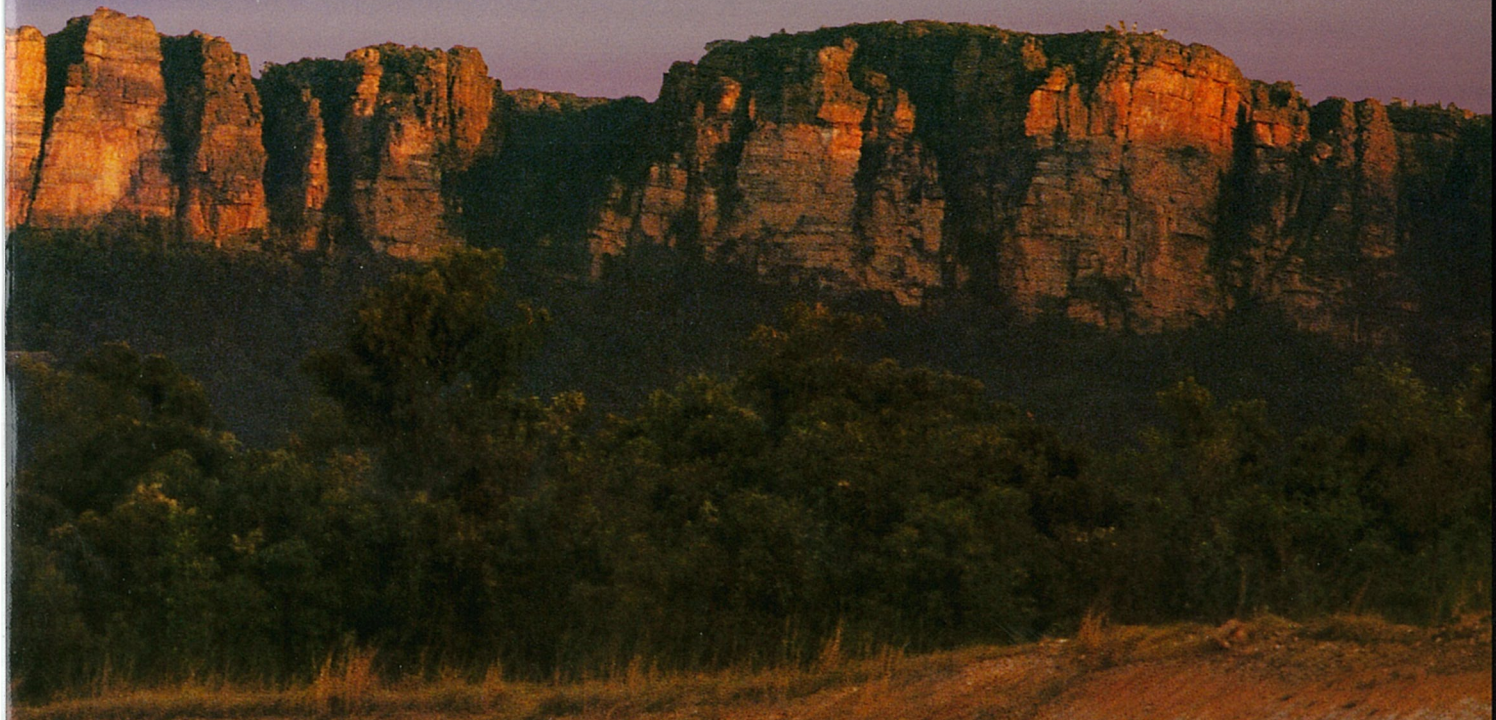


*Energy
Resources of
Australia
Limited*



ANNUAL
REPORT
1989



Mt Brockman

COVER

Aboriginal lore tells of the 'Dreamtime' when the spirit beings travelled over the landscape, giving it shape and features where previously there had been none. According to myth 'Dreamtime' beings made special dreaming tracks across the land creating unique features that can still be seen.

Sites imbued with spiritual associations may be considered sacred. The sacred sites are important manifestations of the spiritual link with the land. Those subject to secrecy, taboo, prohibition and danger are described as Djang Nadjamun and those without these associations are described simply as Djang. Sites in both categories are found within the region.

The sites known as Djidbidjidbi and Dadbe are said to be Djang Nadjamun and are located in the north western face of Mt Brockman. It is said that the alternating dark red-black and whitish vertical water flow marks represent the blood of the rainbow snake whose home is the permanently filled rock-hole near the top of the cliff.



Chairman's Review

Despite some promising signs at the beginning of the year the market for uranium has weakened over the past twelve months. The spot price, the litmus for the state of the industry, declined from US\$14.75 per lb in July 1988 to a historic low in real terms of US\$9.85 per lb in June 1989.

In 1988 an 8.6 per cent increase in nuclear electricity generation was achieved and the consumption of uranium exceeded mine production. At the same time the market was seriously depressed by sales from inventory. Few primary producers were profitable at the prevailing spot price. Continuation at the current level is likely to bring about some rationalisation of the industry.

