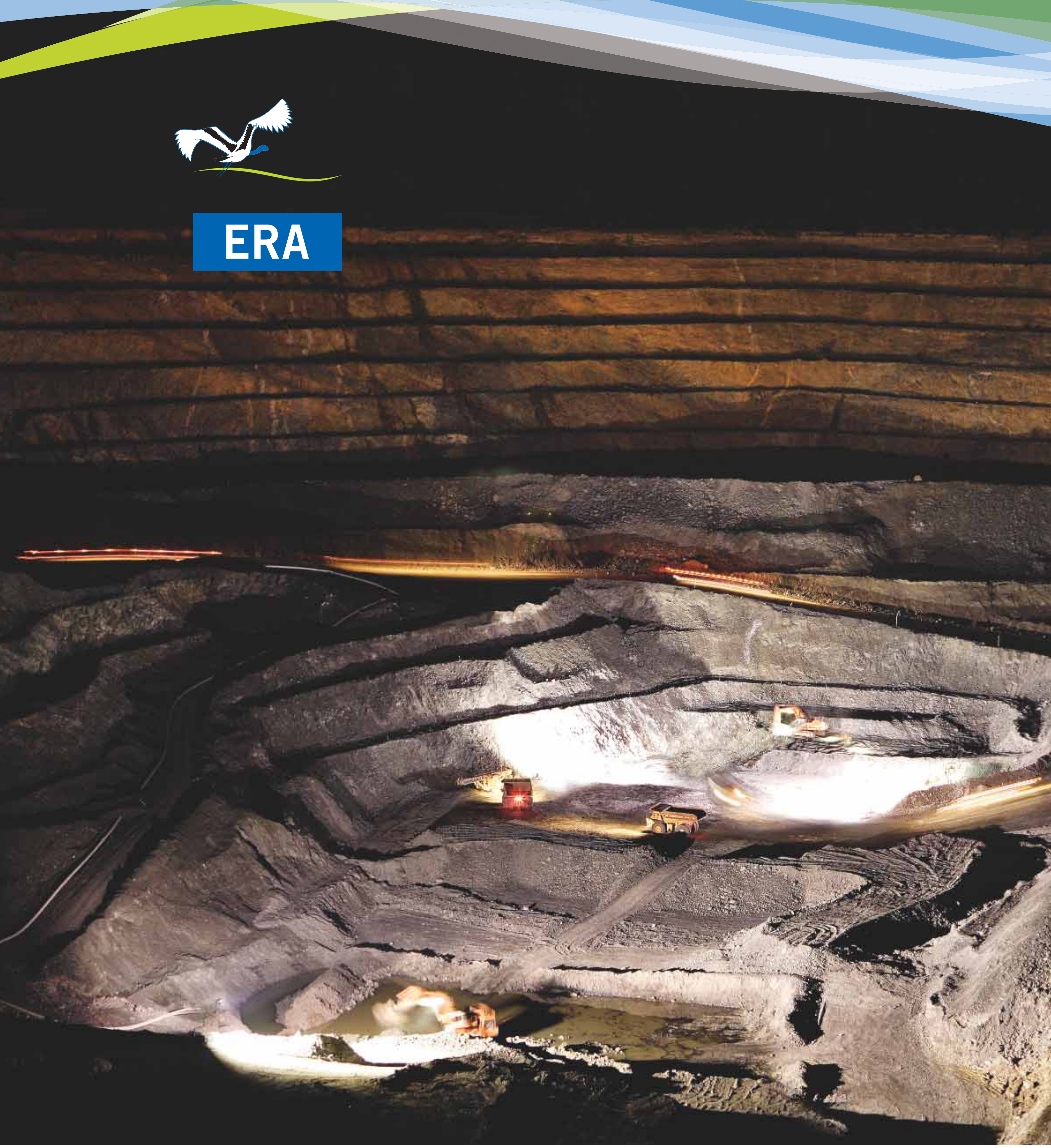
ERA 2006 Annual Report



ERA

Energy Resources of Australia Ltd
ABN 710 088 550 865

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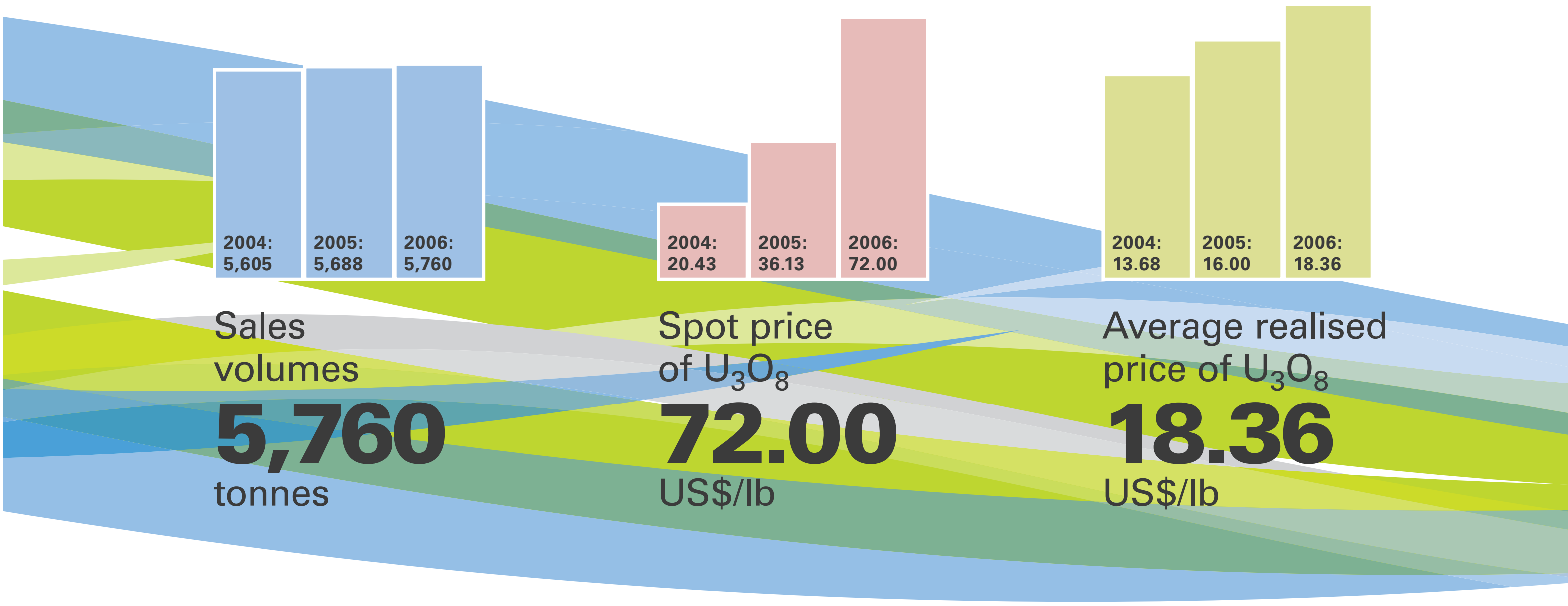


2006 Highlights

- 28 per cent improvement in safety performance
- Record net profit $43.6 million (2005: $41.1 million)
- Production of 4,748 tonnes uranium oxide included record quarterly production of 1,662 tonnes in the fourth quarter
- 11,100 tonnes increase in reserves provides six-year extension of operations
- Strengthened community links
- Expanded exploration program

2007 Objectives

- Further improve safety and health
- Capitalise on new opportunities for expansion and extension of production
- Continue to secure attractive long-term contracts
- Further invest in key exploration targets
- Strengthen community engagement and partnerships
- Increase Aboriginal employment and training

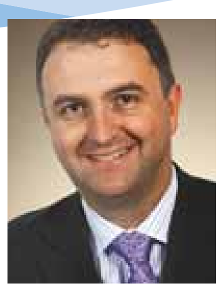
Company Profile

Energy Resources of Australia Ltd is one of the largest uranium producers in the world, providing 11 per cent of the world's uranium production.

Since 1980 the company has mined ore and produced uranium oxide (U_3O_8) at its Ranger mine, 250 kilometres east of Darwin, in Australia's Northern Territory. ERA sells its product, drummed uranium oxide, to power utilities in Asia, Europe and North America under strict international safeguards.

Dr David Klingner
Chairman

Mr Harry Kenyon-Slaney
former Chief Executive
(resigned 31 January 2007)



Mr Chris Salisbury
Chief Executive
(appointed 1 February 2007)

The company aims to secure profitable contracts for material mined at Ranger's open pit, and from ore stockpiles, until at least 2020.

ERA also holds title to the Jabiluka deposit situated 22 kilometres north of Ranger. This project is under long-term care and maintenance.

The Ranger mine and the Jabiluka lease are located on Aboriginal land. The conditions for mining at Ranger and Jabiluka are laid down in agreements with the Northern Land Council on behalf of the Traditional Owners under the terms of the Commonwealth *Aboriginal Land Rights (Northern Territory) Act*.

ERA, publicly listed on the Australian Securities Exchange, is 68.4 per cent owned by Rio Tinto, a diversified resources group, and receives management services from Rio Tinto. The balance of the company's shares are publicly held and openly traded.

Vision and Values

At ERA we strive to keep to the guiding principles set out in our Code of Business Conduct, namely:

- 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 surrounding 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.

Chairman's and Chief Executive's Report

ERA overcame operational hurdles in 2006 to report a record net profit of $43.6 million, a 6 per cent increase from 2005.

The company also announced an increase in reserves at its Ranger mine of 11,100 tonnes, leading to a six-year extension to operations with processing life extending from 2014 to 2020. Potential for further extension to the mine life is being investigated.

ERA produced 4,748 tonnes of drummed uranium oxide in 2006 with record sales of 5,760 tonnes met through production, inventory drawdown and uranium loans.

The higher profit results were driven by a steady rise in the average realised price of uranium oxide from US$16 per pound in 2005 to US$18.36 per pound in 2006.

While this average realised price fell short of the sharply improved market price for uranium oxide, the 2006 results reflected the fact that existing contracts were let under considerably less favourable market conditions. ERA's revenue is only partially influenced by current market prices and this will persist as the company fulfils its existing contracts. New contracts are currently being let at higher prices as old ones expire.

A final dividend of 11 cents per share fully franked was declared for the year, bringing total dividends paid to shareholders for the year to 17 cents per share fully franked.

The 20 per cent fall in production over 2005 was due to the elevated water level in the open pit, resulting from an unusually high rainfall wet season, including cyclone Monica, and this prevented access to high grade ore in the second and third quarters. In the second quarter production was further impacted by a reduction in the volume of ore treated due to operational difficulties experienced in the sulphuric acid plant. These setbacks were overcome in the final quarter, when record production of 1,662 tonnes was achieved. The company has decided to move to bulk importation of acid, and the existing acid plant will be closed in 2007.

ERA expects sales in 2007 to be at a similar level to 2006. Consideration is also being given to a modest replenishment of inventory in the logistics chain.

A company-wide effort achieved a further improvement in safety, with a 28 per cent drop in the all injury frequency rate. The company retained its certification under the Australian Standard AS 4801 for its health and safety management system, and under ISO 14001 for its environmental management system.

The improvement in the market price outlook for uranium oxide enabled the company to extend its operating life by six years to 2020. Total reserves were increased by 11,100 tonnes of contained uranium oxide, resulting from a decision to screen and process stockpiled low-grade material. These reserves will be processed between 2014 and 2020. As well, in early 2007 the company approved plans for the construction of a radiometric sorter to allow an additional 1,100 tonnes of uranium oxide to be extracted from low grade material over the period 2008-2013.

The company stepped up its exploration program with new efforts to define the south-easterly extension to the Ranger ore body at depth. A number of encouraging intersections were reported. In January 2007, following the completion of a pre-feasibility study, the company announced it would proceed to a full feasibility study for a limited expansion of the operating pit. The possible pit extension targets 6,100 tonnes of contained uranium oxide included in the Ranger resource estimate. If the expansion proceeds, it has the potential to extend mining operations from 2008 to 2011. Exploration work is continuing at Ranger 3 Deeps located across the access road from the pit, and at Ranger 18 East.

A laterite treatment plant will be constructed in 2007 to begin operations in early 2008. This plant will treat ore containing a high proportion of clay minerals. This material is already included in reserves and the estimated cost of the project is $27.6 million.

Efforts continued to strengthen relationships with the Mirarr people, Traditional Owners of the Ranger and Jabiluka leases, with several new community partnerships on cultural heritage and cross-cultural exchanges, as well as improved cooperation on rehabilitation planning. Jabiluka remains under long-term care and maintenance following an agreement in 2005, giving the Mirarr the right of consent over future development on the Jabiluka lease.

ERA participated in several Commonwealth Government inquiries aimed at strengthening Australia's uranium mining industry, including playing a leadership role in the ongoing Uranium Industry Framework dialogue. The company welcomed the final report of the House of Representatives inquiry into the strategic importance of Australia's uranium reserves, and the Uranium Mining, Processing and Nuclear Energy Review.

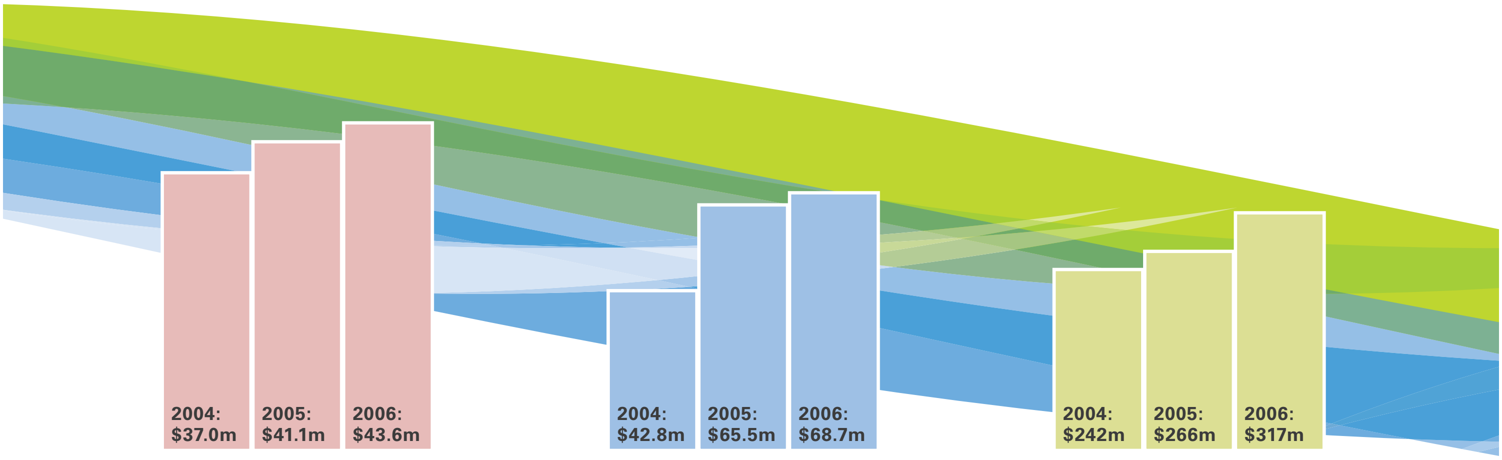
Harry Kenyon-Slaney, Chief Executive since January 2004, resigned from the company effective 31 January 2007 to take up the role of Managing Director, Rio Tinto Iron and Titanium. The Chairman and Board thank Harry for his significant contribution and wish him well for the future. His replacement as Chief Executive and Director is Chris Salisbury, previously ERA's General Manager Operations.

Financial Highlights

YEAR ENDED 31 DECEMBER	2006	2005	CHANGE %
Revenue ($ million)	**317.2**	266.0	+19.2
Earnings before interest and tax ($ million)	**68.7**	65.5	+5.0
Net profit after tax ($ million)	**43.6**	41.1	+6.2
Total dividends (cents per share)	**17.0**	17.0	0
U_3O_8 production (tonnes drummed)	**4,748**	5,910	–19.7
Total tonnes U_3O_8 sold	**5,760**	5,688	+1.3

The financial statements have been prepared under Australian equivalents to International Financial Reporting Standards. All figures are Australian dollars unless otherwise noted.

Financial Performance



Net Profit

$43.6m

(2005: $41.1 million)

+6.2%

EBIT

$68.7m

(2005: $65.5 million)

+5.0%

Revenue

$317m

(2005: $266 million)

+19.2%

Earnings

ERA recorded a net profit after tax of $43.6 million for the full year ended 31 December 2006 compared with $41.1 million for the same period in 2005.

Revenue

Sales for the year were 5,760 tonnes (2005: 5,688 tonnes including 136 tonnes of third party material). Operating revenue for the year was $312.7 million (2005: $262.0 million) while total revenue rose to $317.2 million (2005: $266.0 million). ERA's contractual sales price is only partially influenced by the spot market because of its diversified sales contract portfolio. The average realised sale price of uranium oxide was US$18.36/lb (2005: US$16.00/lb). On 31 December 2006 the spot market price was US$72.00/lb (2005: US$36.13/lb). The strength of the Australian dollar negatively impacted revenue by approximately $2.4 million in comparison with the effective exchange rate for 2005.

Costs

While revenues rose as a consequence of the rise in the average realised price, this was offset by a rise in employee and contractor numbers and associated costs, and increased expenditure on consumables, particularly sulphuric acid and diesel. Total operating costs on a unit of production basis rose reflecting the combined effect of the lower output and higher costs.

Uranium Loans

A number of short-term uranium loans were required during the year to manage inventory levels at converters. One short-term loan for 316 tonnes of uranium oxide taken to cover sales commitments in December was outstanding at the end of the year. The loan was required because of the late arrival of a charter vessel due to bad weather, and was repaid in mid January 2007.

Foreign Currency Hedges

The company settled US$42 million (2005: US$45 million) in forward exchange contracts during the year at an average A$:US$ exchange rate of 65 cents (2005: 64 cents). No new currency exchange contracts were entered into during the year.

Dividends

ERA declared a final dividend for the year of 11 cents per share, fully franked at 30 per cent. The record date for the dividend was 15 February 2007 and it was paid on 1 March 2007. This was in addition to the interim dividend paid in August 2006 of six cents per share giving total dividends paid to shareholders for the year of 17 cents per share, fully franked (2005: 17 cents per share).

Production

Processing

Drummed production of uranium oxide in 2006 was 4,748 tonnes, approximately 20 per cent lower than the previous year's total of 5,910 tonnes, although there was record production of 1,662 tonnes in the final quarter. The contributing factors to difficulties experienced in the first half were:

- higher than average rainfall restricting access to high grade ore in the Ranger pit and
- operational difficulties within the acid plant.

Production levels in the second half of 2006 were restored as water was progressively removed from the pit to expose high grade ore.

Imports of sulphuric acid commenced in 2006 to supplement acid plant production on site. Following a review of long-term acid supply options, the company signed a five-year supply agreement under which its entire sulphuric acid requirements will be imported commencing in the second half of 2007. At this time, the acid plant will be decommissioned.

The water treatment plant was commissioned during the year to treat pond water, which is made up of the run-off from stockpiles and water in the active mining pit. Approximately 1,330 million litres of pond water was treated and successfully released in accordance with environmental requirements.

Mining

A total of 13.2 million tonnes of material was excavated from the current operating pit. This was 23 per cent lower than the previous year due to the extended wet season and cyclone Monica, as well as increased haul distances from a deeper pit. The removal of all water from the pit provided access to higher grade material in the second half of 2006. A total of 3.3 million tonnes of ore grading 0.25 per cent uranium was included in the material excavated.

The completion of waste removal from the western and eastern pit walls exposed additional ore zones with the southern cutback providing additional mill feed material.

The worldwide shortage of tyres for industrial equipment has led to an extensive tyre management program at Ranger. Kilometres per tyre were increased by 6 per cent due to the new tyre management system, including avoidance of wet weather driving whenever possible. Better preventive care reduced premature failure of tyres by 60 per cent over the previous year.

The walls of the tailings dam were raised during the year to assist with process water management. The project was carried out on time and on budget, and was completed in December.

Maintenance

In the second half of the year the maintenance planning function was centralised with the introduction of the new computerised maintenance management system. Major overhaul work commenced on the truck fleet and will continue with excavators and dozers in 2007.

The series of smaller plant shutdowns allowing increased maintenance efficiencies and tighter control was an effective strategy in 2006 and will be continued in 2007. Reliability and availability of the processing circuit continued to improve in 2006.

The impact of cyclone Monica in April on the township of Jabiru and parts of the mine site led to significant maintenance and repair efforts.

