3.50	3.43	3.36
No. of employees	**273**	238	184	231	257	272	255	246	215	198
Profit After Tax per Employee ($000)	**141.4**	83.5	115.1	70.3	134.9	80.5	100.9	164.3	189.4	62.4
Ore Mined (million tonnes)	**0.8**	1.8	0.8	3.2	2.4	2.5	2.3	0.7	–	0.8
Ore Milled (million tonnes)	**2.1**	2.1	1.8	2.5	1.5	1.8	1.8	1.6	1.2	0.6
Mill Head Grade (% U_3O_8)	**0.28**	0.28	0.28	0.29	0.30	0.27	0.27	0.31	0.35	0.35
Mill Recovery (%)	**88.8**	88.3	89.7	90.6	91.6	91.1	86.8	85.5	85.1	82.9
Production (tonnes U_3O_8) – drummed	**5,137**	5,065	4,470	6,564	4,144	4,375	4,162	4,237	3,453	1,548
Sales – Ranger Concentrates (tonnes U_3O_8)	**5,024**	5,241	4,517	5,937	4,511	4,006	4,635	3,956	3,364	2,013
Sales – Other Concentrates (tonnes U_3O_8)	**581**	18	628	408	3	–	293	1,464	868	1,418
Sales – Total (tonnes U_3O_8)	**5,605**	5,259	5,145	6,345	4,514	4,006	4,928	5,420	4,232	3,431

+ Change of accounting period to 31 December year end (period of 18 months from 1 July 2000 to 31 December 2001)
++ Calendar year 1 January to 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–Earning 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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Management

H. Kenyon-Slaney
Chief Executive

R. Antal
Chief Financial Officer and Company Secretary

D Paterson
– from September 2004
General Manager Business Development

C. Kinnell
General Manager – Marketing

Dr A. Milnes
General Manager – EWL Sciences Pty Ltd

C Salisbury
– from December 2004
General Manager – Operations

Auditors

PricewaterhouseCoopers

2004 Announcements

MEDIA RELEASES FOR 2004

07-Dec-2004	Graduation ceremony recognises mining skills
29-Sep-2004	ERA Prosecution
14-Sep-2004	ERA Audit Process
08-Sep-2004	Miners and Traditional Owners combine to celebrate Kakadu's Indigenous diversity
06-Sep-2004	ERA Operations – Update
30-Aug-2004	ERA Suspends Operations to Upgrade Safety and Health Systems
22-Jul-2004	Appointment of Director
06-Apr-2004	Ranger Mine Update – Resumption of Processing
01-Apr-2004	Ranger Mine Update – Mining Resumes but Mill Remains Closed
26-Mar-2004	Ranger Mine Update
25-Mar-2004	Ranger Restart Plan
24-Mar-2004	Ranger Water Incident
06-Jan-2004	ERA gains International Environmental Standard ISO 14001

FINANCIAL MEDIA RELEASES FOR 2004

30-Nov-2004	High Court Decision in ERA Trading Case
25-Oct-2004	Resignation of Director
20-Oct-2004	Quarterly Production and Exploration Report to 30 September 2004 (unaudited)
22-Jul-2004	Half Year Results
20-Apr-2004	Quarterly Production and Exploration Report to 31 March 2004 (unaudited)
20-Apr-2004	Annual General Meeting of Energy Resources of Australia Ltd
29-Jan-2004	Full Year Results 2003

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

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ERA

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