Although ERA does not sell into the spot market, spot prices inevitably impact long-term contract prices. During the year, price negotiations have taken place with ERA's equity-related customers, some of whom are experiencing difficulties of their own in terms of permit delays for new plants and increasing inventories. These negotiations are now approaching conclusion.

Agreement has been reached with two OEHs – Kansai Electric in Japan and OKG of Sweden. Understandings exist at a working level with Kyushu Electric and Shikoku Electric, final agreement being subject to the approval of their respective Boards.

Discussions are continuing with two German OEHs – Urangesellschaft and Interuran – and should be concluded by 31 August 1989. The third German OEH, Rheinisch-Westfaelisches Elektrizitaetswerk AG (RWE), has terminated its long-term contract with effect from 31 December 1990. ERA understands that RWE's termination is the result of delays and difficulties encountered within its sector of the nuclear power industry in the Federal Republic of Germany which have in turn led to the accumulation of very high inventories of uranium. RWE has expressed a desire that, despite the termination of the present sales contract, its business relationship with ERA would continue beyond December 1990.

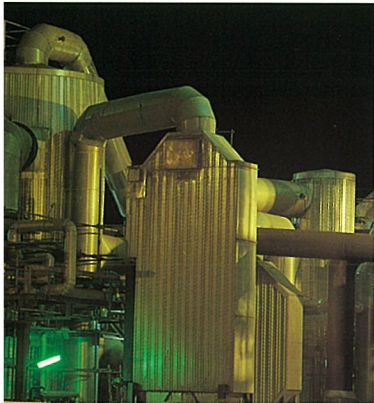
ERA's contract with Electricite de France, whose associate, Cogema, became an equity holder in 1987, is not affected by these negotiations; nor are ERA's non-equity related contracts with Belgian, Korean and US utilities.

ERA's non-equity related contract with OKG has also been renegotiated. The settlement includes an option for OKG to take some additional tonnage.

All of the above OEH settlements are subject to approval by the Minister for Primary Industries & Energy.

While some matters of detail remain to be resolved ERA regards the overall result of the OEH negotiations as very satisfactory in view of the current weak state of the uranium market. Despite the market the negotiations were characterised by a willingness on the part of all concerned to ensure the continued strength of the Company.

Measures taken in recent years to reduce costs and improve operational efficiency at Ranger have stood the Company in good stead over the past year. The current perception is that there may not be a significant improvement in uranium prices before 1992 at the earliest. Given this circumstance, continued



Top: Acid plant convertor tower and heat exchange train. Ranger produces its own acid for use in ore processing by converting sulphur to sulphuric acid.

Above: Part of Ranger's truck fleet comprising 80t Caterpillar and Komatsu haul trucks.



attention will be given to finding ways and means to reduce the unit cost of production. Despite the depressed market, ERA has been able to conclude two new long-term contracts during the year.

The amended tax assessments issued to ERA by the Australian Taxation Office in respect of the financial years 1984-1987 and the recent assessment for 1988 attracted media interest. The tax in dispute is \$74.9 million. The Commissioner maintains that ERA understated revenue in those years by deducting losses on currency hedges established in 1982. This matter was the subject of a favourable ruling by the Australian Taxation Office in 1983, and the Company denies that it is liable to pay any part of this additional tax.

The Company has lodged formal Notices of Objection to assessments involving the tax in dispute and in addition has lodged a claim for deductibility of \$125 million paid to the Commonwealth in 1980 when the Company was formed.

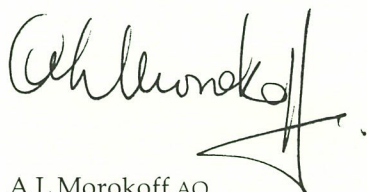
Both the domestic and overseas equity holders' borrowings have been halved during the year. ERA's steadily reducing debt and Ranger's strong competitive position in world terms, combined with its scope for expansion, will allow the Company to take advantage of growth opportunities that may arise as the uranium market matures in the years to come.

From its first shipment of U_3O_8 , in 1981, ERA has been subjected to the Customs Tariff (Uranium Concentrate Export Duty) and to date it has paid \$11.237 million. This levy has risen from its first imposition at \$0.11 cents per kg in 1980 to the current level of \$1.15 per kg. As from 1 July 1989 the duty will increase to \$1.30 per kg U_3O_8 exported from the Alligator Rivers Region of the Northern Territory.

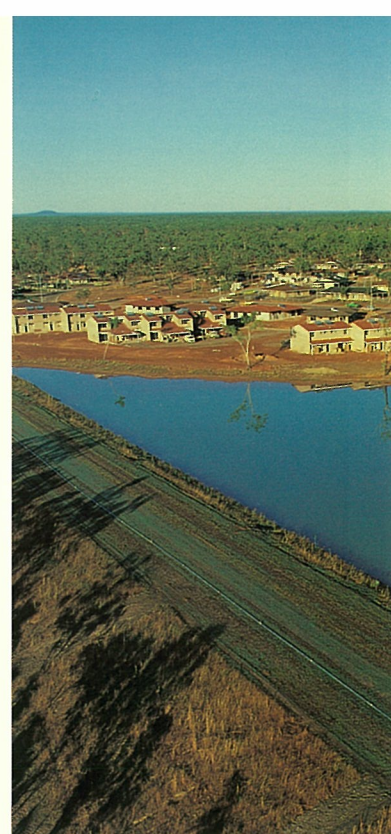
The export duty and the royalty payments to both the Northern Territory and Commonwealth Governments cost ERA \$14.306 million during the year, equivalent to US\$1.97 per lb of U_3O_8 . This is a particularly significant burden during this time of depressed prices affecting the competitive position of ERA against its major international rivals.