YEAR ENDED 31 DECEMBER	2006	2005
Total ore milled (million tonnes)	**2.072**	2.293
Processing head grade (% U_3O_8)	**0.261**	0.288
Mill circuit 1 (tonnes per operating hour)	**207**	216
Mill circuit 2 (tonnes per operating hour)	**99**	107
Processing recovery (%)	**87.6**	89.2
Total production (tonnes U_3O_8 drummed)	**4,748**	5,910
Product grade (% U_3O_8)	**98.9**	98.7

Exploration

An increased focus on investigating and analysing the potential of the Ranger Project Area resulted in higher exploration expenditure, from $2.3 million in 2005 to $7.2 million in 2006.

Drilling focused in three main areas: adjacent to the current Ranger operating pit; beyond the access road near the pit (Ranger 3 Deeps); and a target approximately three kilometres to the north of Ranger's current operations (Ranger 18 East).

Encouraging results were obtained at all major exploration targets ranging from significant mineralisation at depth at Ranger 3 Deeps to results justifying further investigative work at Ranger 18 East.

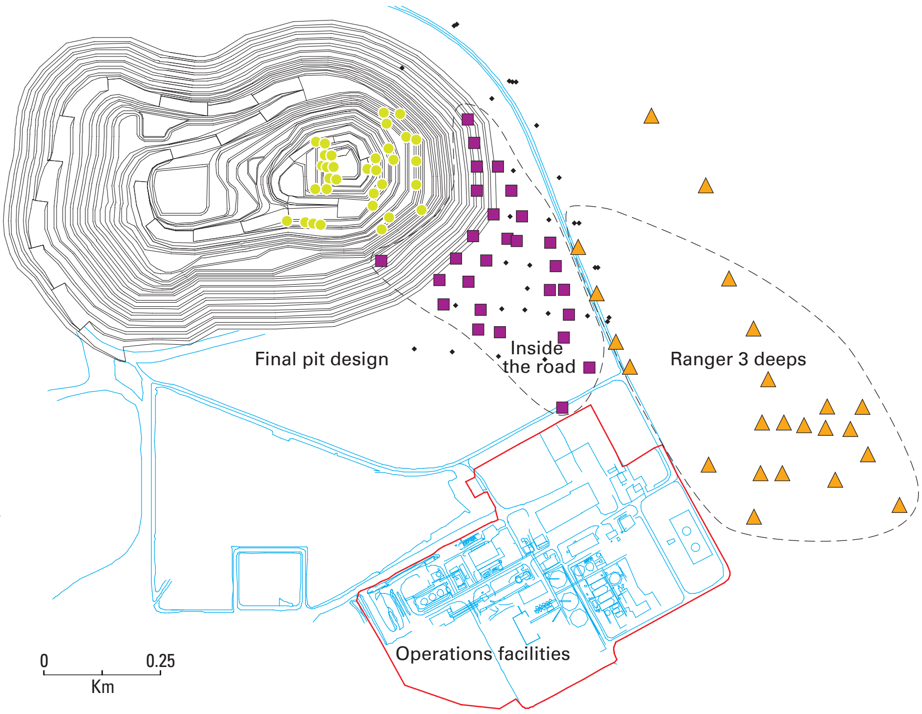
At Ranger 3 Deeps, drilling results included 20 metres grading 0.61 per cent equivalent uranium oxide from 531 metres depth, 34 metres at 0.24 per cent equivalent uranium oxide from 410 metres, and 17 metres at 0.72 per cent equivalent uranium oxide from 512 metres.

Three multi-purpose drill rigs were contracted, with a fourth rig commencing in early 2007. In contrast to previous years, exploration continued throughout the 2006-2007 wet season.

Following encouraging drilling results in the area adjacent to the operating pit, the company undertook a pre-feasibility study into the viability of an extension to the current pit, leading to a full feasibility study being announced in February 2007.

RANGER 3 DRILLING LOCATIONS

- 2005 Drilling
- 2006 In current pit
- 2006 Inside the road
- 2006 Ranger 3 deeps



Ranger Resources and Reserves

ERA has identified mineralised material now able to be processed that was previously not included in ore reserves or mineralised resources. This includes material from stockpiles and in situ.

The grade of the mineralised material on stockpiles has been determined by radiometric discrimination of each truckload as it was mined.

Technical studies established that, through screening, it is feasible to process 15 million tonnes of stockpiled material economically with an average grade of 0.074 per cent uranium oxide. The processing of this screened material is expected to occur from late in 2014 to 2020, thereby adding six years to the predicted operational life of Ranger.

Similarly, 6.97 million tonnes with a grade of 0.069 per cent uranium oxide has been added to the stockpiled mineral resource.

Drilling down-dip of the Ranger 3 deposit during 2005 and 2006 has greatly improved the level of confidence in the resource estimation, and has confirmed mineralisation to the east and south-east. In-situ measured and indicated mineral resources have increased from 13.97 to 17.36 million tonnes.

A further 41.8 million tonnes of material between the grade of 0.02 per cent and 0.08 per cent uranium oxide (average grade of 0.04 per cent) will remain in stockpiles at the end of mining. This material is not included in the company's mineral resources or ore reserves. Investigations of suitable methods to process this material economically are being undertaken. A radiometric sorter will be constructed in 2007 as part of this work.

Jabiluka Resources and Reserves

As previously announced to the market, the Jabiluka project remains under long-term care and maintenance and will not proceed without the consent of the Traditional Owners.

RANGER ORE RESERVES RECONCILIATION 2006

	CONTAINED U_3O_8 (TONNES)
Reserves at 1 January 2006	**44,458**
Additional reserves from stockpile	**11,100**
Reserves model variance	**729**
Reserves depletion by processing	**(5,418)**
Reserves as at 31 December 2006	**50,869**

Ore Reserves and Mineral Resources

	AS AT 31 DECEMBER 2006 CUT-OFF GRADE 0.08% U_3O_8			AS AT 31 DECEMBER 2005 CUT-OFF GRADE 0.08% U_3O_8		
	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						
Current Stockpiles	25.93	0.11	27,692	9.88	0.15	14,716
Ranger No. 3 pit						
In-situ ore						
Proved	4.86	0.24	11,729	4.48	0.25	11,314
Probable	4.78	0.24	11,448	8.42	0.22	18,428
Sub-total Proved and Probable	9.64	0.24	23,177	12.90	0.23	29,742
Total Ranger No. 3						
Stockpile, Proved and Probable Reserves	35.57	0.14	50,869	22.78	0.20	44,458
RANGER MINERAL RESOURCES IN ADDITION TO THE ABOVE RESERVE						
Current Mineralised Stockpiles	6.97	0.07	4,842			
In-situ resource						
Measured	3.18	0.16	5,167	1.42	0.15	2,115
Indicated	14.18	0.15	21,323	12.55	0.14	18,018
Sub-total Stockpiles, Measured						
and Indicated Resources	24.33	0.13	31,332	13.97	0.14	20,133
Inferred Resources	7.51	0.16	11,921	16.11	0.14	22,454
Total Resources	31.84	0.14	43,253	30.08	0.14	42,587

	AS AT 31 DECEMBER 2006 CUT-OFF GRADE 0.20% U_3O_8			AS AT 31 DECEMBER 2005 CUT-OFF GRADE 0.20% U_3O_8		
	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)	ORE (MT)	GRADE (% U_3O_8)	CONTAINED U_3O_8 (TONNES)
JABILUKA ORE RESERVES						
Proved	6.40	0.59	38,000	6.40	0.59	38,000
Probable	6.42	0.45	29,000	6.42	0.45	29,000
Total Proved and Probable Reserves	12.82	0.52	67,000	12.82	0.52	67,000
JABILUKA MINERAL RESOURCES IN ADDITION TO THE ABOVE RESERVE						
Measured	1.80	0.41	7,000	1.80	0.41	7,000
Indicated	3.57	0.39	14,000	3.57	0.39	14,000
Sub-total Measured and Indicated	5.37	0.39	21,000	5.37	0.39	21,000
Inferred	15.70	0.48	75,000	15.70	0.48	75,000
Total Resources	21.07	0.46	96,000	21.07	0.46	96,000

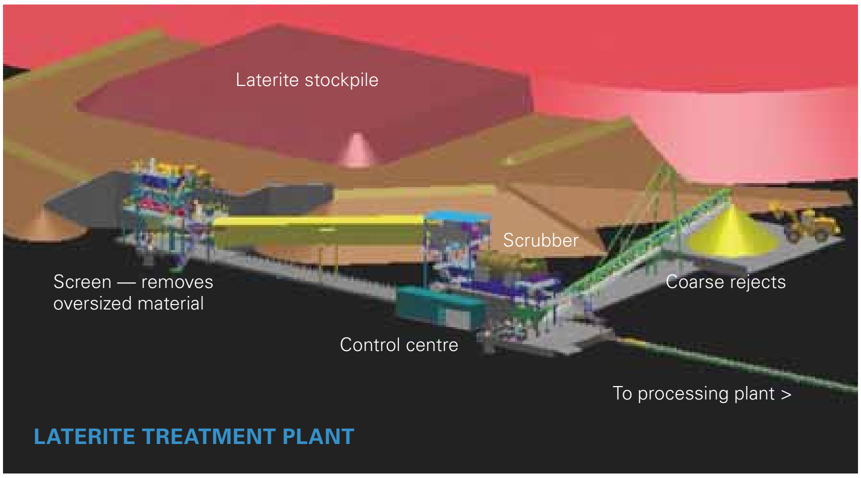
The information in this report that relates to mineral resources or ore reserves is based on information compiled for Ranger by the company's geologist Stephen Dinkowitz and mining engineer Dayle Kenny, who are members of the Australasian Institute of Mining & Metallurgy and full-time employees of the company, and for Jabiluka by consulting geologist Andrew Browne and Rio Tinto mining engineer Iain Ross, who are members of the Australasian Institute of Mining & Metallurgy. Stephen Dinkowitz, Dayle Kenny, Andrew Browne and Iain Ross have sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Stephen Dinkowitz, Dayle Kenny, Andrew Browne and Iain Ross consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Technical Projects

Laterite Treatment Plant

ERA announced approval of a $27.6 million laterite treatment plant during 2006 and construction is due to commence in April 2007 with the first ore scheduled for processing in early 2008. The plant will add approximately 400 tonnes of uranium oxide per annum to ERA's production over seven years from early 2008 through to 2014. This material is included in the Ranger reserves.

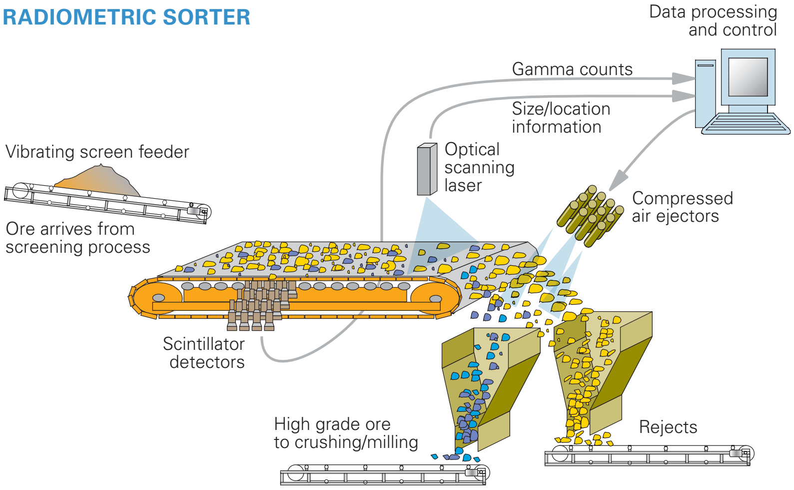
Approximately 1.6 million tonnes of lateritic ore have been stockpiled since the mine began operating to allow for a viable processing method to be developed. Due to the clay-like nature of this material, it has to be introduced into the main processing plant through a dedicated materials handling facility.



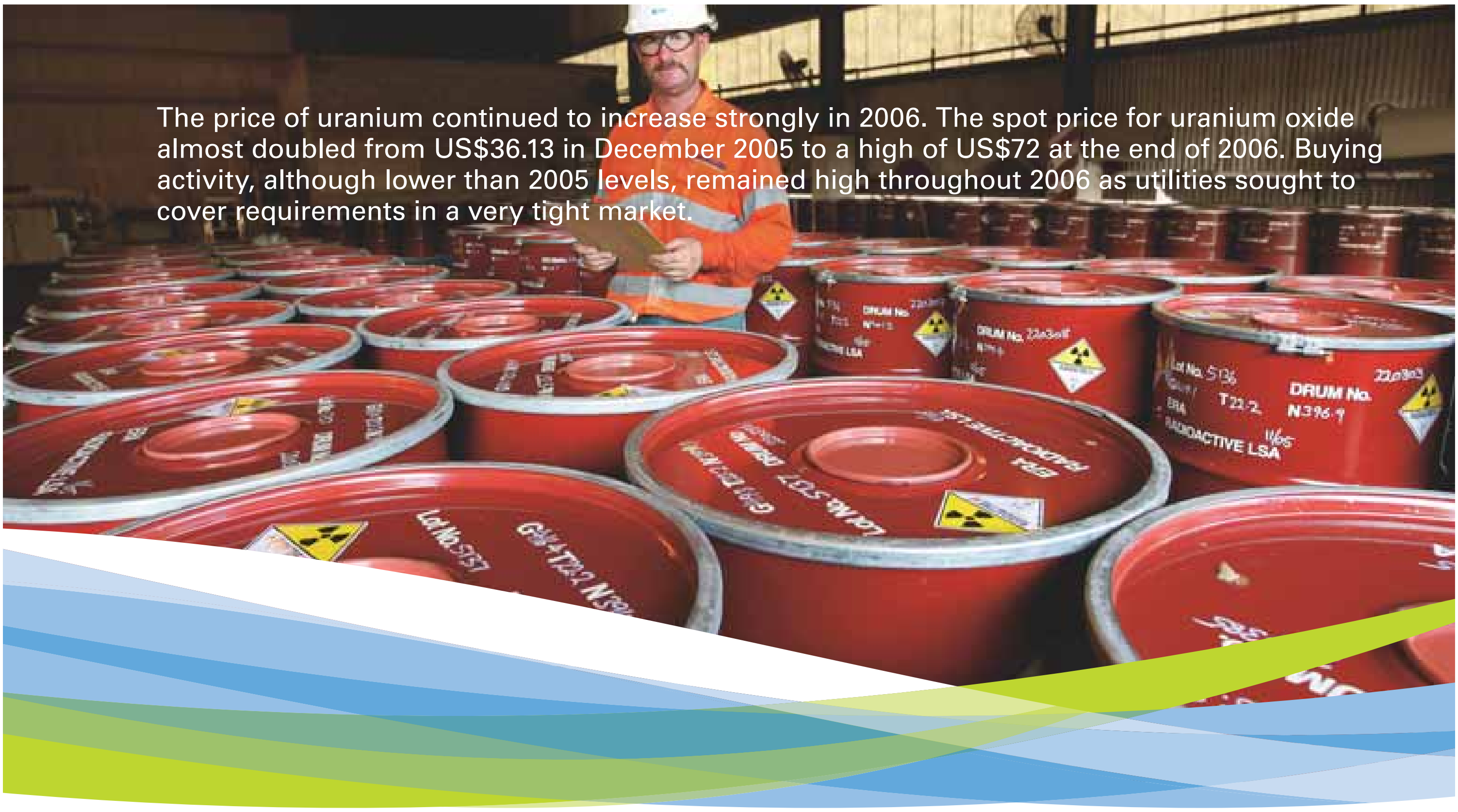
Radiometric Sorter

The company will also spend an estimated $13 million in 2007 to construct a single radiometric ore sorter at Ranger. The sorter will treat mill feed ore from the first quarter of 2008 and this will allow an additional 1,100 tonnes of uranium oxide to be produced by the end of 2013. The installation of the sorter may lead to wider use of the technology to enhance recovery of uranium from material presently categorised as waste.

RADIOMETRIC SORTER



Marketing



The price of uranium continued to increase strongly in 2006. The spot price for uranium oxide almost doubled from US$36.13 in December 2005 to a high of US$72 at the end of 2006. Buying activity, although lower than 2005 levels, remained high throughout 2006 as utilities sought to cover requirements in a very tight market.

The average delivery price achieved by ERA in 2006 was significantly below the spot price because of the effect of a number of legacy term contracts which were negotiated several years earlier when market prices were appreciably lower. In the future these contracts will gradually expire to be replaced by those signed at higher market prices.

The key reasons for these sustained increases in price have been the continued depletion of secondary market inventories and a shortage of near-term primary supply. Traditionally, secondary inventories have supplemented primary supply considerably resulting in a stagnant, low-price uranium market – in December 2000 prices were as low as US$7 a pound for uranium oxide. Secondary market inventories are almost depleted and primary production is similar to levels of five years ago. As well, the long period of low prices that only ended recently meant little or no investment went into uranium exploration or new production. This resulted in a temporary supply/demand imbalance. It is this imbalance and the desire of many utilities to secure long-term supply contracts that continues to drive the price of uranium upwards.

Another key factor in the market recovery is the renewed interest in nuclear power. In the wake of concerns about greenhouse gas emissions, burgeoning global power requirements and political instability in ‘energy rich’ regions, many countries are re-evaluating their energy policies. Nuclear energy, as a clean, efficient energy source is becoming increasingly popular. Russia and China have announced a substantial investment in nuclear power over the next 20 years and India is following suit. In Northern Europe, political opinion has shifted considerably in a very short time and countries such as the UK and Germany, which had originally planned to phase out nuclear power, are now reconsidering the nuclear power option. The US has also changed tack, with several new reactors proposed or planned. This is echoed through South-East Asia, South America, parts of Africa. It is an option under discussion for Australia’s future energy needs.

In these positive market conditions ERA is continually seeking to secure attractive long-term contracts that will help sustain future investment in its operations. ERA seeks to maintain a diverse contract portfolio through the continued development of an international customer base, delivering a strong return on investment, while minimising risk and strictly complying with all international and Australian safeguards.

Employees

Permanent employees of ERA (including EWL Sciences) increased from 354 at the end of 2005 to 385 at the end of 2006. Employee turnover increased from 14 per cent at the end of 2005 to 18 per cent at the end of 2006. In light of the company's location and the tightness of the external labour market, this turnover rate is considered reasonable.

Significant human resources initiatives for 2006 included:

- The majority of leaders at ERA completing core leadership training.
- Introduction of Rio Tinto Shared Services' centralised support in areas such payroll, employee services, capability development, workers' compensation, sourcing and international mobility.
- The update and review of key HR policies and procedures.
- Development of workplace diversity programs designed to attract and retain female and Indigenous employees.
- Implementation of a Graduate Development program focused on individual development with the support of dedicated mentors.
- Coaching and support to leaders in utilising the workplace performance assessment tools to recognise employee performance appropriately.
- Transfer and upgrade of HR information systems across all HR activities, including training, inductions and the management of HR data.

Recruitment continued to be a challenge due to a tight labour market for mining professionals across Australia as well as accommodation shortages in the Jabiru township, which services the Ranger operation.

The company will continue to offer competitive employment conditions in order to attract and retain employees in the Northern Territory. The company has been assisted by Rio Tinto to access the broader market for mining professionals.

Safety and Health

ERA's safety and health performance improved significantly in 2006. The number of reportable injuries dropped from 14 in 2005 to 10 in 2006.

This represents a 28 per cent drop in the all injury frequency rate (AIFR). Also pleasing was an 80 per cent reduction in the rolling injury severity rate, the measure of injury significance.

ERA focused on improving and embedding the health and safety systems established in 2005, and on engaging employees to support the company's drive towards zero injuries.

ERA successfully maintained compliance with corporate health and safety standards and certification of its health and safety management system to Australian Standard 4801.

Specific health and safety initiatives in 2006 included:

- An update to the safety and health policy in September.
- The initiation of an ergonomics program on site, including equipment design reviews.
- Improved occupational hygiene monitoring, including investigation into vibration exposures.
- The Rio Tinto health at work survey in April, with 74 per cent of ERA employees responding.
- The development of an injury management program, including training and mentoring for leaders' roles, establishment of return to work guidelines and provision of medical services on site, including appointment of a doctor and physiotherapist.
- Embedding the pre-task hazard assessment tool (Take 5) as part of normal work for low risk/routine tasks. Take 5 is now widely used by both employees and contractors.
- A continued focus on contractor safety resulting in a 60 per cent reduction in the contractor AIFR.
- A safety calendar project with the local school for the second year running. Over 270 posters depicting a variety of safety messages were received from students following class presentations by ERA employees.
- An audit of the disaster management and recovery plan (DMR) by Rio Tinto Group risk management, resulting in a score of 97 per cent – best practice standard for Rio Tinto and a marked improvement on previous years.
- A successful full scale DMR and emergency response exercise run in conjunction with local police, fire and medical authorities, resulting in improved coordination with external agencies in the event of an emergency.
- Members of the emergency response team competing successfully at the 10th Annual NT Mines Rescue Competition in August, winning the first aid (for the second year running) and Hazmat response events, as well as a number of other placings for team safety, medic, best individual and vertical rescue.