In May 1989 Mr Richard Knight was appointed Chief Executive following the resignation of Mr Peter Bradfield. Mr Knight was previously Group Executive - Metalliferous Mining, Peko-Wallsend Ltd.

In closing, I would like to take this opportunity to express my appreciation of the contribution made by the employees of Energy Resources of Australia Ltd and its subsidiary, Ranger Uranium Mines Pty Ltd on whom the future of the Company depends.



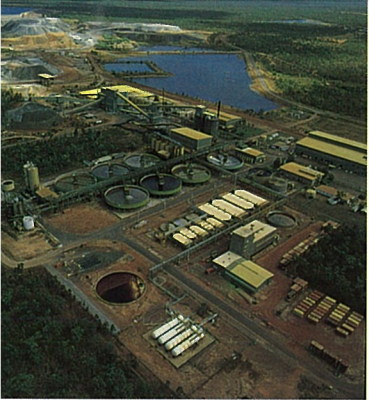
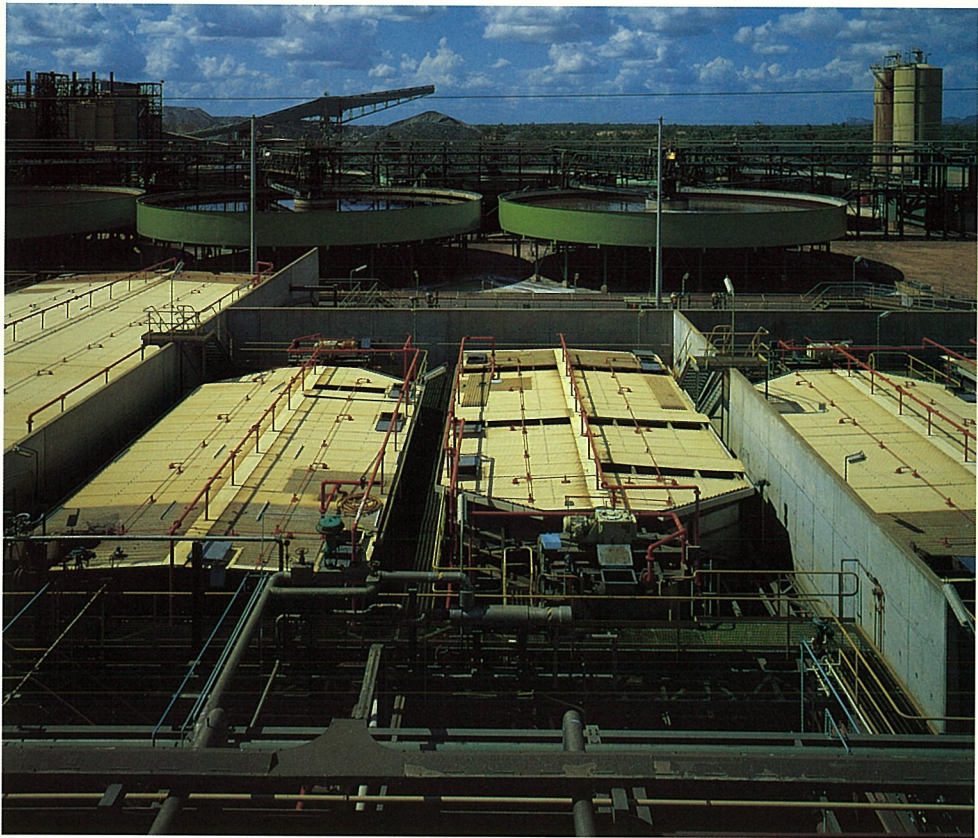
A L Morokoff AO
Chairman



Looking across Lake Jabiru towards the township.



Right: Solvent extraction section of the process plant with counter-current decanter wash circuit in background.



Top: Alpha scintillation detectors in use in the Environment Laboratory.

Above: Ranger mine with processing plant in foreground.

Financial Highlights

Result in \$000	1989	1988	1987	1986	1985
Revenue	177 516	251 300	234 263	222 513	233 779
Profit before tax	80 630	131 055	108 085	98 415	109 852
Income Tax Expense	42 876	67 985	49 197	47 991	53 395
Profit after tax	37 754	63 070	58 888	50 424	56 457
Total Assets	882 081	914 622	953 479	883 608	927 487
Issued Capital	410 000	410 000	410 000	410 000	410 000
Capital and Reserves	448 291	546 939	500 164	489 469	480 045
Earnings per share, cents	9.2	15.4	14.4	12.3	13.8
Dividend, cents	15.0	10.0	10.0	10.0	10.0



Directors' Report

The Directors of Energy Resources of Australia Ltd submit the accounts and Group accounts for the financial year ended 30 June 1989 and report as follows:

TRADING RESULT

Net consolidated profit after tax for the year was \$37 754 000 compared with \$63 070 000 in 1988. The amount provided for income tax during the year was \$42 876 000 compared with \$67 985 000 in 1988.

As a result of receiving amended assessments from the Australian Taxation Office the Company has provided for all income tax in dispute as a matter of prudence. If the objections lodged to these amended assessments are disallowed the Company will strongly contest the matter in the courts. In providing for the contested income tax the effect on prior years' results is a charge against profits of \$74 901 906 and, for the current year, \$6 583 276.

Sales of 2 633 tonnes U_3O_8 during the year were 19.6 per cent lower than the 3 274 tonnes delivered in the previous year. This reduction reflects the current oversupply of uranium in international markets which has resulted in the re-scheduling of some contract tonnage.

The decline in revenues occasioned by the reduced tonnage sold was aggravated by the progressive recognition of credits due to shareholder/customers and the higher value of the Australian dollar.

The results continued to reflect forward purchase contracts for US dollars entered into covering loan repayments and also some foreign exchange losses. Improved operating efficiencies resulted in a lower unit cost of production.

The Commonwealth Government's Customs Tariff (Uranium Concentrate Export Duty) rose from \$1.02 per kilogram to \$1.15 per kilogram U_3O_8 on 23 August 1988. The cost to the Company of this tariff amounted to \$3.969 million.

Payments continued to be made to the Commonwealth Government for the benefit of the traditional owners together with royalty payments to the Northern Territory Government. These payments amounted to \$2.304 million and \$8.033 million respectively for this year. There was a substantial decrease in interest paid because of reduced borrowings. Both the domestic and the overseas equity holders borrowings have been significantly reduced during the year.

ALLOCATION OF THE REVENUE DOLLAR

FIGURE 1 1988-89

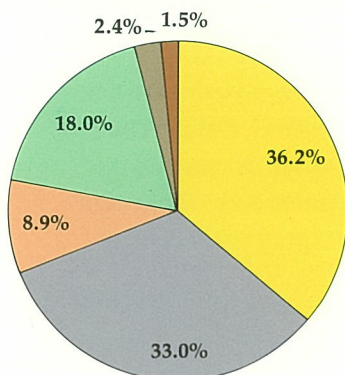
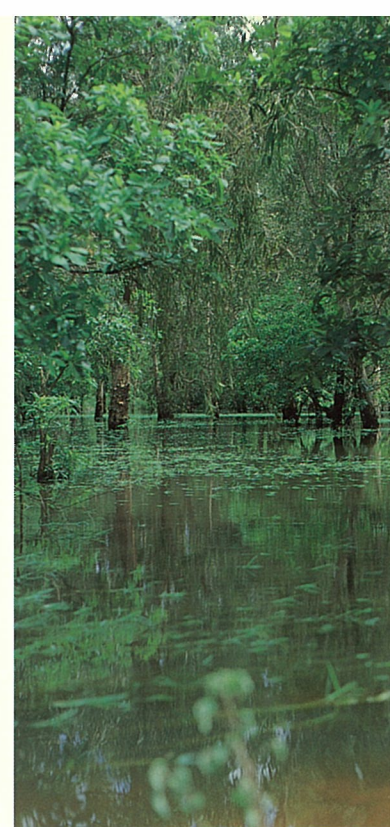
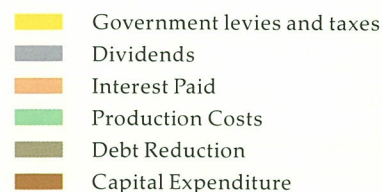
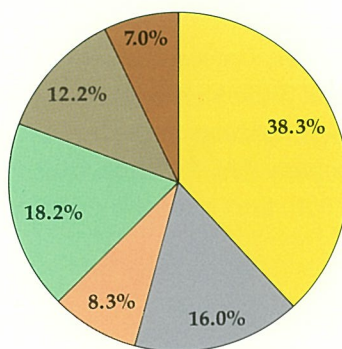


FIGURE 2 1987-88



The Magela Creek downstream of Ranger flows into a number of billabongs before emptying onto the Magela Floodplain during the wet season.



DIVIDEND

A dividend of five (5) cents per share was paid on 30 November 1988, totalling \$20 500 000. Two further dividends each of five (5) cents per share were also paid on 31 May 1989, totalling \$41 000 000. The three dividends were fully franked under the imputation tax provisions of the Income Tax Assessment Act. Directors have declared a fully franked final dividend of \$20 500 000 payable on 30 November 1989. No other amount has been paid or declared by way of dividend since the end of the previous financial year.

It is expected that in future two dividends will be paid each year and that the income tax payable will enable all dividends to be fully franked.