Radiation Management

The radiation management system, which forms part of the safety and health management system that was certified to Australian Standard 4801 in September 2005, passed an annual review audit during the year. The radiation management system was also subject to the Rio Tinto review process and there were no adverse findings.

A new computer program to record and report on the radiation monitoring program results was commissioned in 2006. The program is of a type to aid compliance with AS 4801.

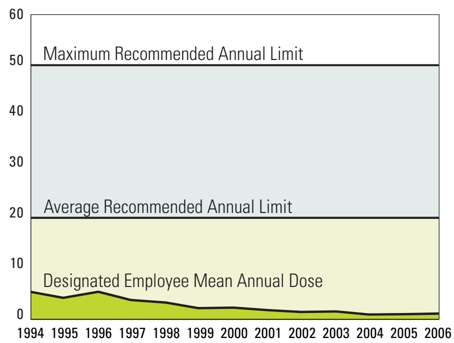
The radiation monitoring equipment purchased in 2005 provided an increased capability for investigative monitoring of the existing radiation controls. It is particularly useful in monitoring the efficiency of the dust extraction systems in the processing plant.

The radiation exposure pathways at ERA's operations are comprehensively measured and reported throughout the year. The results of this monitoring are compared to limits recommended by the International Commission on Radiological Protection (ICRP). These limits are 100 millisieverts (mSv) over five years (average of 20 mSv per year) or a maximum of 50 mSv in any one year for occupational exposure excluding natural background radiation and medical exposures.

Designated workers are those employees and contractors who have the potential to exceed 5 mSv per year from occupational exposure to radiation. There are over 250 designated employees at the Ranger operation and they received a mean radiation dose of 1.1 mSv during 2006. The following graph depicts the mean annual radiation dose assessed for designated workers working throughout the operation in comparison with the recommended limits.

Workers at the site who are not working in areas of high exposure (non-designated employees) are subject to the same dose limits as designated workers and in 2006 the maximum dose was 0.4 mSv. The exposure of Jabiru residents and surrounding communities is also closely monitored. 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 under ICRP recommendations. The contribution from the mine was assessed as 0.004 mSv in 2006.

Designated employee mean annual radiation dose



The United Nations Scientific Committee on the Effects of Atomic Radiation reports (2000 Report to the UN General Assembly) that the: *"worldwide annual exposures to natural radiation sources would generally be expected to be in the range 1 – 10 mSv, with 2.4 mSv being the present estimate of the central value".*

Environment

Water quality monitoring in Magela Creek demonstrated that the environment downstream of the Ranger mine continued to be protected.

Uranium concentrations in Magela Creek throughout the 2005/06 wet season were on average 1 per cent of the limit set by the Commonwealth Government's Office of the Supervising Scientist.

ERA's environmental management system is certified to ISO 14001 and was subject to two surveillance audits by external auditors in February and August 2006 with no major non-conformances.

From an environmental perspective, the above-average wet season in 2006 posed challenges and opportunities. Three successive cyclonic troughs contributed to the 2,107mm of rainfall, or a greater than one in 33 year wet season, and led to an array of new water treatment and disposal mechanisms to manage the additional inventory. These options almost doubled Ranger's capacity for management of pond water with the recently commissioned water treatment plant being a significant contributor to this output, treating approximately 1,330 million litres of water in 2006.

To assist residents to recover from the loss of shade and vegetation associated with tree damage in Jabiru due to cyclone Monica, ERA donated in excess of 800 plants to Jabiru residents and a further 180 directly to minesite employees.

The improvements to the company's weed management plan made in 2004 were expanded in 2006 in response to weed proliferation in the atypical wet season. Inaugural dry season weed management plans, coupled with trials of new herbicides and an ongoing focus on cooperative approaches with stakeholders and the community, were progressed.

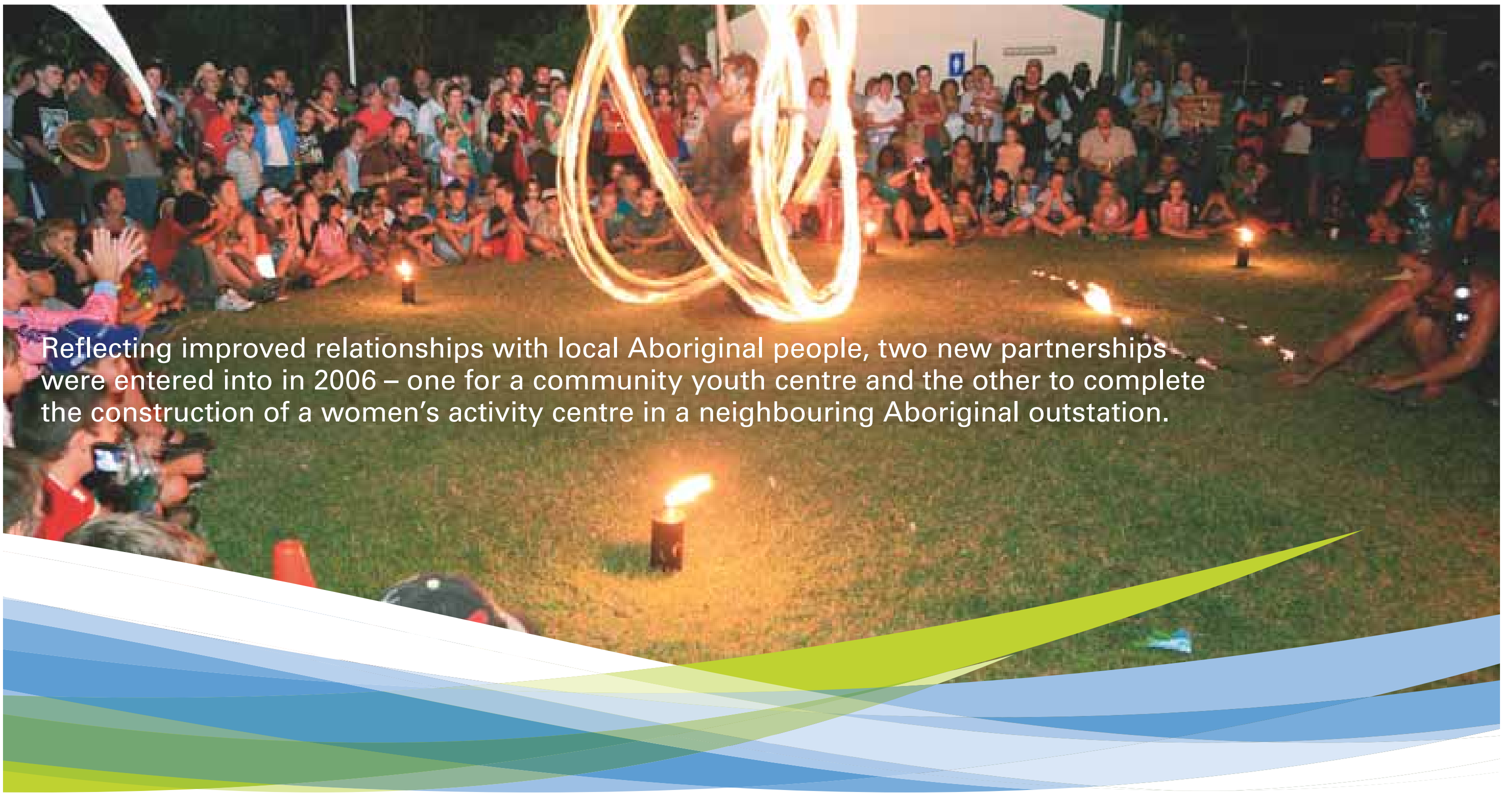
Waste management at Ranger was significantly improved by commencement of a recycling component of the total waste management system and resulted in a significant 30 per cent reduction in landfill placement at the site.

The Jabiluka lease remained under care and maintenance with a successful program of rehabilitation conducted at Djarr Djarr, which was the former campsite for Pancontinental during its exploration of Jabiluka. Monitoring identified a survival rate of over 80 per cent for seedlings produced by Kakadu Native Plant Supplies – a local business supporting Ranger in its rehabilitation activities. Monitoring of water downstream of Jabiluka continued, with uranium levels at the compliance point in Swift Creek on average less than 0.2 per cent of the statutory limit.

ERA team members were active in environmental programs with the community, conducting a very successful ERA BirdWatch. The event, staged over a full day with support from Birds Australia naturalists and local birders alike, attracted over 40 community participants who identified some 45 species. Bird spotting highlighted the fact that the Ranger minesite and its water management facilities remain a rich source of habitat hosting a diverse cross section of the region's birds.

The impact of closure has been integrated into all aspects of Ranger operations and is an important consideration in the assessment of all future projects and life extension opportunities. The dedicated closure management team made good progress in closure planning through 2006 including refinement of the first pass closure model, which was communicated to stakeholders in 2006. The key operational factors that impact on closure, in particular water management and tailings storage, have been identified and management strategies for these aspects will be reviewed through 2007 to minimise the closure impact. These actions should enable ERA to minimise both the cost and the time taken to close Ranger following the cessation of operations.

Community



Reflecting improved relationships with local Aboriginal people, two new partnerships were entered into in 2006 – one for a community youth centre and the other to complete the construction of a women's activity centre in a neighbouring Aboriginal outstation.

ERA entered into an agreement with the Jabiru Town Council and the Gundjeihmi Aboriginal Corporation (representing the Mirarr Traditional Owners of the Ranger site), in which ERA funds the employment of a youth centre coordinator, the Town Council provides program funding, and the Gundjeihmi Aboriginal Corporation (GAC) maintains the building. Youth Centre programming and opening hours have been expanded.

ERA also entered into an agreement with the Warnbi Aboriginal Corporation (WAC), to fund and provide technical support for the construction of a community building for the Mudjinbardi Women's Activity Centre. WAC provides services to Aboriginal outstation communities. It is envisaged that other local community service organisations will run programs of interest and benefit for the community, from the new centre. These partnerships will continue through 2007.

Kakadu Community Development, a partnership initiative of the Northern Territory Government, Parks Australia North, the GAC, the Jabiru Town Council and ERA, completed its mandate in June 2006. The initiative made major progress in a number of areas, including an Indigenous labour market survey and data base, introduction of a case management approach to identifying training and employment opportunities for Indigenous residents of the area, and Indigenous small enterprise development.

ERA continued to fund several spin-off projects – the NT Kakadu Indigenous Tourism Development Fund (a one-off grant facility to help consolidate and develop Indigenous tourism enterprises in the Kakadu region) and a printmaking workshop designed for area artists and craftspeople to further their technical design and production skills.

ERA, as part of the Rio Tinto Child Health Partnership program, continued to support the Kakadu Health Service's special program to reduce health risks to mothers and babies. The funds contributed to the employment of a maternal health educator. This program will continue into 2007.

Regular meetings, discussions and consultations with key community stakeholder groups, including the Jabiru Town Council, the Jabiru Area School, Kakadu Health Service, the Northern Land Council and the GAC, continued throughout the year. ERA initiated a dialogue with the Jabiru Town Council relating to the contribution of the Ranger operation to the town's economy and infrastructure, and the implications of Ranger's continuing presence on future development of the town.

Traditional Owner Relationships

Work on the design and evaluation of the final landform of the Ranger minesite after closure continued during 2006, informed by consultations between ERA and the Mirarr. In parallel to this ongoing discussion on rehabilitation, the company entered into an agreement on ground disturbances relating to the Ranger Project Area. An Interim Cultural Heritage Management Protocol was developed and two archaeological surveys completed. The Mirarr have also agreed to an active role in the design, development and delivery of a new cross-cultural training program initiated by the company. Mirarr participated in the selection of the consultants coordinating the project due to start in March 2007.

Aboriginal Employment

At the end of 2006, ERA employed 46 Indigenous employees, including four Indigenous trade apprentices, six Aboriginal trainees and two Indigenous school based apprentices. There were a further two Aboriginal people employed under a Community Development Employment Program. The Aboriginal participation rate in the company in December 2006 was 12 per cent, a slight decrease from December 2005 (13 per cent) due to a higher overall ERA workforce. During 2006, the GAC also supplied labour for field work in the areas of environmental rehabilitation on the Jabiluka mineral lease and for the two archaeological surveys that were undertaken on the Ranger Project Area. This work will continue in 2007.

Payments – Ranger and Jabiluka

ERA makes royalty payments to the Commonwealth Government of 4.25 per cent of its net sales revenue plus an annual rental of $200,000 for use of the land. The Commonwealth Government distributes this money to Northern Territory-based Aboriginal groups, including the Traditional Owners. An additional 1.25 per cent of net sales revenue is paid to the Commonwealth and distributed to the NT Government.

In 2006, ERA's royalty expenses totalled $16 million (2005: $13.1 million) which resulted in a payment of $12.4 million (2005: $10.2 million) to NT-based Aboriginal groups.

Community and Sporting Sponsorships

ERA broadened its direct support to a wide range of community projects and activities. ERA remained the major sponsor of the Australian Football League Indigenous All Stars game held in Darwin every two years. The company also supported junior football clinics held in Jabiru.

ERA increased its support to the local community's Mahbilil Festival and the Gunbalanya Open Day cultural festival in Arnhem Land, both of which celebrate Aboriginal culture in the region. The company was also a major sponsor of the NT Indigenous Music Awards, and funded a vocal and instrumental program for the Jabiru Area School.

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

EWL Sciences (EWLS), a commercial specialist environmental consulting business based in Darwin, wholly owned by ERA, provides long-term strategic environmental advice to both ERA and external clients.

EWL Sciences' focus in 2006 was to:

- continue to evaluate annual and long-term trends in the comprehensive environmental datasets collected at Ranger and Jabiluka to ensure that there is no detriment to the surrounding environments from mining operations;
- gain approval for deposition of tailings in Pit 3;
- find an appropriate solution to the short- and long-term disposal of brines and sludges from treatment of process water; and
- progress investigative work and relevant approvals from regulators and stakeholders relating to Ranger operations as well as the ultimate closure and rehabilitation of the Ranger site.

Key project work on a number of strategic environmental issues included:

- The development and approval of strategies to dispose of the significant amount of pond water that accumulated during the 2005-06 wet season and cyclone Monica. This included a substantial expansion of land application (irrigation) capacity, extended treatment and disposal of pond water by means of the water treatment plant, and increased evaporation and dust suppression.
- Continued monitoring of the effectiveness of the seepage limiting barrier constructed in Pit 1 to assist in the secure containment of tailings and process water. Tailings will reach the approved level of fill in 2008 and strategies to close and rehabilitate the pit can then be initiated.
- A final submission to the Minesite Technical Committee in November 2006 for approval to deposit tailings in Pit 3, after a lengthy period of consultation and several technical workshops. Substantial work was also undertaken on establishing the hydrogeology of the pit and its surrounds, as well as modelling the predicted behaviour of the pit after tailings deposition.
- Approval to raise the walls of the tailings dam to provide additional storage space for process water and tailings.
- Characterisation of the regolith and shallow groundwater environments around the Ranger processing plant to ensure that any contamination is detected and appropriate remediation strategies are developed.
- Participation in the environmental aspects of various pre-feasibility studies to extend the operating life of Ranger mine.
- Development of a new and systematic approach to weed management on the Ranger and Jabiluka leases in conjunction with all stakeholders, including Traditional Owners and Parks Australia North.
- Successful rehabilitation and revegetation of Djarr Djarr camp (formerly Pancontinental's Jabiluka base) and revegetation of other areas at Jabiluka and Ranger.
- Successful validation of a new Ranger water balance model and application of the model to guide water management strategies at Ranger into the future.
- Development of an appropriate and achievable post-mining landscape plan for Ranger, together with guidelines for closure based on landscape, ecosystem, water quality and radiological characteristics. The work progressed with regular consultation with the Minesite Technical Committee which will lead eventually to formulation of applications for approval to initiate closure and rehabilitation strategies.

EWLS continued to work on external projects that benchmark scientific capability and enhance ERA's reputation for strategic environmental management.

EWLS continued to represent ERA on the Alligator Rivers Region Technical Committee (ARRTC), which oversees the nature and extent of research being undertaken to protect and restore the environment in the Alligator Rivers Region from any effects of uranium mining and reports directly to the Commonwealth Minister for the Environment and Heritage.

EWLS maintained ISO 9001-2000 certification for its quality management system.

Directors' Outlook

Nuclear power grew in importance in 2006 as a means of meeting the world's expanding energy needs while minimising carbon dioxide emissions.

Energy security concerns, the realisation that the contribution of renewable energy is limited, attempts to reduce dependency on fossil fuels, the good safety record of nuclear power and the need for a balanced energy policy, are all factors leading to a nuclear power renaissance worldwide.

As more and more countries renew their interest in nuclear power, demand for uranium is increasing. With supply issues keeping the market tight there was a sharp rise in the price of uranium in 2006. It is likely these trends will continue in the coming year.

ERA is poised for new opportunities in this expanding market. The company's sales were a record 5,760 tonnes in 2006. Production was impeded by weather and acid plant difficulties, but recovered well in the last quarter. Annual production of 4,748 tonnes was supplemented by some short-term uranium loans and inventory. Sales for 2007 are expected to be at a similar level to 2006.

In the increasingly favourable climate for the uranium mining industry, ERA is carefully evaluating all opportunities for expansion and improvement.

Exploration on the Ranger Project Area was a major focus for 2006, with expenditure of $7.2 million, more than three times the 2005 figure. As a result of the exploration program, the company has announced a full feasibility study to expand the current operating pit. More results are expected in 2007 in the Ranger 3 Deeps area, near the operating pit, and further afield on prospects on the Ranger Project Area.

A laterite treatment plant will be constructed in 2007 to extract value from the ore in clay-containing material that needs extra treatment before processing.

Extensive studies are also being carried out on the low-grade stockpiles, as a result of which the company announced a screening program that added 11,100 tonnes to reserves and six extra years of processing life. A radiometric sorter will be built to further assist in upgrading this low-grade material.

While the market is currently very strong, ERA is still working through legacy contracts signed when the market was at a low ebb. The average realised price for ERA sales increased in 2006 and we will see steady improvements as new contracts progressively come into effect that reflect the new market conditions.

Relationships with Traditional Owners and other key Northern Territory stakeholders continue to improve, and it is encouraging to see the range of local projects where a cooperative approach is being taken. The company continues to play a strong role in the public life of the Northern Territory, and has contributed to the Federal Government's inquiries into expanding the uranium and nuclear industries in Australia.

Directors' Report
for the year ended 31 December 2006

The Directors of Energy Resources of Australia Ltd ("ERA Ltd") 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 2006.

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	63	Appointed as a Director in July 2004 and as Chairman in January 2005. Dr Klingner is a Director of Codan Limited. Member of the Audit Committee.
Mr C Salisbury BEng Chief Executive	40	Appointed Chief Executive and a Director in February 2007. Mr Salisbury was previously General Manager Operations at ERA.
Mr R Carter CitWA, BCom, FTSE, FAusIMM, FAIM, FAICD Director	64	Appointed as a Director in November 1999. Mr Carter is Chairman of Macmahon Holdings Ltd, Zeal Consulting, Consolidated Minerals Limited and Prahran Mission – UnitingCare. Chairman of the Audit Committee.
Prof. H Garnett BSc(Hons), PhD, FTSE, FAICD Director	60	Appointed as a Director in January 2005. Professor Garnett is Vice Chancellor of Charles Darwin University, Director of the Business Higher Education Round Table Board, Director IDP Education Australia Limited. Member of the Audit Committee.
Mr C Lenegan BSc(Econs) (Hons) (Lon), ACA Director	55	Appointed as a Director in July 2005. Mr Lenegan is Managing Director Rio Tinto Australia. He is also a Director of various other Rio Tinto Group companies and several industry associations.
Mr P Taylor BA, BSc, LLB, LLM Director	60	Mr Peter Taylor, was appointed a Director of the ERA Board in February 2007. Mr Taylor is currently Chairman and Managing Director of Bougainville Copper Limited.