PRINCIPAL ACTIVITIES

The principal activities of ERA and its subsidiaries in the course of the financial year were the mining, processing and sale of uranium. There was no significant change in the nature of those activities during the financial year.

Review of Operations

MARKETING

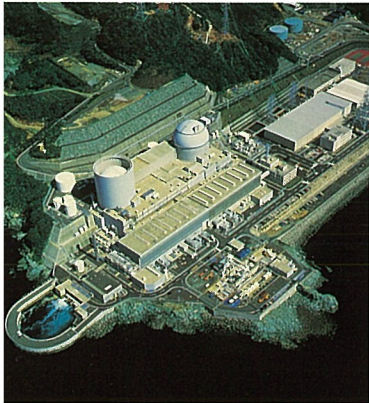
The spot market has experienced major weakness during the year falling from US\$14.75 per lb in July 1988 to US\$9.85 per lb in June 1989, a historical low in real terms. The disposal of inventories by US utilities provided the momentum for the fall, aided by the weight of distress sales by US producers, shortselling by traders and the appearance of Russian enriched uranium and Chinese uranium onto Western markets. Spot prices are below break-even costs for almost all producers and those producers dependent upon the spot market are experiencing major financial difficulties. Further restructuring of the industry will occur if the present low prices prevail.

The decline of the spot market has had an inevitable depressing effect on prices that can be negotiated for long term contracts.

During the year two additional contracts were negotiated; one was with a utility in Japan and the other with a US utility. The contracts have received Government approval. This brings to 18 the number of contracts which ERA has entered into in addition to its contracts with shareholder/customers.

ERA's contracts with its seven original shareholder/customers made provision for price negotiations at mid-term, concluding 30 June 1989. Extensive negotiations to determine pricing from 1990 took place during the final months of the year.

Three Japanese utilities, The Kansai Electric Power Company, Kyushu Electric Power Company and Shikoku Electric Power Company, with C. Itoh, participate in ERA through their holdings in the Japan Australia Uranium Resources Development Company (JAURD). Together, these companies own 10 per cent of ERA and take 1 000 short tons of U_3O_8 per year under equity related sales contracts.



Top: The Ikata nuclear power plant in Japan operated by Shikoku Electric Power Co.

Above: Oskarshamn 3 reactor on the Simpevarp Peninsula, Sweden, operated by OKG.



ERA also has three German and one Swedish shareholder/customers. Rheinisch-Westfaelisches Elektrizitaetswerk (RWE), holds 6.25 per cent of the Company's shares through its subsidiary Rheinbraun Australia Pty Ltd, with corresponding off-take obligations of 625 short tons per year. UG Australia Developments Pty Ltd holds 4 per cent of the Company's shares and sells 300 short tons per year of its 400 short tons per year off-take to the utility Preussenelektra (PE) and 100 short tons to Urangesellschaft Canada Ltd. The third shareholder, Interuranium Australia Pty Ltd, with 2.5 per cent of the Company's shares, sells its 250 short tons per year off-take to the utilities Energie Versorgung Schwaben AG (EVS) and Badenwerk AG.

In Sweden OKG Aktiebolag holds 1 per cent of ERA's shares and takes 220.5 short tons per year this being 120.5 short tons per year in excess of its equity related obligations.

The Company is pleased to advise that it has reached agreement with The Kansai Electric Power Company and OKG on prices to apply under their contracts from January 1990. Depending on market conditions further negotiations may be called for in 1991 for prices to apply from January 1992. The agreement reached on price is at a level somewhat lower than the current Floor Price and is therefore subject to approval by the Federal Government.

At the end of the year an understanding had been reached with the working levels of the remaining Japanese shareholder/customers and negotiations with the three German shareholder/customers were still in progress. The debate on the future development of the nuclear power industry in Germany continues unabated and some utilities are experiencing serious delays and difficulties. These difficulties, combined with the resultant high inventories of uranium, may lead one or more of ERA's shareholders to terminate their contracts.

Although negotiations have been protracted ERA's relations with its shareholder/customers are sound. The Company has received strong support for its standing as a reliable long-term supplier of uranium.

The threat of US court-imposed restrictions on the enrichment of foreign-origin uranium for domestic end-use was removed during the year as a result of a 9:0 decision by the Supreme Court of the US against the US producers who were calling for restrictions. The ratification of the Free Trade Agreement between the US and Canada allowing the unrestricted access of Canadian uranium into the US also pre-empted the Supreme Court decision.

In spite of the depressed state of the uranium market 12 new nuclear plants went into commercial operation during 1988. At the end of 1988 there were 428 reactors in operation and over 100 reactors under construction. Nuclear power facilities produced almost 17 per cent of the world's electricity.



The Genkai nuclear power plant in Japan operated by Kyushu Electric Power Co.