PREVIOUS DIRECTORS

Mr P Chiaro BSc, M.Eng Director	53	Appointed as a Director in October 2003. Mr Chiaro is Chief Executive Energy of Rio Tinto plc in London. He was a Director of Coal & Allied Industries Limited. Mr Chiaro resigned as a Director on 12 September 2006.
Mr H Kenyon-Slaney BSc Chief Executive	45	Appointed Chief Executive and a Director in January 2004. Mr Kenyon-Slaney resigned as Chief Executive and Director on 31 January 2007.
Mr A Lloyd BNatRes, MBA, MAICD Director	50	Appointed as a Director in October 2003. Mr Lloyd is Mining Executive Energy Services with Rio Tinto Limited and was an alternate Director for Preston Chiaro of Coal and Allied Industries Limited. Mr Lloyd resigned as a Director on 22 December 2006.

Top L-R
Dr David Klingner, Chairman
Mr Harry Kenyon-Slaney,
Chief Executive until 31 January 2007
Mr Chris Salisbury,
Chief Executive from 1 February 2007

Bottom L-R
Mr Richard Carter
Prof. Helen Garnett
Mr Charlie Lenegan
Mr Peter Taylor

COMPANY SECRETARIES

The company secretaries are Mr Neville Henwood and Mr Chris Bateman. Mr Henwood and Mr Bateman were appointed replacing Mr Rod Antal who resigned on 25 July 2006.

NAME & QUALIFICATIONS	AGE	EXPERIENCE AND SPECIAL RESPONSIBILITIES
Mr C Bateman BEng (Hons)	41	Appointed as Company Secretary in July 2006. Mr Bateman is the company's Chief Financial Officer, and before joining the company was employed by Rio Tinto in the USA.
Mr N Henwood LLB (Hons), MAICD	44	Appointed as Company Secretary in July 2006. Mr Henwood is the company's legal counsel, and before joining the company practised in private legal practice in Darwin for over 20 years.

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2006

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 is shown below:

Meetings of Directors

DIRECTOR	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	ATTENDED	HELD*	ATTENDED	HELD*
R Carter	6	6	3	3
P Chiaro	4	5	–	–
A Lloyd	6	6	–	–
C Lenegan	6	6	–	–
D Klingner	6	6	3	3
H Garnett	5	6	3	3
H Kenyon-Slaney	6	6	–	–
ALTERNATE				
F Nicholls (alternate for P Chiaro)	1	5		

**Reflects the number of meetings held during the time the Director held office in the 2006 year.*

Mr Kenyon-Slaney is invited to Audit Committee meetings and attended all meetings held.

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 15 February 2007 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	
D Klingner	5,608 ordinary shares
C Lenegan	877 ordinary shares
C Salisbury	4,971 ordinary shares
P Taylor	600 ordinary shares
Options in Ordinary Shares of a Related Body Corporate	
Rio Tinto Limited	
D Klingner	42,468
C Lenegan	36,159
C Salisbury	4,667
P Taylor	17,655
Conditional Interests in Ordinary Shares of a Related Body Corporate	
Rio Tinto Limited	
D Klingner	21,634
C Lenegan	16,123
C Salisbury	4,667
P Taylor	7,361

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

Directors' fees

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.

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

The aggregate amount of non-executive Directors remuneration paid was $368,181. 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 Ltd Board matters including preparation time;
- Acknowledgement of the personal risk borne as a Director;
- Comparison with professional market rates of remuneration 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 Directors' fees were revised in April 2004 and November 2006.

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 years, 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 and for existing Directors with accrued entitlements, freeze those entitlements until that Director retires, when it will be paid out. Non-executive Directors appointed after this date are only 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.

Other executive remuneration

The remuneration of other key management personnel is set by reference to the wider Rio Tinto context, determined following review by the Rio Tinto Board Remuneration Committee. Executive remuneration and other terms of employment are reviewed annually by ERA Ltd and Rio Tinto Limited having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

The executive pay and reward framework has four components:

- Base pay and benefits
- Short-term incentive performance (STIP) incentives
- Long-term incentives through participation in the Rio Tinto share option plan (SOP) and mining companies comparative plan (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, e.g. 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's and ERA Ltd's objectives of aligning total remuneration with delivered personal and business performance.

Base salary

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

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2006

Short-term incentive plan

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

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

All key management personnel have a significant percentage (up to 17 per cent) of their performance-based remuneration linked to the safety performance of ERA Ltd. The financial performance and saleable production at the operating site constitutes at least another 35 per cent of the performance-based remuneration. The success of value creation projects and the addressing of key strategic issues are also used to measure performance.

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 key management personnel.

No options will become exercisable unless the Rio Tinto Group has met stretching performance conditions. In addition, before approving any vesting and irrespective of the performance against the respective performance conditions, the Rio Tinto Remuneration Committee retains discretion to satisfy itself that the Total Shareholder Return (TSR) performance is a genuine reflection of underlying financial performance.

Under the plan, vesting is subject to Rio Tinto's TSR equalling or outperforming the HSBC Global Mining Index, measured over three years. The HSBC Global Mining Index covers the mining industry in 27 countries. If the TSR performance equals the index, the higher of one-third of the original grant or 20,000 options will vest (subject to the actual grant level not being exceeded). The full grant vests if the TSR performance is equal to or greater than the HSBC Global Mining Index plus 5 per cent per annum. TSR performance at this level historically approximates the upper quartile of the index. Between these points, options vest on a sliding scale, with no options becoming exercisable for a three year TSR performance below the index.

Options granted under the new plan before 31 December 2006 will be subject to a single fixed base retest five years after grant if they have not vested after the initial three year performance period, with options granted after 31 December 2006 not subject to any retest. These latter options will, therefore, lapse if they do not vest at the conclusion of the three year performance period. Options granted during 2006 will be the last which will be subject to a potential retest.

Prior to any options being released to participants for exercise, the Rio Tinto Group's performance against the criteria relevant to the SOP is examined and verified by the external auditor. If there were a change of control or a company restructuring, options would become exercisable subject to the satisfaction of the performance condition measured at the time of the takeover or restructuring.

Where an option holder dies in service, qualifying options vest immediately, regardless of whether the performance conditions have been satisfied. The estate will have 12 months in which to exercise the options.

The maximum grant under the SOP is three times salary, based on the average share price over the previous financial year. Under the SOP no options are granted at a discount and no amount is paid or payable by the recipient on receipt of the options.

All SOP grants made prior to 2004 under the rules approved by shareholders in 1998 have now vested in full. The SOP grant made in 2004 was due for testing against the performance condition in 2007. The performance condition was not achieved and these options have therefore not vested.

All remaining open options granted on this basis (under the Plan approved in 1998) were vested by 7 March 2006.

Mining companies comparative plan

Under this plan, a conditional right to receive shares is granted annually to eligible senior key management personnel. The conditional awards vest only if performance conditions are satisfied. The performance conditions compare Rio Tinto's 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.

The maximum conditional award size under the current MCCP for the Chief Executive is two times base salary calculated using the average share price over the previous financial year, and for the other key management personnel is 20 per cent.

Other Share Plans

ERA Ltd key management personnel may participate in the Rio Tinto Limited share savings plan as per note 1(u).

REMUNERATION REPORT CONTINUED

B Details of remuneration (audited)

Details of the remuneration of each Director and each of the specified key management personnel of ERA Ltd are set out in the following tables.

Directors of Energy Resources of Australia Ltd

2006	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
	CASH SALARY AND FEES $	CASH BONUS (STIP) $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	EQUITY SETTLED $	TOTAL $
D Klingner	**90,000**	–	–	**8,100**	–	**98,100**
H Kenyon-Slaney	**392,420**	**194,805**[2]	**78,800**	**36,670**	**150,553**	**853,248**
H Garnett	**60,000**	–	–	**5,400**	–	**65,400**
R Carter	**65,000**	–	–	**5,850**	–	**70,850**
P Chiaro[1] (from 1/01/06 to 12/09/06)	**35,054**	–	–	–	–	**35,054**
A Lloyd[1] (from 1/01/06 to 22/12/06)	**48,777**	–	–	–	–	**48,777**
C Lenegan[1]	**50,000**	–	–	–	–	**50,000**
Total	**741,251**	**194,805**	**78,800**	**56,020**	**150,553**	**1,221,429**

1 Amounts paid directly to Rio Tinto Limited
2 72% of cash bonus paid on achievement of 2005 performance criteria; 28% forfeited

2005	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
	CASH SALARY AND FEES $	CASH BONUS (STIP) $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	EQUITY SETTLED $	TOTAL $
D Klingner	87,750	–	–	–	–	87,750
B Horwood	7,000	–	–	630	–	7,630
H Kenyon-Slaney	312,790	81,010[5]	78,800	22,640	171,410	666,650
H Garnett	55,500	–	–	–	–	55,500
P Chiaro[1]	50,000	–	–	–	–	50,000
A Lloyd[1]	50,000	–	–	–	–	50,000
R Carter	65,000	–	–	5,850	–	70,850
C Lenegan[1]	20,830	–	–	–	–	20,830
S Mann[2]	16,210	–	–	–	–	16,210
R Matthews[4]	23,190	–	–	–	–	23,190
H Toyomatsu[3]	39,400	–	–	–	–	39,400
Total	727,670	81,010	78,800	29,120	171,410	1,088,010

1 Amounts paid directly to Rio Tinto Limited
2 Amounts paid directly to Cogema Australia Pty Ltd
3 Amounts paid directly to Japan Australia Uranium Resources Development Co Ltd
4 Amounts paid directly to Cameco Australia Pty Ltd
5 44% of cash bonus paid on achievement of 2004 performance criteria; 56% forfeited

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2006

REMUNERATION REPORT CONTINUED

B Details of remuneration (audited) continued

Other key management personnel of the consolidated and parent entity

2006	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
	CASH SALARY AND FEES $	CASH BONUS (STIP) $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	EQUITY SETTLED $	TOTAL $
R Antal (from 1/01/06 to 27/07/06)	**121,896**	**70,850**[1]	**9,919**	**35,892**	**34,018**	**272,575**
D Gibson	**225,367**	**36,269**[2]	**40,083**	**43,624**	**17,696**	**363,039**
A Milnes	**227,750**	**79,172**[3]	**38,963**	**55,104**	**37,559**	**438,548**
D Paterson	**228,700**	**57,256**[4]	**18,527**	**48,069**	**33,753**	**386,305**
C Salisbury	**306,883**	**111,540**[5]	**43,647**	**77,601**	**50,549**	**590,220**
C Bateman (from 1/06/06)	**131,224**	**–**[6]	**59,413**	**–**	**–**	**190,637**
Total	**1,241,820**	**355,087**	**210,552**	**260,290**	**173,575**	**2,241,324**

1 74% of cash bonus paid on achievement of 2005 performance criteria; 26% forfeited
2 56% of cash bonus paid on achievement of 2005 performance criteria; 44% forfeited
3 75% of cash bonus paid on achievement of 2005 performance criteria; 25% forfeited
4 62% of cash bonus paid on achievement of 2005 performance criteria; 38% forfeited
5 85% of cash bonus paid on achievement of 2005 performance criteria; 15% forfeited
6 No cash bonus was paid because employment only commenced on 1 June 2006.

Other key management personnel of the consolidated and parent entity

2005	SHORT-TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	
	CASH BONUS (STIP) $	CASH BONUS (STIP) $	NON-MONETARY BENEFITS $	SUPER-ANNUATION $	EQUITY SETTLED $	TOTAL $
R Antal	224,300	34,960[1]	22,420	47,430	27,060	356,170
C Kinnell (from 1/01/05 to 30/06/05)	183,630	47,360[2]	57,230	9,970	21,440	319,630
A Milnes	209,290	35,140[3]	22,420	46,310	37,310	350,470
D Paterson	214,260	6,260[4]	22,450	40,070	35,040	318,080
C Salisbury	294,060	–[5]	22,420	57,420	39,740	413,640
D Gibson (from 1/05/05)	172,840	–[6]	17,530	13,890	–	204,260
Total	1,298,380	123,720	164,470	215,090	160,590	1,962,250

1 43% of cash bonus paid on achievement of 2004 performance criteria; 57% forfeited
2 45% of cash bonus paid on achievement of 2004 performance criteria; 55% forfeited
3 38% of cash bonus paid on achievement of 2004 performance criteria; 62% forfeited
4 37% of cash bonus paid on achievement of 2004 performance criteria; 63% forfeited
5 No cash bonus was paid because employment only commenced on 20 December 2004.
6 No cash bonus was paid because employment only commenced on 1 May 2005.

REMUNERATION REPORT CONTINUED

C Service agreements (audited)

Remuneration and other terms of employment for the Chief Executive and other key management personnel are formalised in service agreements. Each of these agreements provides 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 –
Appointed 20 January 2004, terminated on 31 January 2007 due to transfer to another Rio Tinto company.

Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2006 of $388,772.

C Bateman – Chief Financial Officer & Company Secretary

Term of agreement –
Open, commenced 1 June 2006

Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2006 of $102,830. Termination by the employee is one month's notice in writing or by the employer giving three month's notice or equivalent notice in lieu.

R Antal – Chief Financial Officer & Company Secretary

Term of agreement –
Open, commenced 1 September 2003, terminated due to transfer to another Rio Tinto company on 27 July 2006.

Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 27 July 2006 of $104,333.

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 2006 of $231,000 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 notice in lieu.

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 ended 31 December 2006 of $200,000, 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 notice in lieu.

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 ended 31 December 2006 of $272,000, 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 notice in lieu.

D Gibson – General Manager Technical Projects

Term of agreement –
Open, commenced 1 May 2005

Base salary (excluding superannuation, allowances and other benefits) paid for the period ended 31 December 2006 of $196,600, 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 notice in lieu.

With respect to the performance related cash bonuses the following table sets out the maximum percentage of the base salary that may be achieved:

Maximum percentage of the base salary

H Kenyon-Slaney	70%
C Salisbury	54%
R Antal	50%
D Paterson	50%
D Gibson	50%
T Milnes	50%

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2006

REMUNERATION REPORT CONTINUED

D Share-based compensation (audited)

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				
7 March 2003	7 March 2013	$33.33	$6.68	7 March 2006
22 April 2004	22 April 2014	$34.41	$6.17	22 April 2007
9 March 2005	9 March 2015	$47.04	$8.93	9 March 2008
7 March 2006	7 March 2016	$71.06	$17.09	7 March 2009
Rio Tinto plc				
7 March 2003	7 March 2013	£12.63	£2.97	7 March 2006
22 April 2004	22 April 2014	£13.29	£2.81	22 April 2007
9 March 2005	9 March 2015	£18.26	£4.09	9 March 2008
7 March 2006	7 March 2016	£27.11	£7.40	7 March 2009

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

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 2006
Rio Tinto Limited		
1 January 2002	1 January 2006	$74.30
1 January 2003	1 January 2007	$74.30
1 January 2004	1 January 2008	$74.30
1 January 2005	1 January 2009	$74.30
1 January 2006	1 January 2010	$74.30
Rio Tinto plc		
1 January 2002	1 January 2006	£27.87
1 January 2003	1 January 2007	£27.87
1 January 2004	1 January 2008	£27.87
1 January 2005	1 January 2009	£27.87
1 January 2006	1 January 2010	£27.87

Share-based compensation – employee share scheme

Details of the Directors of the consolidated entity and other key management personnel who have elected to participate in the Rio Tinto employee share scheme as at 31 December 2006 are set out below:

H Kenyon-Slaney	2002 Rio Tinto plc scheme commencing 1 January 2002 2004 Rio Tinto plc scheme commencing 1 January 2004
D Paterson	2006 Rio Tinto Limited scheme commencing 1 January 2007
A Milnes	2005 Rio Tinto Limited scheme commencing 1 January 2006 2006 Rio Tinto Limited scheme commencing 1 January 2007
D Gibson	2002 Rio Tinto Limited scheme commencing 1 January 2003 2004 Rio Tinto Limited scheme commencing 1 January 2005 2005 Rio Tinto Limited scheme commencing 1 January 2006 2006 Rio Tinto Limited scheme commencing 1 January 2007

REMUNERATION REPORT CONTINUED

D Share-based compensation (audited) continued

Equity instrument disclosures relating to Directors and other key management personnel

Options provided as remuneration

Details of options over ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to each Director in respect of their duties as officers of the consolidated entity and each of the other key management personnel of the consolidated and parent entity are set out below. When exercisable, each option is convertible into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

2006 NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR AS COMPEN-SATION	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR	
					VESTED AND EXERCISABLE	UNVESTED
Rio Tinto plc						
Directors of Energy Resources of Australia Ltd						
H Kenyon-Slaney	**22,130**	**4,980**	**–**	**–**	**11,413**	**15,697**
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
D Klingner	**42,468**	**–**	**–**	**–**	**38,351**	**4,117**
A Lloyd*	**8,226**	**–**	**–**	**(1,971)**	**1,574**	**4,681**
C Lenegan*	**29,829**	**–**	**–**	**6,330**	**22,034**	**14,125**
Other key management personnel of the consolidated and parent entity						
R Antal	**2,016**	**1,304**	**–**	**–**	**–**	**3,320**
D Gibson	**–**	**1,181**	**–**	**–**	**–**	**1,181**
A Milnes	**9,150**	**1,388**	**–**	**–**	**6,808**	**3,730**
C Salisbury	**7,459**	**2,179**	**(4,971)**	**–**	**–**	**4,667**
D Paterson	**7,259**	**1,201**	**–**	**–**	**5,047**	**3,413**

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

2005						
Rio Tinto plc						
Directors of Energy Resources of Australia Ltd						
H Kenyon-Slaney	16,668	5,462	–	–	5,159	16,971
Other key management personnel of the consolidated and parent entity						
C Kinnell	7,115	1,415	–	–	2,534	5,996
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
B Horwood	14,819	–	(4,439)	–	4,816	5,564
D Klingner	71,039	–	(28,571)	–	17,395	25,073
A Lloyd	23,477	–	(16,542)	1,291	2,554	5,672
C Lenegan	25,928	–	–	3,901	12,360	17,469
Other key management personnel of the consolidated and parent entity						
R Antal	961	1,055	–	–	–	2,016
A Milnes	7,988	1,162	–	–	4,019	5,131
C Salisbury	6,124	1,335	–	–	2,195	5,264
D Paterson	6,242	1,017	–	–	2,311	4,948

DIRECTORS' REPORT CONTINUED
for the year ended 31 December 2006

REMUNERATION REPORT CONTINUED

D Share-based compensation (audited) continued

Equity instrument disclosures relating to Directors and other key management personnel continued

Conditional awards provided as remuneration

Details of conditional awards of ordinary shares in Rio Tinto Limited and Rio Tinto plc held during the year and provided as remuneration to each Director in respect of their duties as officers of the consolidated entity and each of the other key management personnel of the consolidated and parent entity are set out below. When exercisable, each award converts into one ordinary share of Rio Tinto Limited or Rio Tinto plc.

2006 NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR	CRYSTALLISATION OF PRIOR AWARD VESTED	CRYSTALLISATION 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	**10,717**	**4,980**	–	–	–	**15,697**
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
D Klingner*	**32,355**	–	**(2,680)**	**(8,041)**	–	**21,634**
A Lloyd*	**2,598**	**2,083**	–	–	–	**4,681**
C Lenegan*	**11,912**	**6,330**	**(529)**	**(1,590)**	–	**16,123**
Other key management personnel of the consolidated and parent entity						
R Antal	**2,016**	**1,304**				**3,320**
D Gibson	–	**1,181**				**1,181**
A Milnes	**2,342**	**1,388**	–	–	–	**3,730**
C Salisbury	**2,488**	**2,179**	–	–	–	**4,667**
D Paterson	**2,212**	**1,201**	–	–	–	**3,413**

* Note: Changes during the year represents the granting of options in respect of their duties to the wider Rio Tinto Group.

2005						
Directors of Energy Resources of Australia Ltd						
H Kenyon-Slaney	5,255	5,462	–	–	–	10,717
Other key management personnel of the consolidated and parent entity						
C Kinnell	1,362	1,415	–	–	–	2,777
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
B Horwood	10,965	–	(451)	(3,164)	–	7,350
D Klingner	44,738	–	(1,547)	(10,836)	–	32,355
A Lloyd	1,307	1,291	–	–	–	2,598
C Lenegan	10,567	3,903	(319)	(2,239)	–	11,912
Other key management personnel of the consolidated and parent entity						
R Antal	961	1,055	–	–	–	2,016
A Milnes	1,192	1,162	–	–	–	2,354
C Salisbury	1,153	1,335	–	–	–	2,488
D Paterson	1,195	1,017	–	–	–	2,212

REMUNERATION REPORT CONTINUED

D Share-based compensation (audited) continued

Share holdings

The number of shares held in ERA Ltd, Rio Tinto Limited or Rio Tinto plc during the financial year by each Director of ERA Ltd and each of the other key management personnel of the consolidated and parent entity are set out below.

2006 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				
D Klingner	**4,000**		**1,608**	**5,608**
A Lloyd	**–**	**4,054**	**(4,054)**	**–**
C Lenegan	**319**	**558**	**–**	**877**
Rio Tinto plc				
Directors of Energy Resources of Australia Ltd				
H Kenyon-Slaney	**4,594**	**–**	**–**	**4,594**

2005				
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	5,278	–	–	5,278
D Klingner	12,253		(8,253)	4,000
A Lloyd	–	16,542	(16,542)	–
C Lenegan	319	–	–	319
Rio Tinto plc				
Directors of Energy Resources of Australia Ltd				
H Kenyon-Slaney	4,594	–	–	4,594

E Additional information (unaudited)

Loans and other transactions with Directors and other key management personnel

There are no loans with Directors and other key management personnel. Other transactions with Director related entities are disclosed in Note 26 – related parties

DIRECTORS' REPORT CONTINUED

for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

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

(i) Mining, processing and sale of uranium; and
(ii) Providing environmental consulting services by EWL Sciences Pty Ltd.

DIVIDENDS

Dividends paid to members by the company during the financial year were as follows:	$000
In respect of the 2005 financial year:	
– As proposed in the 2005 financial report, a final dividend of 11.0 cents per share, franked to 100 per cent with (30 per cent) franking credits was declared on 15 February 2006, and paid on 1 March 2006.	20,981
In respect of the 2006 financial year:	
– An interim dividend of 6.0 cents per share, franked to 100 per cent with (30 per cent) franking credits was declared on 22 July 2006 and paid on 31 August 2006.	11,444
Total dividends paid to members in 2006	32,425

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 per cent. The dividend payment of $20,981,173 was paid on 1 March 2007 with a record date of 15 February 2007.

REVIEW AND RESULTS OF OPERATIONS

The net profit after tax for the consolidated entity for the year ended 31 December 2006 was $43.6 million (2005: $41.1 million). Earnings before interest and tax were $68.7 million (2005: $65.5 million).

Sales for the year were 5,760 tonnes (2005: 5,688 tonnes including 136 tonnes of third party material). Operating revenue for the year was $312.7 million (2005: $262.0 million). Drummed production of uranium oxide for the year of 4,748 tonnes was 20 per cent below that in 2005 (2005: 5,910 tonnes).

Further details of ERA Ltd's review and results of operations are included in the "Chairman's and Chief Executive's Report" on page 3.

ENVIRONMENTAL REGULATION AND POLICY

ERA Ltd strives to be at the forefront of environmental management in the uranium industry. It operates in accordance with relevant Federal and Territory environmental legislation as well as site-specific environmental licences, permits and statutory authorisations. ERA Ltd's environmental management system is ISO 14001 compliant.

ERA Ltd is required to report any incident that is a divergence from strict compliance with statutory requirements, even if the incident has no detrimental environmental impact, to the Minister for Primary Industry, Fisheries and Mines (NT), the Commonwealth Department of Industry, Tourism and Resources, the Supervising Scientist Division, and the Northern Land Council.

Further details of ERA Ltd's environmental performance are included in the "Environment" section of the Annual Report on page 15.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

In the opinion of the Directors, other than matters reported in the Directors' Report and in the Chairman's 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 2006.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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 2006.

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 general review of developments for ERA Ltd is presented in the "Chairman's and Chief Executive's Report" and "Production" sections in the 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 key management personnel 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 Ltd 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 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.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company are important.

Details of the amount paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-audit related firms.

	CONSOLIDATED	
	2006 $000	2005 $000
PricewaterhouseCoopers – Australian firm		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	303	206
Other assurance services	15	158
Taxation Services	–	–
Advisory Services	–	–
	318	364

INFORMATION ON AUDITOR

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 34.

ROUNDING OF AMOUNTS

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

Signed at Melbourne this 23rd day of February 2007 in accordance with a resolution of the Directors.

Dr D Klingner
Director

Melbourne
2 March 2007

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
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Australia
www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Energy Resources of Australia Ltd for the year ended 31 December 2006, 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 entity it controlled during the period.

Tim Goldsmith

Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
2 March 2007

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2006

CORPORATE GOVERNANCE

The Board of ERA Ltd considers high standards of corporate governance critical to business integrity and performance.

The Board ensures that ERA Ltd meets the objectives of all its shareholders, while paying proper regard to the interests of employees and external stakeholders. The corporate governance structures and practices in place at ERA Ltd are substantially in compliance with recommendations of the Australian Securities Exchange ("ASX") Corporate Governance Council ('Council').

Areas where the corporate governance practices do not follow the recommendations of the Council arise due to Rio Tinto's 68.39 per cent ownership and the management direction and services this provides.

The Board has considered the Council's recommendations and ERA Ltd does not comply with the following:

- Recommendation 2.1 and 2.2 – There is not a majority of independent Directors nor an independent Chairman;
- Recommendation 2.4 – There is no established nominations committee; and
- Recommendation 9.2 – There is no remuneration committee.

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

THE 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 Ltd'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 Ltd meets or exceeds the regulatory requirements governing its operations.

Composition

At the date of this report the Board of ERA Ltd consists of six Directors, five of whom are non-executive. The Chairman is Dr D Klingner who is a non-executive director and a former executive of Rio Tinto. Mr C Salisbury is an executive Director and holds the position of Chief Executive. Two non-executive Directors, Mr C Lenegan and Mr P Taylor are executives of Rio Tinto. Mr R. Carter and Prof H Garnett are independent non-executive Directors.

Details of the Directors, their qualifications and other appointments are set out on page 20.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of ERA Ltd 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 Ltd'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 are subject to retirement by rotation at least every three years in accordance with ERA Ltd's constitution, but may offer themselves for re-election.

Independence

Mr R Carter and Prof. H Garnett are independent non-executive Directors.

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. The composition of the Board recognises Rio Tinto's majority shareholding. It is considered appropriate that Directors associated with the controlling shareholder constitute a majority of Directors on the Board The Directors are required to, and do, act in accordance with their statutory duties of good faith and for a proper purpose, and in the interests of all shareholders.

All related party transactions, including those with Rio Tinto, have been determined to be in the interests of ERA Ltd.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Chairman and Chief Executive

The Chairman, Dr D Klingner, was until 2004 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. The Chief Executive is Mr C Salisbury, who is also a Director. This is consistent with recommendation 2.3 of the Council that the Chief Executive and Chairman be different people.

Board Meetings

The Board normally has six scheduled meetings per year and may meet at other times to deal with urgent issues. The Board meeting attendance details for Directors in 2006 are set out on page 22.

Performance Self-Assessment

In 2006 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.

Independent Professional Advice

The Board has adopted a procedure for Directors wishing to seek independent professional advice at the company's expense, in the furtherance of their duties. 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, and any Director may do so by arrangement with the company secretary.

Directors' Remuneration

At the 2001 Annual General Meeting shareholders determined that the aggregate remuneration for non-executive Directors of ERA Ltd would not exceed $500,000 per annum.

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 annually.

The Committee provides a formal structure for reviewing ERA Ltd's financial statements, accounting policies, control systems, risk management practices and taxation issues, and for liaison 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 Ltd and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of ERA Ltd to fulfil its function. Related party transactions are considered by the Audit Committee and, where they relate to Rio Tinto, by the independent members of the Audit Committee only. The Committee reviews compliance with the Corporations Act, and the requirements of the Australian Securities Exchange and other regulatory requirements.

Attendance details of the 2006 meetings of the Audit Committee are set out on page 22.

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

CODE OF BUSINESS CONDUCT

ERA Ltd has a Code of Business 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 Business Conduct, the company's employees are required to comply with Rio Tinto's statement of business practice – The Way We Work.

The Code of Business Conduct is reviewed annually to ensure it adequately addresses the issues facing the company and is available for inspection on the company's website, www.energyres.com.au under the corporate overview section.

The company has a confidential whistleblower program known as 'Speak-Out'. Employees are encouraged to report any suspicion of unethical or illegal practices.

PURCHASE AND SALE OF COMPANY SECURITIES

ERA Ltd 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 Ltd 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 Ltd's annual results or half year results.

RISK IDENTIFICATION AND MANAGEMENT

ERA Ltd 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 Ltd 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.

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 Ltd's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- The statements present a true and fair view of the results of operations.

PUBLIC STATEMENTS AND DISCLOSURE MATTERS

ERA Ltd 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 Ltd's securities is reported to the market. The Chief Executive and the Chief Financial Officer are responsible to the Board for recommending such disclosures.

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.

The external auditor, PricewaterhouseCoopers, attends the Annual General Meeting to answer shareholder questions.

INCOME STATEMENTS

for the year ended 31 December 2006

		CONSOLIDATED		THE COMPANY	
	NOTE	2006 $000	2005 $000	2006 $000	2005 $000
Revenues from ongoing activities		**312,698**	262,036	**312,188**	261,602
Other revenue		**4,492**	3,892	**4,487**	3,887
Revenue from ordinary activities	3	**317,190**	265,928	**316,675**	265,489
Changes in inventories of finished goods and work in progress		**(25,558)**	10,755	**(25,558)**	10,755
Raw materials and consumables used		**(48,675)**	(57,810)	**(48,638)**	(57,810)
Employee benefits and contractor expenses		**(80,868)**	(58,012)	**(80,567)**	(57,385)
Government and other royalties		**(15,997)**	(13,223)	**(15,997)**	(13,223)
Commission and shipping expenses		**(11,314)**	(9,229)	**(11,314)**	(9,229)
Depreciation and amortisation expenses	4	**(33,645)**	(47,641)	**(33,442)**	(47,515)
Borrowing costs	4	**(10,989)**	(9,724)	**(10,987)**	(9,724)
Statutory and corporate expense		**(21,162)**	(20,456)	**(20,620)**	(20,456)
Other expenses from ordinary activities		**(6,735)**	(968)	**(6,598)**	(968)
Profit from ordinary activities before income tax expense	4	**62,247**	59,620	**62,954**	59,934
Income tax relating to ordinary activities	5	**(18,640)**	(18,554)	**(18,813)**	(18,630)
Net profit attributable to members of ERA Ltd		**43,607**	41,066	**44,141**	41,304

The above income statements are to be read in conjunction with the accompanying notes.

		2006 CENTS	2005 CENTS
Basic earnings per share	32	**22.9**	21.5
Diluted earnings per share	32	**22.9**	21.5

BALANCE SHEETS
as at 31 December 2006

	NOTE	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	THE COMPANY 2006 $000	THE COMPANY 2005 $000
Current Assets					
Cash and cash equivalents	7	**14,629**	18,123	**14,505**	18,121
Receivables	8	**104,632**	100,093	**105,620**	100,740
Inventories	9	**90,117**	109,936	**90,117**	109,936
Derivative financial instruments	12	**10,645**	7,363	**10,645**	7,363
Other	10	**1,072**	760	**1,076**	753
Total Current Assets		**221,095**	236,275	**221,963**	236,913
Non-Current Assets					
Held to maturity investments		**–**	–	**100**	100
Inventories	9	**60,595**	39,648	**60,595**	39,648
Exploration, evaluation and development expenditure	11	**203,212**	203,017	**203,212**	203,017
Property, plant and equipment	13	**325,957**	326,744	**325,788**	326,327
Non-current investment – Trust Fund		**44,953**	42,576	**44,953**	42,576
Deferred tax assets	14	**–**	–	**–**	–
Derivative financial instruments	12	**13,476**	15,840	**13,476**	15,840
Total Non-Current Assets		**648,193**	627,825	**648,124**	627,508
Total Assets		**869,288**	864,100	**870,087**	864,421
Current Liabilities					
Payables	15	**37,285**	26,666	**37,350**	27,069
Interest bearing liability		**5,000**	10,000	**5,000**	10,000
Current tax liabilities		**11,129**	18,613	**11,427**	18,613
Provisions	16	**7,752**	6,843	**7,764**	6,763
Total Current Liabilities		**61,166**	62,122	**61,541**	62,445
Non-Current Liabilities					
Other liabilities	15	**10,305**	10,207	**10,305**	10,207
Deferred tax liabilities	17	**65,586**	75,331	**65,661**	75,406
Provisions	16	**179,740**	176,676	**179,606**	176,578
Total Non-Current Liabilities		**255,631**	262,214	**255,572**	262,191
Total Liabilities		**316,797**	324,336	**317,113**	324,636
Net Assets		**552,491**	539,764	**552,974**	539,785
Shareholders' Equity					
Contributed equity	19	**214,585**	214,585	**214,585**	214,585
Reserves	20	**407,985**	406,440	**407,913**	406,440
Retained profits	21	**(70,079)**	(81,261)	**(69,524)**	(81,240)
Total Shareholders' Equity		**552,491**	539,764	**552,974**	539,785

The above balance sheets are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
as at 31 December 2006

		CONSOLIDATED		THE COMPANY	
	NOTE	2006 $000	2005 $000	2006 $000	2005 $000
Total equity at the beginning of the year		**539,764**	509,828	**539,785**	509,611
Adjustment on adoption of AASB 132 and AASB 139		**–**	22,597	**–**	22,597
Adjustment on change of accounting policy		**–**	4,541	**–**	4,541
Total adjusted equity at the beginning of the financial year		**539,764**	536,966	**539,785**	536,749
Cash flow hedges, net of tax		**571**	(6,355)	**571**	(6,355)
Net income recognised directly in equity		**571**	(6,355)	**571**	(6,355)
Profit for the year		**43,607**	41,066	**44,141**	41,304
Total recognised income and expense for the year		**44,178**	34,711	**44,712**	34,949
Employee share options		**974**	512	**902**	512
Dividends paid		**(32,425)**	(32,425)	**(32,425)**	(32,425)
Total equity at the end of the year		**552,491**	539,764	**552,974**	539,785

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2006

	NOTE	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	THE COMPANY 2006 $000	THE COMPANY 2005 $000
Cash flows from operating activities					
Receipts from customers		**308,023**	244,479	**306,585**	244,121
Payments to suppliers and employees		**(200,897)**	(192,453)	**(199,578)**	(192,222)
		107,126	52,026	**107,007**	51,899
Interest received		**2,163**	1,575	**2,158**	1,569
Borrowing costs paid		**(1,026)**	(545)	**(1,024)**	(545)
Income taxes paid		**(33,315)**	(19,653)	**(33,315)**	(19,553)
Net cash inflow from operating activities	30	**74,948**	33,403	**74,826**	33,370
Cash flows from investing activities					
Payments for property, plant and equipment		**(40,927)**	(46,171)	**(40,927)**	(46,065)
Proceeds from sale of property, plant and equipment		**–**	96	**–**	96
Net cash (outflow) from investing activities		**(40,927)**	(46,075)	**(40,927)**	(45,969)
Cash flows from financing activities					
Proceeds from borrowings		**5,000**	10,000	**5,000**	10,000
Payment of borrowings		**(10,000)**	–	**(10,000)**	–
Dividends paid		**(32,425)**	(32,425)	**(32,425)**	(32,425)
Net cash (outflow) from financing activities		**(37,425)**	(22,425)	**(37,425)**	(22,425)
Net (decrease) in cash held		**(3,404)**	(35,097)	**(3,526)**	(35,024)
Cash and cash equivalents at the beginning of the financial year		**18,123**	55,064	**18,121**	54,989
Effects of exchange rate changes on cash and cash equivalents		**(90)**	(1,844)	**(90)**	(1,844)
Cash and cash equivalents at the end of the financial year	7	**14,629**	18,123	**14,505**	18,121

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 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial reports are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with the AIFRS ensures that the financial statements and notes of ERA Ltd also comply with the International Financial Reporting standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The presentation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of ERA Ltd. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Change in Accounting Policy

The following accounting policy changes have been made to bring ERA Ltd in line with leading industry practice:

(i) Change to the basis of accounting for close down and restoration costs.
Provision is no longer made for employee severance costs associated with mine closure. The effect of this change in accounting policy is set out below:

	2006 $000	2005 $000
For the period ended 31 December		
Decrease in finance costs – net	–	247
Decrease in depreciation and amortisation expense	–	191
Increase in income tax expense	–	74
As at 1 January		
Increase in total equity	–	4,541
Decrease in property plant and equipment	–	604
Decrease in provisions	–	7,350
Decrease in deferred tax asset	–	2,205
As at 31 December		
Increase in total equity	–	364
Increase in property plant and equipment	–	191
Decrease in provisions	–	247
Decrease in deferred tax asset	–	74

(ii) Change to the policy for exploration and evaluation expenditure.
Previously ERA Ltd capitalised exploration expenditure on acquisition. Full provision was made for impairment unless there was a high degree of confidence in the project's viability and hence it was considered probable that future economic benefits would flow to ERA Ltd. Under the revised policy exploration and evaluation expenditure is not capitalised until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to ERA Ltd. This change does not impact prior period financial statements.

(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'). 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 portion of the company's uranium oxide sales is 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.

In the case where a sale occurs and after which (part of) the goods are borrowed back by ERA Ltd under a separate agreement, the revenue is deferred until repayment of the borrowed goods occurs.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Rendering of services

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

Asset sales

Net gains on disposal of assets are recognised at the date control of the asset passes to the acquirer.

Other revenue

Interest income is recognised on a time proportion basis using the effective interest rate method.

(d) Foreign currency

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is ERA Ltd's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the date of the transaction. 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 income statement in the financial year in which the exchange rates change, except when deferred in equity as qualifying cash flow hedges.

(e) Borrowing costs

Borrowing costs (including interest) are included in the income statement 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.

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

Income tax expense for the period is the tax payable on the current period's "taxable income" adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

The company is a member of a tax consolidated group, of which ERA Ltd is the head entity.

The introduction of UIG1052 Tax Consolidations Accounting means tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the company are recognised in the financial statements of the company using the 'stand-alone taxpayer within a group' method by reference to the carrying amounts in the financial statements of the company and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the company are assumed by the head entity in the tax consolidated group.

In accordance with the tax-funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable or receivable by the company in relation to the tax contributions payable to the parent. Where the tax contribution recognised by the company for a particular period is different to the aggregate of the current tax liability or asset and deferred tax asset arising from unused tax losses or credits in respect of that period, the difference is recognised as a contribution from or distribution to the parent entity.

(g) Receivables

Trade debtors are normally settled within 45 days and are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful amounts. Debts which are known to be uncollectible are written off.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2006

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Inventories
All 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. For inventory management purposes the company may enter into uranium loans as a lending or receiving party. These loans are entered into for logistical purposes and are repaid from the company's inventory. The uranium loans do not meet the definition of a financial liability and are recorded net of inventory.

Non-current inventories consist of raw materials not expected to be consumed within the subsequent twelve month period. Non-current inventories are carried at average cost.

(i) Impairment of assets
Assets that have an indefinite useful life and intangible assets that are not yet available for use are tested at each balance sheet date for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In assessing recoverable amount for property, plant and equipment including mine properties, along with development expenditure, the relevant cash flows 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 – three years
— Office equipment: general – five years
— Plant and equipment – five years
— Furniture & fittings – ten years
— Motor vehicles – five years

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Leased plant and equipment
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

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

(k) Exploration, evaluation and development expenditure
Exploration and evaluation expenditure comprises costs which are directly attributable to:

— researching and analysing existing exploration data;
— conducting geological studies, exploratory drilling and sampling;
— examining and testing extraction and treatment methods; and
— compiling pre-feasibility and feasibility studies.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Capitalisation of exploration expenditure commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to ERA Ltd. Capitalised exploration expenditure is reviewed for impairment at each balance sheet date. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. The carrying values of these assets are reviewed twice per annum by management and the results of these reviews are reported to the audit committee. The review is based on a status report regarding ERA Ltd's intentions for development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. It is intended that these will be developed and go into production when the current source of ore is exhausted.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project. If a project does not prove viable, all unrecoverable costs associated with the project and the related impairment provisions are written off. Any impairment provisions raised in previous years are reassessed if there is a change in circumstances which indicates that they may no longer be required, for example if it is decided to proceed with development. If the project proceeds to development, the amounts included within intangible assets are transferred to property, plant and equipment.

This is a change to the policy but has no impact in these financial statements.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recovered either through sale or successful exploitation of the area of interest. The Jabiluka project commenced development and was subsequently put under a long-term care and maintenance regime, with all subsequent care and maintenance costs expensed. Exploration and development costs incurred on Jabiluka are carried forward and tested for impairment in line with policy (i) above.