MINING

TABLE 1

Mining, year end 30 June	1989 million tonnes	1988 million tonnes
Ore mined (cut off grade 0.10% U ₃ O ₈)		
● to process plant	0.477	0.158
● to stockpile	1.923	1.972
● total	2.400	2.130
Low grade mineralized material to stockpile (cut off grade 0.023% U ₃ O ₈)	1.735	2.840
Construction material	0.440	0.240
Waste material	1.399	1.160
Total material mined	5.974	6.370

TABLE 2

Milling, year end 30 June	1989 million tonnes	1988 million tonnes
Ore milled		
● from mine	0.477	0.158
● from stockpile	0.498	0.624
● total	0.975	0.782
Mill head grade, % U ₃ O ₈	0.408	0.423

TABLE 3

Mineable Ore Reserves and Stockpiles as at 30 June 1989

	Ore million tonnes	Contained % U ₃ O ₈	Contained U ₃ O ₈ tonnes
No 1 Orebody (cut off grade 0.10% U ₃ O ₈)			
Ore stockpiles	5,806	0.28	16 400
Proven ore	5,209	0.28	14 800
Total ore	11,015	0.28	31 200
No 3 Orebody (cut off grade 0.10% U ₃ O ₈)			
Proven ore	20,002	0.27	54 000

TABLE 4

Mineral Resource Statement

	Ore million tonnes	Contained % U ₃ O ₈	Contained U ₃ O ₈ tonnes
No 3 Orebody (cut off grade 0.10% U ₃ O ₈)			
Measured resource	4.1	0.23	9 400
Indicated resource	3.2	0.27	8 600
Total resource	7.3	0.25	18 000

Mining of No 1 Orebody (Figure 3) continued with a total of 5 974 000 tonnes of rock mined (Table 1). The pit was deepened to 8 bench, about 90 metres below the original surface, and expanded northwards in the lower benches. Unmineralised schists and cherts (Figure 3) have been stockpiled separately to be used in the planned raising of the tailings dam wall in 1990.

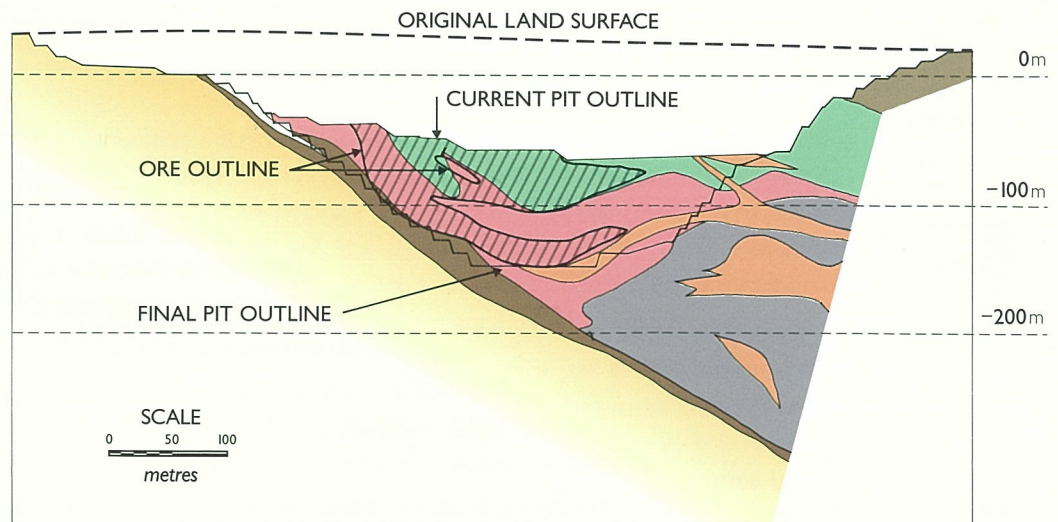
As in previous years ore was mined ahead of milling needs (Tables 1 and 2) and consequently the broken ore stockpiles have increased. Appropriate drainage and water management facilities have been constructed to allow mining to continue on 9 bench through the coming wet season. This has involved the extension of the dewatering system within the pit.

Progressive upgrading of mine equipment continued through the acquisition of a replacement grader and tracked dozer and an additional production drill. A replacement mine personnel amenities building and a heavy mobile equipment repair shop were also constructed near the pit.

Further evaluation of No 3 Orebody continued and a preliminary mine plan has been prepared (Figure 4). This work was necessary to define the extremities of the orebody more accurately as well as to determine whether any groundwater problems will be encountered in mining.

The mineral exploration program continued over the northern part of the Ranger Project Area. Four areas, prospective for uranium and gold mineralisation, have been defined and require further investigation in the 1989 dry season.

FIGURE 3
No 1 OREBODY



 HANGING WALL SEQUENCE	<i>schist</i>	 FOOTWALL SEQUENCE	<i>shear zone</i>
 UPPER MINE SEQUENCE	<i>schist</i>	 BARREN INTRUSIVE ROCKS	<i>granite</i>
 LOWER MINE SEQUENCE	<i>chert</i>		<i>carbonate</i>



ORE RESERVES

Mineable reserves in No 1 Orebody (Table 3) have been revised to include the results of a drilling program totalling 1 243 metres undertaken in December 1988.