(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) Rehabilitation

ERA Ltd is required to rehabilitate the Ranger Project Area upon cessation of mining operations. In accordance with industry practice, ERA Ltd has excluded the provision for employee severance costs from the estimate for rehabilitation.

The costs are estimated on the basis of a closure model. The cost estimates are calculated annually during the life of the operation to reflect known developments, and are subject to regular reviews.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the profit and loss account in each accounting period. The amortisation of the discount is shown as a financing item. Other movements in the provision for closure and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to lives of operations and revisions to discount rates are capitalised within fixed assets. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each balance date. All costs of continuous rehabilitation work are charged to the provision as incurred.

There was a change in ERA Ltd closure costs estimate from 1 July 2006. The change is primarily the result of the addition of reserves extending the processing life of Ranger to the end of 2020. Additionally, further work was completed bringing the ERA Ltd closure estimate in line with the Rio Tinto Closure Standard and Rio Tinto Closure Cost Estimating Guidelines.

Each year ERA Ltd is required to submit an annual amended plan of rehabilitation, reflecting the cost of closing the mine immediately, in accordance with government regulations. The Ranger Rehabilitation Trust Fund ("trust fund") is a Commonwealth Government requirement and provides for those costs in accordance with regulations.

An annual independent assessment is made to determine the amount to be held in the trust fund. Any deficit identified is required to be met by either cash or a financial instrument if the cash balance is over $30 million. The trust fund is shown as an investment in the balance sheet as the company does not control the trust fund. If there is a surplus identified then this may be withdrawn. Transactions requiring cash are shown as changes to cash and investments in the balance sheet and transactions by means of a financial instrument are shown as a note to the accounts. Interest received by the trust fund is shown as interest income.

ERA Ltd is required to rehabilitate the Jabiluka lease area to a standard specified by the relevant Minister upon cessation of mining operations. The cost of rehabilitation is currently secured by a bank guarantee and fully provided for in the financial statements.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates derivatives as hedges with a high probability against forecast transactions (cash flow hedges).

The company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective.

The effective portion of changes in the fair value is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). When a forecast transaction is no longer expected to occur the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Derivative financial instruments are not held for speculative purposes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(o) Employee entitlements

(i) Wages and salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries and annual 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(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

Many employees of the company are entitled to benefits on retirement, disability or death from their membership of the Rio Tinto Staff Superannuation Fund ("The Fund"). The Fund has both a defined benefit and a defined contribution section. Contributions to the defined contribution superannuation plans are expensed in the income statement when incurred.

For the defined benefit plans, as there is no agreement in place for charging the net defined benefit cost for the plan as a whole to the individual Rio Tinto Group entities, the company will recognise a cost in the income statement equal to the contribution payable for the period. The cash contributions to the fund are made through reference to a percentage of base salary contribution per defined benefit employee as determined by the fund trustee and applied to those defined benefit employees of the Fund. Rio Tinto Services Limited as the sponsoring entity of the Fund will disclose the defined benefit obligation and associated charges to the income statement.

(p) 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 income statements when they are declared by the controlled entity.

(q) Segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The operations of the controlled entity are classified as a business segment.

(r) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with banks net of any bank overdrafts.

(s) 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.

(t) 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.

(u) Share-based payments

The key management personnel and employees of the company are eligible to participate in various share based payment plans as part of the companies' membership of the Rio Tinto group.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

These options are excluded from the scope of AASB 2 "Share-based Payments" under the exemptions contained in AASB 1 "First-time Adoption of Australian Equivalents to IFRS". As such the shares are not recognised until the options are exercised, at which time any shortfall between the exercise price paid by the employee of the

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

company and the market price of the Rio Tinto Limited or Rio Tinto plc shares at the date of exercise is recognised as an employee benefits expense in the Income Statement.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the equity-settled share-based payment plans are recognised as an employee benefit expense over the expected vesting period. The fair value of the share plans is determined at the date of grant, taking into account any market-based vesting conditions attached to the award. When market prices are not available, fair values are used that are provided by independent actuaries.

The fair value of the options granted excludes the impact of any non-market based vesting conditions. Non-market based vesting conditions are taken into account in estimating the number of awards likely to vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made after the vesting date even if the awards are forfeited or not exercised.

(v) 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.

(w) New accounting standards and UIG interpretations

Certain new standards and UIG interpretations have been published that are not mandatory for 31 December 2006 reporting period; these changes have not been adopted early. The impact of these new standards and interpretations is not expected to impact any of the amounts recognised in the financial statements when they are adopted in the future.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Rehabilitation provision estimates

The calculation of the rehabilitation provision and corresponding capitalised closure cost assets (where necessary), rely on estimates of costs required to rehabilitate and restore disturbed land to their original condition. These estimates are regularly reviewed and adjusted in order to ensure that the most up to date data is used.

(ii) Determination of ore reserves and resources

ERA Ltd's estimates its ore reserves and resources based on information supplied by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the JORC Code). Reserves determined in this way are used for the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of payment of close down and restoration costs.

(iii) Impairment

ERA Ltd's balance sheet contains items that are subject to impairment testing. Estimates are required of future production, prices and exchange rates in order to assist in the judgement of impairment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
3. REVENUE				
Revenue from continuing operations				
Sale of goods	**312,188**	261,602	**312,188**	261,602
Rendering of services	**510**	434	**–**	–
Total sales revenue	**312,698**	262,036	**312,188**	261,602
Other revenue				
Interest received/receivable, other parties	**4,492**	3,892	**4,487**	3,887
Total other revenue	**4,492**	3,892	**4,487**	3,887
Total revenue	**317,190**	265,928	**316,675**	265,489
4. EXPENSES				
Profit before income tax includes the following specific expenses:				
Cost of sales	**194,522**	157,041	**194,522**	157,041
Amortisation of Ranger project rights	**11,419**	17,467	**11,419**	17,467
Amortisation of rehabilitation asset	**1,923**	3,305	**1,923**	3,305
Depreciation of non-current assets:				
Land and buildings	**3,599**	3,748	**3,464**	3,708
Plant and equipment	**16,704**	23,121	**16,636**	23,035
Total depreciation	**20,303**	26,869	**20,100**	26,743
Net exchange loss on translation of US$ bank accounts	**10**	301	**10**	301
Royalty payments	**3,636**	2,999	**3,636**	2,999
Payments to Aboriginal interests	**12,361**	10,224	**12,361**	10,224
Rental expense relating to operating leases	**200**	261	**200**	261
Borrowing costs:				
Related parties	**446**	193	**446**	193
Other parties	**579**	352	**577**	352
Rehabilitation provision	**9,964**	9,179	**9,964**	9,179
Other charges against assets:				
Write down of stores to net realisable value	**245**	283	**245**	283
Write off of acid plant capital spend in current year	**4,752**	–	**4,752**	–
Research and development expenditure	**8,236**	3,478	**8,236**	3,478
Long-term employee benefits expense	**1,303**	39	**1,260**	39
Net loss on sale of property, plant and equipment	**537**	4	**537**	4

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
5. INCOME TAX				
(a) Income tax expense				
Current tax	**26,548**	31,638	**26,752**	31,704
Deferred tax	**(8,294)**	(12,726)	**(8,325)**	(12,716)
Under (over) provided in prior years	**386**	(358)	**386**	(358)
	18,640	18,554	**18,813**	18,630
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase) in deferred tax assets (note 14)	**(2,846)**	(5,271)	**(2,877)**	(5,253)
(Decrease) in deferred tax liabilities (note 17)	**(5,448)**	(7,455)	**(5,448)**	(7,463)
	(8,294)	(12,726)	**(8,325)**	(12,716)
(b) Reconciliation of income tax expense to prima facie tax payable				
Operating profit before income tax	**62,247**	59,620	**62,954**	59,934
Tax at the Australian tax rate of 30%	**18,674**	17,886	**18,886**	17,980
Tax effect of permanent differences:				
R&D Tax Concession	**(1,842)**	–	**(1,842)**	–
Amortisation of rehabilitation asset	**577**	991	**577**	991
Other non-allowable items	**845**	35	**806**	17
Income tax under (over) provided in prior years	**386**	(358)	**386**	(358)
Income tax expense	**18,640**	18,554	**18,813**	18,630
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:				
Current tax	**–**	–	**–**	–
Net deferred tax	**545**	(6,513)	**514**	(6,513)
	545	(6,513)	**514**	(6,513)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2006

6. DIVIDENDS

Dividends provided for or paid during the year

	CENTS PER SHARE	TOTAL AMOUNT $000	DATE OF PAYMENT	FRANKED TAX RATE	PERCENTAGE FRANKED
Final 2005 – ordinary	11.0	20,981	1 March 2006	30%	100%
Interim 2006 – ordinary	6.0	11,444	31 August 2006	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 (2005: 11.0 cents) fully paid per ordinary share, fully franked based on tax paid at 30 per cent. The aggregate amount of the proposed final dividend was paid on 1 March 2007 out of retained profits at the end of the year but not recognised as a liability is $20,981,173.

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $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 (2005: 30%)	**53,283**	49,820	**53,283**	49,820

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

7. CASH AND CASH EQUIVALENTS

	2006 $000	2005 $000	2006 $000	2005 $000
Current				
Cash at bank and on hand	**8,281**	3,403	**8,157**	3,401
Deposits on call	**6,348**	14,720	**6,348**	14,720
Cash Assets	**14,629**	18,123	**14,505**	18,121

Deposits at call:

The deposits are bearing floating interest rates between 4.22 and 6.34 per cent (2005: 5.20 to 5.45 per cent)

8. RECEIVABLES

	2006 $000	2005 $000	2006 $000	2005 $000
Current				
Trade debtors	**96,122**	89,509	**95,884**	89,411
	96,122	89,509	**95,884**	89,411
Other debtors	**8,503**	10,571	**9,729**	11,316
Less provision for doubtful debts	**(34)**	(36)	**(34)**	(36)
	8,469	10,535	**9,695**	11,280
Related entity	**41**	49	**41**	49
	104,632	100,093	**105,620**	100,740

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
9. INVENTORIES				
Current				
Stores and spares at cost	**15,802**	17,704	**15,802**	17,704
Stores and spares at NRV	**2,642**	2,959	**2,642**	2,959
	18,444	20,663	**18,444**	20,663
Ore stockpiles at cost	**21,515**	12,717	**21,515**	12,717
Work in progress at cost	**1,649**	8,295	**1,649**	8,295
Finished product U_3O_8 at cost	**48,509**	68,261	**48,509**	68,261
	90,117	109,936	**90,117**	109,936
Non-current				
Ore stockpiles at cost	**60,595**	39,648	**60,595**	39,648
10. OTHER ASSETS				
Current				
Prepayments	**1,072**	760	**1,076**	753
11. 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
Amount capitalised during the year	**195**	–	**195**	–
Total exploration, evaluation and development expenditure	**203,212**	203,017	**203,212**	203,017

The recoverable amount of the cash generating unit (CGU) is determined based on estimated future prices, exchange rates and capital and production costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
12. DERIVATIVE FINANCIAL INSTRUMENTS				
Current assets				
Forward exchange contracts – cash flow hedges	**10,645**	7,363	**10,645**	7,363
	10,645	7,363	**10,645**	7,363
Non-current				
Forward exchange contracts – cash flow hedges	**13,476**	15,840	**13,476**	15,840
	13,476	15,840	**13,476**	15,840

(a) Instruments used by the group

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.

The contracts are hedged against highly probable forecasted sales. At balance date, the details of the outstanding contracts are:

		2006		2005	
	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	**22,000**	**0.61**	24,000	0.61
	1 to 5 years	**34,000**	**0.61**	56,000	0.61
	Total	**56,000**	**0.61**	80,000	0.61
Options					
Purchased US$ put options	Less than 1 year	**18,000**	**0.70**	18,000	0.70
	1 to 5 years	**18,000**	**0.70**	36,000	0.70
	Total	**36,000**	**0.70**	54,000	0.70

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the initial measurement of the component recognised in the balance sheet is adjusted by the related amount deferred in equity.

(b) 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.

(c) 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 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 43%, Europe 33%, and Asia 24%.

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
13. PROPERTY, PLANT AND EQUIPMENT				
(a) Non-current				
Mine land and buildings				
Mine land and buildings at cost	**98,987**	94,163	**98,441**	93,617
Less accumulated depreciation	**(71,874)**	(68,717)	**(71,450)**	(68,423)
	27,113	25,446	**26,991**	25,194
Plant and equipment				
Plant and equipment at cost	**531,054**	499,917	**530,230**	499,217
Less accumulated depreciation	**(343,140)**	(328,439)	**(342,363)**	(327,904)
	187,914	171,478	**187,867**	171,313
Mine properties				
Ranger project rights at cost	**407,000**	407,000	**407,000**	407,000
Less accumulated amortisation	**(309,699)**	(298,280)	**(309,699)**	(298,280)
	97,301	108,720	**97,301**	108,720
Rehabilitation				
Closure at cost	**48,136**	53,684	**48,136**	53,684
Less accumulated amortisation	**(34,507)**	(32,584)	**(34,507)**	(32,584)
	13,629	21,100	**13,629**	21,100
Total property, plant and equipment	**325,957**	326,744	**325,788**	326,327
(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 1 January	**25,446**	27,998	**25,194**	27,738
Additions	**5,266**	1,196	**5,261**	1,164
Depreciation	**(3,599)**	(3,748)	**(3,464)**	(3,708)
Carrying amount at 31 December	**27,113**	25,446	**26,991**	25,194
Plant and equipment				
Carrying amount at 1 January	**171,478**	149,185	**171,313**	149,008
Additions	**33,677**	45,514	**33,727**	45,440
Write back of assets disposed	**(537)**	(100)	**(537)**	(100)
Depreciation	**(16,704)**	(23,121)	**(16,636)**	(23,035)
Carrying amount at 31 December	**187,914**	171,478	**187,867**	171,313
Mine properties				
Carrying amount at 1 January	**108,720**	126,187	**108,720**	126,187
Amortisation	**(11,419)**	(17,467)	**(11,419)**	(17,467)
Carrying amount at 31 December	**97,301**	108,720	**97,301**	108,720
Rehabilitation				
Carrying amount at 1 January	**21,100**	13,834	**21,100**	13,834
Additional disturbance	**6,283**	10,571	**6,283**	10,571
Change in estimate	**(11,831)**	–	**(11,831)**	–
Amortisation	**(1,923)**	(3,305)	**(1,923)**	(3,305)
Carrying amount at 31 December	**13,629**	21,100	**13,629**	21,100

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
14. DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Rehabilitation	**40,461**	37,004	**40,461**	37,004
Employee provisions	**1,863**	1,506	**1,832**	1,444
Other payables	**3,091**	3,766	**3,091**	3,766
	45,415	42,276	**45,384**	42,214
Amount recognised directly in equity				
Share benefits	**717**	448	**686**	448
	46,132	42,724	**46,070**	42,662
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 17)	**(46,132)**	(42,724)	**(46,070)**	(42,662)
Net deferred tax assets	**–**	–	**–**	–
Movements:				
Opening balance at 1 January	**42,724**	37,556	**42,662**	37,512
Credited to the income statement	**2,846**	5,271	**2,877**	5,253
Credited to equity	**269**	448	**238**	448
(Over) in prior years	**293**	(551)	**293**	(551)
Closing balance at 31 December	**46,132**	42,724	**46,070**	42,662
15. PAYABLES				
Current				
Trade creditors	**33,122**	23,774	**32,466**	23,560
Other creditors	**2,324**	1,231	**1,915**	1,082
Amount owing to related entities	**1,839**	1,661	**2,969**	2,427
	37,285	26,666	**37,350**	27,069
Non-current				
Other creditors	**113**	15	**113**	15
Deferred income	**10,192**	10,192	**10,192**	10,192
	10,305	10,207	**10,305**	10,207
16. PROVISIONS				
Current				
Employee entitlements	**5,482**	4,273	**5,494**	4,193
Rehabilitation	**2,270**	2,570	**2,270**	2,570
	7,752	6,843	**7,764**	6,763
Non-current				
Employee entitlements	**645**	612	**511**	514
Rehabilitation	**179,095**	176,064	**179,095**	176,064
	179,740	176,676	**179,606**	176,578

16. PROVISIONS CONTINUED

Movements in provisions

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

2006	REHABILITATION		
	CURRENT $000	NON-CURRENT $000	TOTAL $000
Carrying amount at the start of the year	**2,570**	**176,064**	**178,634**
Payments	**(2,084)**	**–**	**(2,084)**
Change in estimate	**–**	**(11,831)**	**(11,831)**
Additional provision recognised	**1,784**	**14,862**	**16,646**
Carrying amount at the end of the year	**2,270**	**179,095**	**181,365**

2005	REHABILITATION		
	CURRENT $000	NON-CURRENT $000	TOTAL $000
Carrying amount at the start of the year	–	159,015	159,015
Payments	(133)	–	(133)
Additional provision recognised	2,703	17,049	19,752
Carrying amount at the end of the year	2,570	176,064	178,634

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
17. DEFERRED TAX LIABILITIES				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Investment	**13,485**	12,773	**13,485**	12,773
Property, plant & equipment	**53,400**	46,450	**53,400**	46,450
Mining rights	**29,190**	40,387	**29,190**	40,387
Inventories	**8,138**	10,856	**8,138**	10,856
Other receivables	**388**	628	**401**	641
	104,601	111,094	**104,614**	111,107
Amount recognised directly in equity				
Cash flow hedges	**7,117**	6,961	**7,117**	6,961
	111,718	118,055	**111,731**	118,068
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 14)	**(46,132)**	(42,724)	**(46,070)**	(42,662)
Net deferred tax liabilities	**65,586**	75,331	**65,661**	75,406
Movements:				
Opening balance at 1 January	**118,055**	118,381	**118,068**	118,402
Change on adoption of AASB 132 and AASB 139	**–**	9,652	**–**	9,652
(Credited) to the income statement	**(5,448)**	(7,455)	**(5,448)**	(7,463)
(Credited) to equity	**(276)**	(2,691)	**(276)**	(2,691)
(Under) over provided in prior years	**(613)**	168	**(613)**	168
Closing balance at 31 December	**111,718**	118,055	**111,731**	118,068

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	NOTES	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	THE COMPANY 2006 $000	THE COMPANY 2005 $000
18. EMPLOYEE ENTITLEMENTS					
Aggregate employee entitlements, including on-costs					
Current	16	**5,482**	4,273	**5,494**	4,193
Non-current	16	**645**	612	**511**	514
		6,127	4,885	**6,005**	4,707

	CONSOLIDATED NUMBER 2006	CONSOLIDATED NUMBER 2005	THE COMPANY NUMBER 2006	THE COMPANY NUMBER 2005
Employee numbers				
Number of employees at year end	**385**	354	**359**	334

	CONSOLIDATED 2006	CONSOLIDATED 2005	THE COMPANY 2006	THE COMPANY 2005
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%**	3.00%	**3.00%**	3.00%
Discount rate	**5.59%**	5.38%	**5.59%**	5.38%
Settlement terms (years)	**7**	7	**7**	7

Superannuation

As noted in Note 1(o), many employees of the company are members of the Rio Tinto Staff Superannuation Fund. The Fund has both a defined benefit and defined contribution section. The defined benefit section is wholly funded and provides lump sum benefits based on years of service and final average salary. Due to the terms of the agreement between the members of the defined benefit section of the Fund it will be accounted for as a defined contribution plan. Further relevant details of the Fund are noted below:

	2006	2005
Principal actuarial assumptions		
Price Inflation	**3.10%**	2.80%
Discount rate	**5.00%**	4.40%
Pension increases in payment	**3.10%**	2.80%
General salary and wage increases	**5.10%**	4.80%
Expected return on assets		
Equities	**8.70%**	6.80%
Bonds	**5.20%**	4.60%
Property	**6.80%**	5.60%
Other	**3.50%**	3.20%

	$000	$000
Categories of plan assets		
The current allocation of plan assets is as follows:		
Equities	**1,444,091**	1,212,358
Fixed interest government bonds	**552,018**	446,563
Property or real estate	**233,155**	113,694
Other	**13,016**	91,197
Total	**2,242,280**	1,863,812

18. EMPLOYEE ENTITLEMENTS CONTINUED

	2006 $000	2005 $000
Reconciliations		
Reconciliation of present value of total fund obligation:		
Opening defined benefit obligation	**1,866,097**	1,584,177
Employer's part of current service cost	**139,628**	105,054
Interest cost	**95,005**	95,005
Contributions by plan participants	**57,233**	36,837
Actuarial gains and losses on liability	**112,811**	172,324
Benefits paid	**(168,237)**	(127,300)
Transfers in	**89,955**	–
Closing defined benefit obligation	**2,206,482**	1,866,097
Reconciliation of fair value of plan assets:		
Opening fair value of plan assets	**1,863,812**	1,572,177
Expected return on plan assets	**115,319**	100,997
Actuarial gains and losses on assets	**148,378**	171,411
Contributions by the employer	**133,894**	109,250
Contributions by plan participants	**57,232**	36,837
Benefits paid	**(168,237)**	(127,300)
Transfers in	**91,882**	–
Closing fair value of plan assets	**2,242,280**	1,863,812

Employer contributions

Employer contributions to the defined benefit section of the Fund are based on recommendations by the Fund's actuary. A review of the funding position is undertaken every 6 months. The Trustee and Rio Tinto have agreed a Contribution Management Strategy that seeks to minimise volatility in the position of the Fund, avoid the need for lump-sum contributions and to ensure that any deficiency of assets compared with vested benefits is rectified within three years. Based on this strategy, the actuary recommended that as from 1 January 2007 nil contributions be made in respect of defined benefit members. This is a continuation of the position applying from 1 July 2006. Contributions to the Fund by member companies for 2007 are estimated to be $139,370,645.