An open pit mine plan has been designed for No 3 Orebody. The mineable ore reserve is stated in Table 3. Mineralisation outside the present pit design, which in some areas requires additional definition, has been assessed as a Mineral Resource and is shown in Table 4.

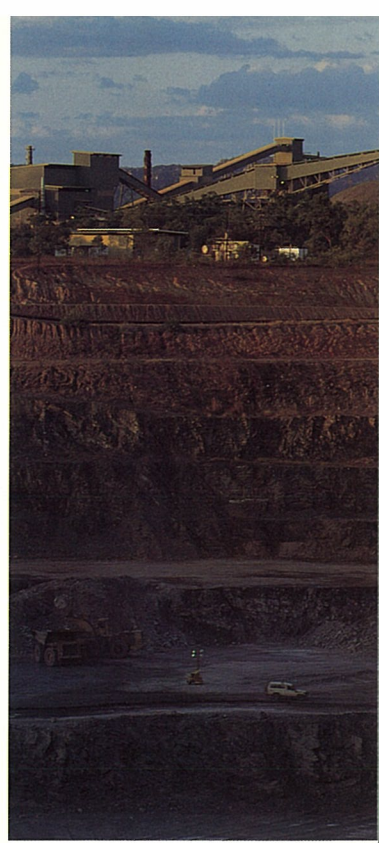
The Ore Reserve and Resource Statement has been prepared by Company staff each of whom are corporate members of the Australasian Institute of Mining and Metallurgy and have had more than five years relevant experience.

ORE PROCESSING

Production for the year totalled 3 595 tonnes U_3O_8 . This was achieved by milling 975 273 tonnes of ore grading 0.408 per cent U_3O_8 . The milling rate and plant utilisation were both higher than in previous years.

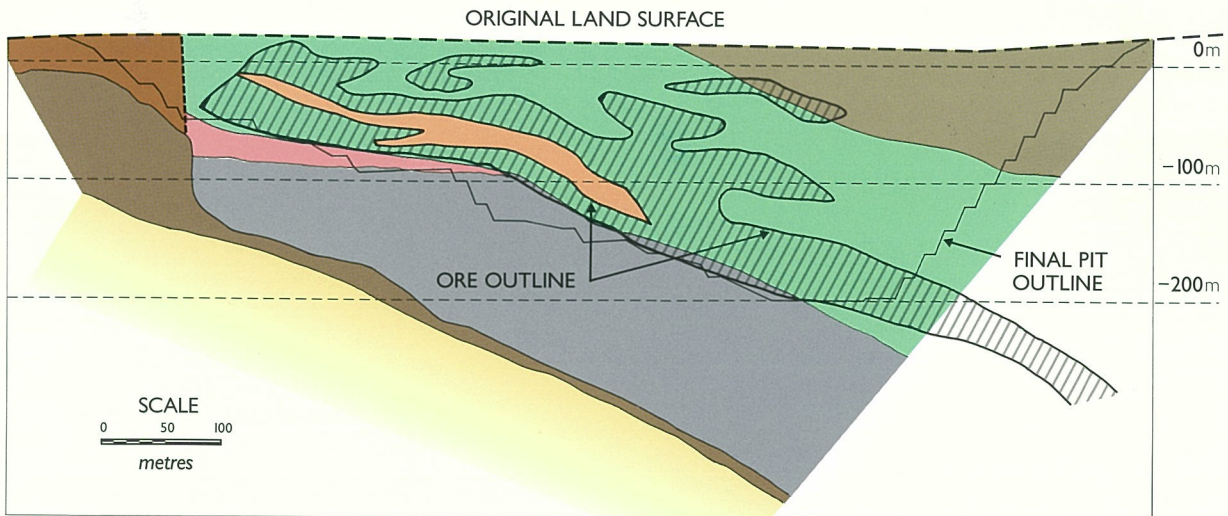
Wide variations in dissolution and recovery were experienced with the various ore types now being encountered. The main impact was felt in higher than planned acid consumption. Other significant processing costs were close to those predicted. The acid plant, with no major equipment problems and good production figures, performed well yielding a lower cost for acid.

The beach deposition system continued to achieve the target tailings densities. As the beaches dry out, dust generation will be prevented by an irrigation system which is now also contributing towards the evaporation of excess water.



Ore loading from the mine's 5 bench. The mill secondary crusher and coarse ore stockpile can be seen in the background.

FIGURE 4
No 3 OREBODY



- | | |
|-------------------------------|------------------------------|
| KOMBOLGIE FORMATION sandstone | FOOTWALL SEQUENCE shear zone |
| HANGING WALL SEQUENCE schist | granite |
| UPPER MINE SEQUENCE schist | BARREN INTRUSIVE ROCKS |
| LOWER MINE SEQUENCE chert | FAULT |
| carbonate | |





ENVIRONMENTAL CONSIDERATIONS

Ranger's mining and processing operations have been designed to ensure that the ecosystem surrounding the mine is not adversely affected. The Company's commitment to the protection of the environment is reflected in the scope and scale of its monitoring and research programs which are subject to continual refinement to ensure the highest standard of protection is maintained.