Net financial position of the plan

In accordance with AAS25 "Financial Reporting by Superannuation Plans" the plans net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This was published in the most recent financial report of the superannuation fund (30 June 2006) based on the last actuarial review of the accrued benefits (as at 30 June 2005) as an excess of assets over accrued benefits of $5,004,000.

	CONSOLIDATED		THE COMPANY	
	2006 SHARES	2005 SHARES	2006 $000	2005 $000
19. SHARE CAPITAL				
Issued and paid up capital comprises:				
A Class shares fully paid	**190,737,934**	190,737,934	**214,585**	214,585

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
20. RESERVES				
Share-based payments reserve	**1,672**	698	**1,600**	698
Cash flow reserve	**16,813**	16,242	**16,813**	16,242
Capital reconstruction	**389,500**	389,500	**389,500**	389,500
	407,985	406,440	**407,913**	406,440

In June 1995, ERA Ltd 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.

Movements:				
Share-based payments reserve				
Balance 1 January	**698**	186	**698**	186
Option expense	**974**	512	**902**	512
Balance 31 December	**1,672**	698	**1,600**	698
Cash flow reserve				
Balance 1 January	**16,242**	–	**16,242**	–
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**–**	22,597	**–**	22,597
Revaluation – gross	**9,186**	(4,239)	**9,186**	(4,239)
Deferred tax	**(2,756)**	1,272	**(2,756)**	1,272
Transfer to net profit	**(8,369)**	(4,839)	**(8,369)**	(4,839)
Deferred tax	**2,510**	1,451	**2,510**	1,451
Balance 31 December	**16,813**	16,242	**16,813**	16,242
Capital reconstruction reserve				
Balance 1 January	**389,500**	389,500	**389,500**	389,500
Movements	**–**	–	**–**	–
Balance 31 December	**389,500**	389,500	**389,500**	389,500

21. RETAINED PROFITS				
Retained profits at the beginning of the financial year	**(81,261)**	(89,902)	**(81,240)**	(90,119)
Net profits attributable to members of Energy Resources of Australia Ltd	**43,607**	41,066	**44,141**	41,304
Dividends provided for or paid	**(32,425)**	(32,425)	**(32,425)**	(32,425)
Retained profits at the end of the financial year	**(70,079)**	(81,261)	**(69,524)**	(81,240)

22. CONTINGENT LIABILITIES

Legal actions against ERA Ltd

The remaining argument in the action listed in the Federal Court against the former Federal Minister for Resources and ERA Ltd claiming that due process was not followed in granting approvals for the Jabiluka Mill Alternative is dormant. Should ERA Ltd 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	
	2006 $000	2005 $000	2006 $000	2005 $000
23. COMMITMENTS				
(a) Capital expenditure commitments				
Contracted but not provided for and payable:				
Not later than 1 year	**5,566**	6,737	**5,566**	6,737
(b) Lease commitments				
(i) Operating leases				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than 1 year	**1,146**	290	**1,132**	282
Later than 1 year but not later than 5 years	**835**	645	**779**	645
	1,981	935	**1,911**	927

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.

(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	**917**	989	**917**	989
	1,281	1,353	**1,281**	1,353

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 2007 in respect of tenement lease rentals.

(c) ERA Ltd 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 Aboriginal Benefits Reserve pursuant to a determination under Section 63(5)(b) of the *Aboriginal Land Rights (NT) Act 1976*. These amounts are calculated at 4.25 per cent of Ranger net sales revenue (amounts paid during 2006: $12,361,000. 2005: $10,224,000);

(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 per cent of Ranger net sales revenue (amounts paid during 2006: $3,636,000. 2005: $2,999,000);

(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 2006 the total liability was assessed at $100,631,686 a bank guarantee of $57,658,623 (2005: $23,627,125) was provided to supplement the $42,973,063 in cash in the trust fund.

(d) ERA Ltd is liable to make payments to the Northern Land Council (NLC) pursuant to the Section 43 Agreement *(Aboriginal Land Rights (NT) Act 1976)* between Pancontinental Mining Limited and Getty Oil Development Company Limited and the NLC dated 21 July 1982, which was assigned to ERA Ltd with the consent of the NLC, as listed below:

(i) Up front payment of $3,400,000 on the commencement of production at Jabiluka.

(ii) Annual royalty payments calculated at 4.5 per cent of net sales revenue less $500,000 less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease for the first 10 years and thereafter at 5 per cent of net sales revenue less any amounts paid to the Aboriginal Benefits Reserve by the Commonwealth under the conditions specified in the mineral lease (refer commitment (e) below).

(e) ERA Ltd is liable to make payments to the Commonwealth in respect of the Jabiluka project pursuant to the conditions attached to the mineral lease. The amount payable was, until 30 June 1990, calculated at the rate of 5.25 per cent of net sales revenue from the Jabiluka project.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2006

24. KEY MANAGEMENT PERSONNEL DISCLOSURES
The following persons were the Directors of the consolidated entity during the financial year ended 31 December 2006.

Chairman – non-executive
D Klingner

Executive Directors
H Kenyon-Slaney, Chief Executive

Non-executive Directors
R Carter
H Garnett
C Lenegan
P Chiaro resigned from the position of non-executive Director on 12 September 2006.
A Lloyd resigned from the position of non-executive Director on 22 December 2006.

Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

NAME	POSITION	EMPLOYER (DIRECTLY OR BY SECONDMENT)
C Bateman	Chief Financial Officer (from 1 June 2006)	ERA Ltd
R Antal	Chief Financial Officer (from 1 January to 27 July 2006)	ERA Ltd
A Milnes	GM EWLS	EWLS Pty Ltd
D Paterson	GM Business Development	ERA Ltd
C Salisbury	GM Operations	ERA Ltd
D Gibson	GM Technical Projects	ERA Ltd

All of the above key management personnel were also other key management personnel during the year ended 31 December 2005, except for C Bateman who commenced employment with the company during 2006.

Key management personnel compensation

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
Short-term employee benefits	**2,825,984**	2,474,050	**2,480,099**	2,207,200
Post-employment benefits	**316,310**	244,310	**261,206**	198,000
Share-based payments	**324,128**	332,000	**286,569**	294,690
	3,466,422	3,050,360	**3,027,874**	2,699,890

The company has taken advantage of the relief provided by ASIC CRM 2.6.04 and has transferred the detailed remuneration disclosures to the Directors' report. The relevant information can be found in sections A-D of the remuneration report on pages 23 to 31.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

Equity holdings not provided as compensation

Options provided as remuneration for duties to the wider Rio Tinto group

NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR VESTED AND EXERCISABLE	UNVESTED
2006						
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
D Klingner	**42,468**	**–**	**–**	**–**	**38,351**	**4,117**
A Lloyd	**8,226**	**–**	**–**	**(1,971)**	**1,574**	**4,681**
C Lenegan	**29,829**	**–**	**–**	**6,330**	**22,034**	**14,125**
2005						
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
B Horwood	14,819	–	(4,439)	–	4,816	5,564
D Klingner	71,039	–	(28,571)	–	17,395	25,073
A Lloyd	23,477	–	(16,542)	1,291	2,554	5,672
C Lenegan	25,928	–	–	3,901	12,360	17,469

Conditional awards provided as remuneration for duties to the wider Rio Tinto group

NAME	BALANCE AT THE START OF THE YEAR	GRANTED DURING THE YEAR	CRYSTALLISATION OF PRIOR AWARD VESTED	LAPSED	AWARDS CANCELLED	BALANCE AT THE END OF THE YEAR
2006						
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
D Klingner	**32,355**	**–**	**(2,680)**	**(8,041)**	**–**	**21,634**
A Lloyd	**2,598**	**2,083**	**–**	**–**	**–**	**4,681**
C Lenegan	**11,912**	**6,330**	**(529)**	**(1,590)**	**–**	**16,123**
2005						
Rio Tinto Limited						
Directors of Energy Resources of Australia Ltd						
B Horwood	10,965	–	(451)	(3,164)	–	7,350
D Klingner	44,738	–	(1,547)	(10,836)	–	32,355
A Lloyd	1,307	1,291	–	–	–	2,598
C Lenegan	10,567	3,903	(319)	(2,239)	–	11,912

Loans and other transactions with Directors and key management personnel

There are no loans with Directors or key management personnel during 2006.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
25. AUDITOR'S REMUNERATION				
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	**303**	206	**303**	206
Other audit related work	**15**	158	**15**	158
Total audit and other assurance services	**318**	364	**318**	364
Advisory services & tax	**–**	–	**–**	–
Total remuneration	**318**	364	**318**	364

26. RELATED PARTIES

Directors

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

R Carter, H Kenyon-Slaney, D Klingner, A Lloyd (Alternate: F Nicholls), P Chiaro (Alternate: F Nicholls), H Garnett, C Lenegan.

Information relating to Directors' compensation, shareholdings and retirement benefits is set out in the remuneration report in the Directors report and note 24.

Transactions with Directors and Director-related entities

There were no transactions with Director-related entities during 2006.

Controlled entity

Information relating to the controlled entity is set out in note 28 and note 34.

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 Ltd 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 Ltd entered into a A$5,000,000 short-term loan arrangement with Rio Tinto Finance Limited a wholly owned subsidiary of Rio Tinto Limited. This loan was repaid in January 2007. The facility was negotiated on commercial terms and conditions.

Uranium Loan from related party

During the period ERA Ltd entered into a uranium loan agreement with Rossing Uranium Ltd, a subsidiary of Rio Tinto Limited for 128.8 tonnes of uranium oxide in January 2006. This loan was undertaken on commercial terms and conditions for the purpose of inventory management and was repaid during 2006. Interest paid in respect of the uranium loan totalled $218,353.

Superannuation fund

Information relating to the consolidated entity's superannuation fund is set out in note 18.

Interest income

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

Intercompany foreign exchange contracts

Foreign currency forwards and options, as per note 12 have been taken out with North Finance Limited.

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
26. RELATED PARTIES CONTINUED				
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	**1,600**	1,500	**1,600**	1,500
Consulting fees paid to:				
EWLS Pty Ltd – controlled entity			**2,489**	2,621
Rio Tinto Limited	**3,458**	5,988	**3,458**	5,988
Other reimbursements for commercial services:				
– Rio Tinto Limited	**9,382**	5,875	**9,382**	5,875
Amounts received from related parties:				
Rio Tinto Limited – fees	**–**	316	**–**	316
Rio Tinto Limited – interest	**1,436**	1,213	**1,436**	1,213
EWLS Pty Ltd	**–**	–	**–**	195
Aggregate amounts recognised in relation to other transactions with each class of other related parties:				
Dividends paid or payable to:				
Parent entity – North Ltd	**11,057**	11,057	**11,057**	11,057
Related parties – Peko Wallsend Ltd	**11,119**	11,119	**11,119**	11,119
Aggregate amounts receivable from and payable to each class of other related parties at balance date were as follows:				
Assets – derivative financial instruments				
Related parties – North Finance Limited	**24,121**	23,203	**24,121**	23,203
Current assets – cash assets				
Related parties – Rio Tinto Finance Ltd	**6,348**	14,720	**6,348**	14,720
Current assets – receivables				
Related parties – other	**41**	49	**41**	49
Current liabilities – creditors				
Related parties – Rio Tinto Limited	**6,839**	11,661	**6,839**	11,661
Controlled entities – EWLS Pty Ltd	**–**	–	**1,130**	665

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2006

27. SHAREHOLDER RELATED CUSTOMER TRANSACTIONS
There were no shareholder related customer transactions during 2006 (2005: $26,114,063).

28. INVESTMENT IN CONTROLLED ENTITY

NAME OF ENTITY	PLACE OF INCORPORATION	CLASS OF SHARE	INTEREST HELD 2006	INTEREST HELD 2005
EWL Sciences Pty Ltd	NSW	Ordinary	100%	100%

The above controlled entity is wholly-owned and no dividends were paid to the parent entity (2005: $Nil).

29. SEGMENT INFORMATION
Primary Reporting – Business Segments

2006	URANIUM $000	CONSULTING $000	ELIMINATIONS $000	CONSOLIDATED $000
Sales to external customers	**312,188**	**510**	**–**	**312,698**
Inter-segment sales	**–**	**2,488**	**(2,488)**	**–**
Total sales revenue	**312,188**	**2,998**	**(2,488)**	**312,698**
Other revenue – interest	**4,487**	**5**	**–**	**4,492**
Total segment revenue	**316,675**	**3,003**	**(2,488)**	**317,190**
Segment result before interest and tax	**69,455**	**(710)**	**–**	**68,745**
Net interest income (expense)	**(6,501)**	**3**	**–**	**(6,498)**
Income tax expense	**18,813**	**(173)**		**18,640**
Segment result after tax	**44,141**	**(534)**	**–**	**43,607**
Total assets (exc. tax)	**870,087**	**390**	**(1,189)**	**869,288**
Total liabilities (exc. tax)	**240,025**	**1,146**	**(1,089)**	**240,082**
Acquisition of non-current assets	**45,271**	**(45)**	**–**	**45,266**
Depreciation & amortisation expense	**33,442**	**203**	**–**	**33,645**
Other non-cash expenses	**(1,682)**	**(8)**	**–**	**(1,632)**
Net cash inflow from operating activities	**74,826**	**122**	**–**	**74,948**

2005	URANIUM $000	CONSULTING $000	ELIMINATIONS $000	CONSOLIDATED $000
Sales to external customers	261,602	434	–	262,036
Inter-segment sales	–	3,287	(3,287)	–
Total sales revenue	261,602	3,721	(3,287)	262,036
Other revenue – interest	3,887	5	–	3,892
Total segment revenue	265,489	3,726	(3,287)	265,928
Segment result before interest and tax	66,018	(319)	–	65,699
Net interest income/(expense)	(6,084)	5	–	(6,079)
Income tax expense	18,630	(76)		18,554
Segment result after tax	41,304	(238)	–	41,066
Total assets (exc. tax)	864,421	644	(965)	864,100
Total liabilities (exc. tax)	230,392	1,291	(1,066)	230,617
Acquisition of non-current assets	57,175	105	–	57,280
Depreciation & amortisation expense	47,515	126	–	47,641
Other non-cash expenses	(1,481)	(5)	–	(1,486)
Net cash inflow from operating activities	33,370	33	–	33,403

29. SEGMENT INFORMATION CONTINUED

Secondary reporting – geographical segments

2006	CONSOLIDATED $000
Segment revenues from sales to external customers:	
Asia	**101,150**
United States	**141,004**
Europe	**70,034**
Australia	**510**
	312,698

2005	
Segment revenues from sales to external customers:	
Asia	88,653
United States	99,826
Europe	73,123
Australia	434
	262,036

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
30. NOTES TO THE STATEMENTS OF CASH FLOWS				
Reconciliation of operating profit after income tax to net cash inflow from operating activities				
Operating profit after income tax	**43,607**	41,066	**44,141**	41,304
Add (less) items classified as investing and financing activities:				
Loss on sale of non-current assets	**537**	4	**537**	4
Add (less) non-cash items:				
Depreciation and amortisation	**33,645**	47,641	**33,442**	47,515
Closure interest expense	**9,964**	9,179	**9,964**	9,179
Employee benefits – share scheme	**974**	140	**974**	140
Unrealised foreign exchange in cash	**(632)**	(301)	**(632)**	(303)
Net exchange differences	**90**	1,844	**90**	1,844
(Increase) in deferred tax – hedges	**(276)**	(6,961)	**(276)**	(6,961)
Change in operating assets and liabilities:				
(Increase) in trade and other debtors	**(3,952)**	(46,785)	**(3,952)**	(46,688)
(Increase) in inventories	**(1,129)**	(29,922)	**(1,129)**	(29,922)
(Increase) decrease in prepayments	**(312)**	336	**(323)**	334
(Increase) in interest receivable	**(2,328)**	(2,318)	**(2,328)**	(2,318)
Increase in trade creditors	**9,954**	2,120	**9,954**	1,713
(Decrease) increase in provision for income taxes payable	**(7,483)**	11,356	**(7,808)**	11,522
(Decrease) in net provision for deferred income tax liability and deferred tax asset	**(7,467)**	(5,493)	**(7,467)**	(5,484)
(Decrease) increase in other provisions and liabilities	**(244)**	11,497	**173**	11,491
Net cash inflow provided by operating activities	**74,948**	33,403	**74,826**	33,370
31. FINANCING ARRANGEMENTS				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdrafts	**500**	500	**500**	500
Loan from related party	**51,282**	15,000	**51,282**	15,000
	51,782	15,500	**51,782**	15,500
Facilities not utilised at balance date:				
Bank overdrafts	**500**	500	**500**	500
Loan from related party	**46,282**	5,000	**46,282**	5,000
	46,782	5,500	**46,782**	5,500

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 8.75% p.a. (2005: 8.75% p.a.).

Loan from related party

The loan is unsecured and denominated in US currency. The rate applicable at balance date was 6.7% p.a.

32. EARNINGS PER SHARE

	2006 CENTS	2005 CENTS
Basic earnings per share	**22.9**	21.5
Diluted earnings per share	**22.9**	21.5

Earnings used in the calculation of basic and diluted earnings per share: 2006: $43,607,000 (2005: $41,066,000).
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share: 2006: 190,737,934 shares (2005: 190,737,934 shares).

33. 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:

2006	NOTE	FLOATING INTEREST RATE $000	NON-INTEREST BEARING $000	TOTAL $000	WEIGHTED AVERAGE INTEREST RATE %P.A.
Financial assets					
Cash	7	**14,629**	**–**	**14,629**	**5.8**
Receivables	8	**–**	**104,632**	**104,632**	
Total		**14,629**	**104,632**	**119,261**	
Financial liabilities					
Accounts payable	15	**–**	**37,285**	**37,285**	
Interest bearing liability		**5,000**	**–**	**5,000**	
Total		**5,000**	**37,285**	**42,285**	
2005					
Financial assets					
Cash	7	18,123	–	18,123	5.6
Receivables	8		100,093	100,093	
Total		18,123	100,093	118,216	
Financial liabilities					
Accounts payable	15	–	26,666	26,666	
Interest bearing liability		10,000	–	10,000	
Total		10,000	26,666	36,666	

b) 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:

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2006

33. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES CONTINUED

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

Currency forwards and options
The net fair value of financial instruments is determined on a market-to-market basis. This represents the estimated amounts at reporting date that the consolidated entity would have received (or paid) to terminate the contracts or replace the contracts at their current market rates at that date.

34. ECONOMIC DEPENDENCY
A controlled entity, EWLS Pty Ltd, depends on ERA Ltd for a significant source of revenue. During the 2006 reporting period, 83 per cent of EWLS Pty Ltd revenue (2005: 88 per cent) was derived from services provided to ERA Ltd.

35. 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.

36. SHARE BASED PAYMENTS

(a) Mining Companies Comparative Plan
Under this plan, executive directors and eligible senior executives are granted a conditional right to receive shares or the equivalent cash value subject to the satisfaction of performance conditions approved by the Remuneration Committee. Awards are not pensionable. Senior executives also participate in the plan at appropriate levels of award.

Set out below are summaries of options granted under the plan:

	BALANCE AT START OF THE YEAR NO.	GRANTED DURING THE YEAR NO.	EXERCISED DURING THE YEAR NO.	EXPIRED/ FORFEITED DURING THE YEAR NO.	BALANCE AT END OF THE YEAR NO.	EXERCISABLE AT END OF THE YEAR NO.
Options for shares in Rio Tinto Limited						
Consolidated and parent entity – 2006						
	9,058	7,253	–	(3,320)	12,991	–
Weighted average exercise price	$53.22	$74.30	–	–	$62.00	–
Options for shares in Rio Tinto Limited						
Consolidated and parent entity – 2005						
	4,489	4,569	–	–	9,058	–
Weighted average exercise price	$39.12	$69.00	–	–	$53.22	–
Options for shares in Rio Tinto plc						
Consolidated and parent entity – 2006						
	10,717	4,980	–	–	15,697	–
Weighted average exercise price	£16.03	£28.67	–	–	£20.04	–
Options for shares in Rio Tinto plc						
Consolidated and parent entity – 2005						
	5,255	5,462	–	–	10,717	–
Weighted average exercise price	£14.40	£17.59	–	–	£16.03	–

Options for shares in Rio Tinto plc

Fair value of options granted

The grant date fair value of the awards is taken to be the market value of the shares (including dividends expected to be payable during the vesting period) at the date of award reduced by 50 per cent for anticipated relative TSR performance. In accordance with the method of accounting for liability awards, fair values are subsequently remeasured each year to reflect the number of awards expected to vest based on the current and anticipated TSR performance. It is assumed all senior executives remain in current employment.

36. SHARE BASED PAYMENTS CONTINUED

(b) Share option plan ("SOP")

An annual grant of options to purchase shares in the future at current market prices at date of grant is made to executive directors and eligible senior executives.

Set out below are summaries of options granted under the plan:

	BALANCE AT START OF THE YEAR NO.	GRANTED DURING THE YEAR NO.	TRANSFERS IN/(OUT) NO.	EXERCISED DURING THE YEAR NO.	EXPIRED/ FORFEITED DURING THE YEAR NO.	BALANCE AT END OF THE YEAR NO.	EXERCISABLE AT END OF THE YEAR NO.
Options for shares in Rio Tinto Limited							
Consolidated and parent entity – 2006							
	23,868	**4,768**	**–**	**(4,971)**	**–**	**23,665**	**11,855**
Weighted average exercise price	**$37.34**	**$71.06**	**–**	**$36.22**	**–**	**$44.36**	**$35.80**
Options for shares in Rio Tinto Limited							
Consolidated and parent entity – 2005							
	20,354	3,514	–	–	–	23,868	8,525
Weighted average exercise price	$35.66	$47.04	–	–	–	$37.34	$38.44
Options for shares in Rio Tinto plc							
Consolidated and parent entity – 2006							
	22,130	**4,980**	**–**	**–**	**–**	**27,110**	**11,413**
Weighted average exercise price	**£14.63**	**£27.11**	**–**	**–**	**–**	**£16.93**	**£13.52**
Options for shares in Rio Tinto plc							
Consolidated and parent entity – 2005							
	16,668	5,462	–	–	–	22,130	5,139
Weighted average exercise price	£13.44	£18.26	–	–	–	£14.63	£14.59

The weighted average share price at the date of exercise of option exercised regularly during the year ended 31 December 2006 was $77.60 (2005: $n/a).

The weighted average remaining contractural life of share options outstanding at the end of the period was three years (2005: three years).

Fair value of options granted

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2006 included:

(a) options are granted for no consideration and have a three year life
(b) exercise price: $71.06 (2005: $47.04)
(c) grant date 7 March 2006 (2005: 9 March 2005)
(d) expiry date: 7 March 2016 (2005: 9 March 2015), subject to the satisfaction of a graduated performance conditions set by the Remuneration Committee
(e) share price at grant date: $69.25 (2005: $47.39)
(f) expected price volatility of the company's shares: 26 per cent (2005: 26 per cent)
(g) expected dividend yield: 1.6 per cent (2005: 1.8 per cent)
(h) risk-free interest rate: 5.4 per cent (2005: 5.6 per cent)

The expected volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2006

36. SHARE BASED PAYMENTS CONTINUED

(c) Employee share savings plan ("SSP")
All "qualifying employees" who have had six months continuous employment with a Rio Tinto group company at the date of offer and who are not under notice of termination and who do not participate in any other Rio Tinto savings related share scheme, are eligible to participate in the SSP.

Options granted under the SSP are exercisable from 1 January following either the third or fifth anniversary of the grant, depending on the savings term nominated by the employee. If an employee leaves the Rio Tinto group, a proportion of the options may be exercised early in certain circumstances. Options expire six months after the exercise date. Options have no voting rights to dividends until they are exercised and shares issued. Shares provided under the SSP rank equally with other fully paid shares on issue.

The number of options issued to an employee is based on the fixed month savings amount as selected by the employee when joining the SSP, multiplied by the months in the selected savings period, plus savings account interest earned, the total of which is divided by the exercise price.

	BALANCE AT START OF THE YEAR NO.	GRANTED DURING THE YEAR NO.	TRANSFERS IN/(OUT) NO.	EXERCISED DURING THE YEAR NO.	EXPIRED/ FORFEITED DURING THE YEAR NO.	BALANCE AT END OF THE YEAR NO.	EXERCISABLE AT END OF THE YEAR NO.
Consolidated and parent entity – 2006							
	54,278	**17,517**	**–**	**(6,329)**	**(2,590)**	**62,876**	**–**
Weighted average exercise price	**$39.36**	**$56.80**	**–**	**$25.60**	**$36.56**	**$39.89**	**–**
Consolidated and parent entity – 2005							
	43,971	21,060	–	(7,296)	(3,457)	54,278	–
Weighted average exercise price	$27.44	$40.92	–	$27.86	$26.69	$39.36	–

The weighted average share price at the date of exercise of options exercised regularly during the year ended 31 December 2006 was $39.89 (2005: $39.36).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.81 years (2005: 3.76 years). Fair value of options granted

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 31 December 2006 included:

(a) options are granted for no consideration and have a three or five year life
(b) exercise price: $56.80 (2005: $40.92)
(c) grant date: 7 October 2006 (2005: 7 October 2005)
(d) expiry date: 5 year plan – 1 July 2012 (2005: 5 year plan – 1 July 2011)
(e) share price at grant date: $69.25 (2005: $56.50)
(f) expected price volatility of the company's shares: 26 per cent (2005: 26 per cent)
(g) expected dividend yield: 1.5 per cent (2005: 1.8 per cent)
(h) risk-free interest rate: 5 year plan 5.4 per cent (2005: 5.6 per cent), 3 year plan 5.4 per cent (2005: 5.6 per cent)

The expected volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(d) Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED		COMPANY	
	2006 $000	2005 $000	2006 $000	2005 $000
Options issued under employee option plan	**974**	512	**974**	512

DIRECTORS' DECLARATION

IN THE DIRECTORS' OPINION:

(a) the financial statements and notes set out on pages 38 to 70 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 2006 and of their performance, as represented by the results of their operations, changes in equity 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; and

(c) the audited remuneration disclosures set out on pages 23 to 31 of the Directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures and the Corporations Regulations 2001*; and

The Directors have been given the declarations by the chief executive and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Dr D Klingner
Director

Melbourne
2 March 2007

INDEPENDENT AUDIT REPORT

to the members of Energy Resources of Australia Ltd

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report and remuneration disclosures of Energy Resources of Australia Ltd (the company) for the financial year ended 31 December 2006 included on Energy Resources of Australia Ltd 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 and remuneration disclosures identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report orremuneration 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 and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

AUDIT OPINION

In our opinion

1. 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 Group (defined below) as at 31 December 2006, 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*; and
2. the remuneration disclosures that are contained in parts A - D on pages 23 to31 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the *Corporations Regulations 2001*.

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

SCOPE

The financial report, remuneration disclosures and directors' responsibility The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Energy Resources of Australia Ltd (the company) and the Energy Resources of Australia Ltd Group (the consolidated entity), for the year ended 31 December 2006. The consolidated entity comprises both the company and the entity it controlled during the year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 23 to 31 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. 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 its operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

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 remuneration disclosures, 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
2 March 2007

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS

of ordinary shares as at 31 January 2007

SHAREHOLDERS	NUMBER OF SHARES HELD
Peko Wallsend Ltd	65,407,896
North Ltd	65,042,208
Citicorp Nominees Pty Limited	7,215,828
National Nominees Ltd	6,654,646
ANZ Nominees Limited Cash Income A/C	5,239,356
Westpac Custodian Nominees Limited	4,859,684
HSBC Custody Nominees (Australia) Limited – GSCO ECSA	4,543,339
HSBC Custody Nominees (Australia) Limited	4,486,864
HSBC Custody Nominees (Australia) Limited – A/C	3,278,053
JP Morgan Nominees Australia Limited	2,189,821
Pan Australian Nominees Pty Limited	808,498
Citicorp Nominees Pty Limited CFS WSGBL Res Fund	768,771
Citicorp Nominees Pty Limited CFSIL CFS WS A/C	692,581
UBS Wealth Management Australia Nominees Pty Ltd	426,720
HSBC Custody Nominees (Australia) Limited – GSI ECSA	397,032
Merrill Lynch (Australia) Nominees Pty Ltd	378,175
RBC Global Services Australia Nominees Pty Ltd	342,142
Citicorp Nominees Pty Limited CFS Future Leaders Fund	317,154
UBS Nominees Pty Ltd	309,123
Huntley Investment Company Limited	300,000
	173,657,891

Entitlement to votes

Subject to any rights or restrictions for the time being attached to any shares on a show of hands, every member present in person or by proxy or by attorney or by representative and entitled to vote shall have one vote.

On a poll, every member present in person or by proxy or by attorney or by representative shall have one vote for each share held by him/her.

DISTRIBUTION OF SHAREHOLDERS AS AT 31 JANUARY 2007

A class ordinary shareholders

NUMBER OF SHARES HELD	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF ISSUED SHARES
1 – 1,000	7,573	73.66	2,653,710	1.39
1,001 – 5,000	2,175	21.15	5,152,265	2.70
5,001 – 10,000	318	3.09	2,480,434	1.30
10,001 – 100,000	185	1.80	4,985,254	2.61
100,001 and over	31	0.30	175,466,271	92.00
	10,282	100.00	190,737,934	100.00

ANNUAL GENERAL MEETING

The next AGM will be held at 10:00 am on Monday, 16 April 2007 at The Shangri-la Hotel, 176 Cumberland Street, Sydney.

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 Ltd normally pays fully franked dividends. In the event of an unfranked dividend being paid, ERA Ltd 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 Ltd'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.

2006 ANNOUNCEMENTS

22-Dec-2006	Resignation of Director
01-Dec-2006	Chief Executive
29-Nov-2006	Laterite Processing Plant
30-Oct-2006	Investor Update – Oct/Nov 2006
25-Oct-2006	ERA Reserves Releases 25-10-06
18-Oct-2006	ERA Quarterly Operations Review to 30-09-06
13-Sep-2006	Resignation of Directors
30-Aug-2006	Mahbilil Festival 2006
26-Jul-2006	Resignation and Appointment of Company Secretary
26-Jul-2006	Half Year Results 2006
26-Jul-2006	ASX Interim Report – 30 June 2006
19-Jul-2006	Quarterly Production and Exploration Report to 30 June 2006 (unaudited)
27-Apr-2006	Quarterly Production and Exploration Report to 31 March 2006 (unaudited)
24-Apr-2006	ERA Ranger Mine Cyclone Preparation
03-Feb-2006	New Water Plant Opens at Ranger
01-Feb-2006	Full Year Results 2005
01-Feb-2006	ASX Preliminary Final Report – 31 December 2005
01-Feb-2006	Annual Statement of Reserves and Resources
31-Jan-2006	Quarterly Production and Exploration Report to 31 December 2005 (unaudited)

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

TEN YEAR PERFORMANCE

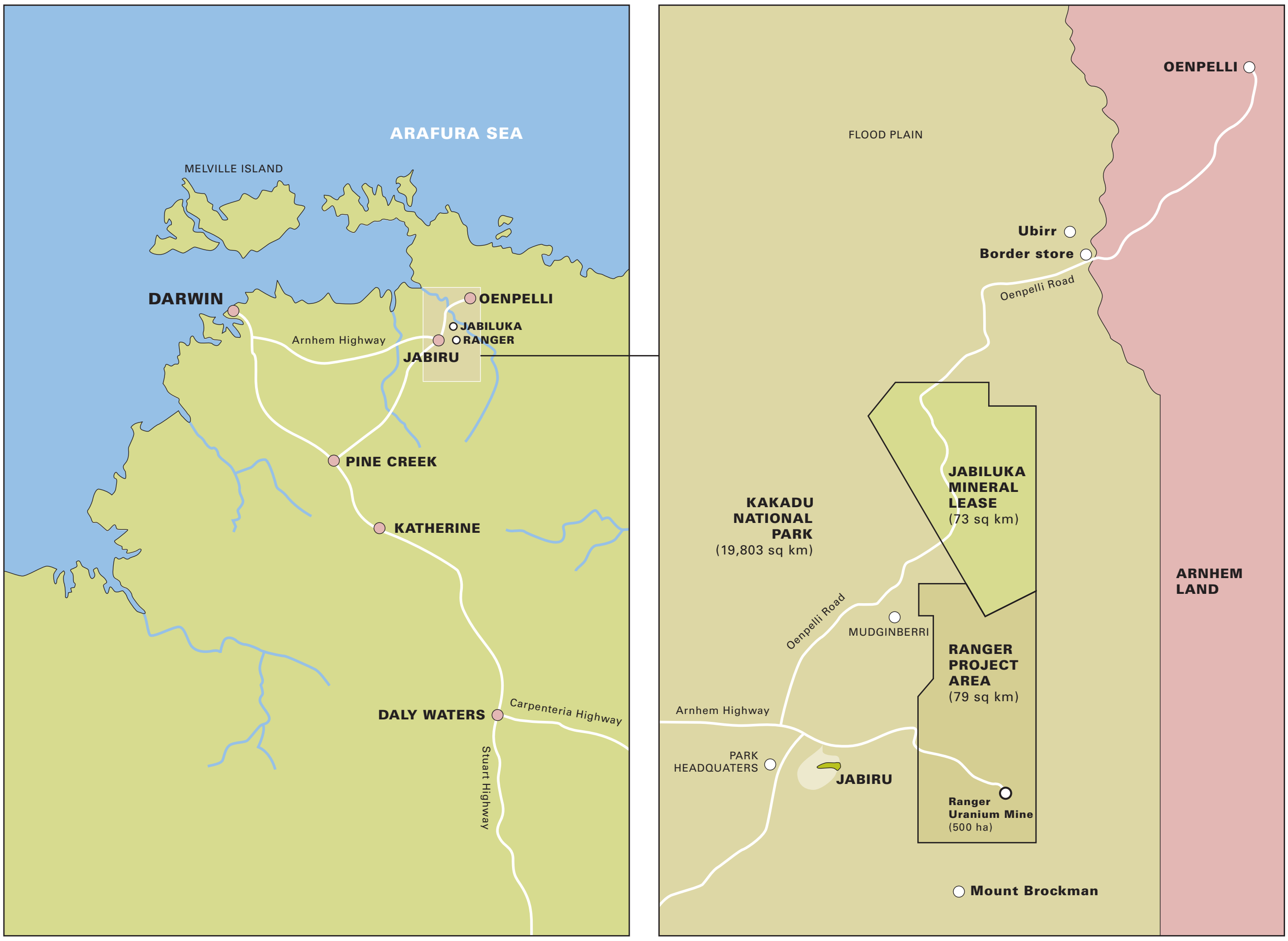
YEAR ENDED 31 DECEMBER	2006	2005	2004#	2003	2002++	2001+	2000	1999	1998	1997
Sales Revenue ($000)	**312,698**	262,036	236,270	196,216	198,703	232,808	181,847	172,930	201,336	230,561
Earnings Before Interest and Tax ($000)	**68,745**	65,452	42,773	35,298	39,214	36,467	46,312	45,831	48,810	73,759
Profit Before Tax ($000)	**62,247**	59,620	39,239	35,546	36,675	29,652	44,280	43,152	47,617	71,572
Income Tax Expense ($000)	**18,640**	18,554	2,193	15,674	15,490	13,624	9,597	21,254	20,885	31,147
Profit After Tax ($000)	**43,607**	41,066	37,046	19,872	21,185	16,028	34,683	21,898	26,732	40,425
Total Assets ($000)	**869,350**	864,162	862,875	756,327	830,260	810,699	807,966	928,991	907,230	924,768
Shareholders' Equity ($000)	**552,491**	539,764	509,819	614,345	605,917	605,713	604,945	663,723	668,528	668,499
Long-Term Debt ($000)	**–**	–	–	–	–	–	–	–	81,226	27,006
Current Ratio	**3.6**	3.8	5.2	4.0	2.2	1.3	1.0	1.4	3.5	1.4
Liquid Ratio	**2.1**	2.3	3.1	1.9	1.1	0.6	0.3	0.5	1.2	0.7
Gearing Ratio (%)	**–**	–	–	–	–	–	–	–	10.8	3.9
Interest Cover (times)	**6.3**	6.5	4.7	48.0	14.0	4.7	8.0	13.8	12.8	19.6
Return on Shareholders' Equity (%)	**8.0**	7.6	7.3	3.2	3.5	2.6	5.7	3.3	4.0	6.1
Earnings Per Share (cents)	**22.0**	21.5	19	10	11	8	18	11	14	21
Dividends Per Share (cents)	**17.0**	17.0	17.0	11.0	11.0	8.0	49.0	14.0	14.0	14.0
Payout Ratio (%)	**74**	80	88	106	99	95	270**	122	100	66
Share Price ($)	**20.80**	10.02	6.59	3.40	1.71	1.94	2.31	1.70	3.05	5.90
Price–Earning Ratio	**90.98**	47.70	34.7	30.9	15.4	23.1	12.8	14.8	21.8	27.8
Dividend Yield (%)	**0.82**	1.70	2.58	3.24	6.4	4.1	21.2**	8.24	4.6	2.4
Net Tangible Assets per Share ($)	**2.90**	2.80	2.67	3.22	3.18	3.18	3.17	3.48	3.50	3.50
No. of Employees	**385**	354	273	238	184	231	257	272	255	246
Profit After Tax per Employee ($000)	**113.3**	116	143.7	83.5	115.1	70.3	134.9	80.5	100.9	164.3
Ore Mined (million tonnes)	**3.3**	2.2	0.8	1.8	0.8	3.2	2.4	2.5	2.3	0.7
Ore Milled (million tonnes)	**2.0**	2.3	2.1	2.1	1.8	2.5	1.5	1.8	1.8	1.6
Mill Head Grade (% U_3O_8)	**0.26**	0.29	0.28	0.28	0.28	0.29	0.30	0.27	0.27	0.31
Mill Recovery (%)	**87.5**	88.3	88.8	88.3	89.7	90.6	91.6	91.1	86.8	85.5
Production (tonnes U_3O_8) – Drummed	**4,748**	5,910	5,137	5,065	4,470	6,564	4,144	4,375	4,162	4,237
Sales – Ranger Concentrates (tonnes U_3O_8)	**5,760**	5,552	5,024	5,241	4,517	5,937	4,511	4,006	4,635	3,956
Sales – Other Concentrates (tonnes U_3O_8)	**–**	136	581	18	628	408	3	–	293	1,464
Sales – Total (tonnes U_3O_8)	**5,760**	5,688	5,605	5,259	5,145	6,345	4,514	4,006	4,928	5,420

\+ Change of accounting period to 31 December year end (period of 18 months from 1 July 2000 – 31 December 2001)
++ Calendar year 1 January – 31 December 2002
* Based on reconstructed capital
** Based on special dividend
# Restated to comply with AIFRS

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 – foreign exchange hedge liability)
Gearing Ratio	= (long-term debt + term creditors)/(shareholders' equity + long-term debt + term creditors)
Interest Cover	= earnings before interest and tax/interest expense
Return on Shareholders' Equity	= profit after tax/average shareholders' equity
Earnings per Share	= profit after tax/weighted average number of shares issued
Dividends per Share	= dividends paid/number of shares issued
Payout Ratio	= dividends paid/profit after tax
Price–Earnings Ratio	= share price/earnings per share
Dividend Yield	= dividend per share/share price
Net Tangible Assets per Share	= net assets/number of shares issued

CORPORATE DIRECTORY



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Tel 02 6217 6000

Management
C Salisbury
Chief Executive

C Bateman
Chief Financial Officer and Company Secretary

S Rajapakse
General Manager Operations

Dr A Milnes
General Manager EWL Sciences Pty Ltd

D Paterson
General Manager Business Development

D Gibson
General Manager Technical Projects

Auditor
PricewaterhouseCoopers

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