Environmental costs are a significant component of Ranger's operating budget.

Ranger's Environment Department employs 33 scientists, engineers and technicians. The Company's operations are further monitored by the Northern Territory Alligator Rivers Region Unit, the Department of Mines and Energy and the Commonwealth Office of the Supervising Scientist. Over 100 Government personnel are involved in carrying out surveillance at Ranger. The Six Monthly Surveillance Reports of the NT Department of Mines and Energy confirm compliance by Ranger.

The 1987/88 Annual Report of the Supervising Scientist for the Alligator Rivers Region further confirms the Company's ongoing commitment:

'Ranger has fulfilled its regulatory requirements, under the terms of its authorisation, in respect of environmental protection during 1987-1988. Review and assessment by OSS of monitoring reports and other information indicate that requirements to minimise the environmental impact of the mining operations are being met.'

WATER MANAGEMENT

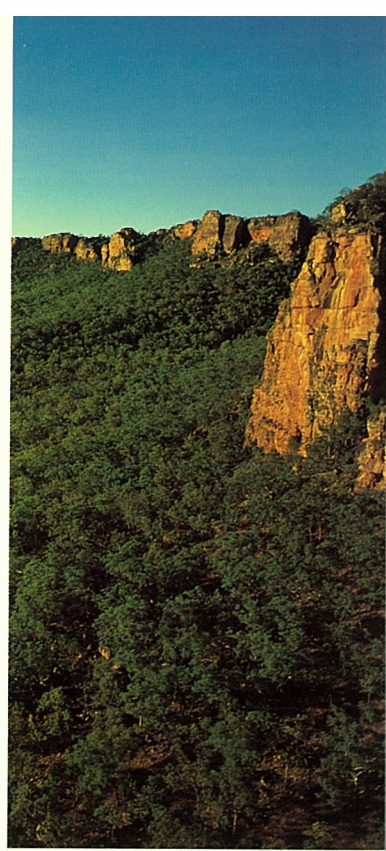
The quality of water in the retention ponds was maintained at a high standard during the year. Retention Pond 2 water quality remained at a standard that would have met all water quality criteria necessary for release into Magela Creek which is the major water system of the area.

During the 1988 dry season, the second stage of a supplementary water supply system based on the Brockman Borefield aquifer was installed. Implementation of the third and final stage involving electrification and automation of pumps is under construction.

In the last two months of the wet season most of the rain fell in intense storms resulting in higher runoff. Only small volumes of water were irrigated and released during the year, due to more efficient water management.

Surface and groundwater investigations are continuing in the vicinity of No 3 Orebody. These investigations will provide data for pit design, dewatering requirements and flood levee design.

A research project has commenced to investigate the movement of solutes downslope from the tailings dam. The seepage collector system at the tailings dam has been shut off for the purpose of undertaking these investigations. About 95 per cent of water caught by the seepage collector is rainwater infiltration so that the eventual decommissioning of this system should provide a more effective water management strategy.



The Arnhemland sandstone escarpment is in close proximity to the Ranger Project.

Opposite: The Coonjimba Billabong is located immediately downstream of Ranger.



MINE REHABILITATION

In May 1989 the first draft of an application to rehabilitate the tailings dam insitu was completed. This is an important application involving all disciplines in the Environmental Department. The final application will be submitted as soon as possible. Best Practicable Technology indicates that the No 1 Pit and the tailings dam are the most suitable tailings repositories. The final landform plan accommodates rehabilitation of these tailings containment structures. The application to rehabilitate the tailings dam insitu describes Ranger's preferred strategy for final rehabilitation of the mine site and highlights the importance of Approval in Principle by the end of 1989 to enable the progressive construction and rehabilitation of the final landform.

Joint research projects with the CSIRO Division of Soils have continued to investigate the characteristics of the tailings and proposed methods of dewatering in the tailings dam. Further investigations have been undertaken into the relationship between vegetation and microscopic organisms in rehabilitated areas. The waste rock slope erosion trials continued through the 1988/9 wet season.

A four hectare area on the waste rock dump has now attained its finished height in line with the final 'elevated' landform plan and was rehabilitated last wet season. Dumping of waste rock and very low grade ore between the No 1 Pit and the tailings dam has commenced. Over the next three years dumping will continue thus completing this segment of the final landform.

SAFETY, HEALTH AND RADIATION PROTECTION

Ranger's second audit in the NSCA 5-Star Health and Safety Management System was undertaken in November with the achievement of a 3-Star rating. This places Ranger in the top 5 per cent of Australian mining companies in terms of safety performance and emphasises the commitment of the Company to the issue of safety. The NSCA commendation stated:

'The lost time injury reduction achieved of over 50% in the last twelve months for such a industry is a compliment to the commitment and enthusiasm of all the staff and management. The organisation can be justifiably proud of achieving an accident frequency rate of 20 for the 12 months to October 1988.'

Another concept in controlling workplace risks was the introduction of a hazards register based on work group input. Although this system is in its early stages it is expected to produce good results in terms of risk control in the coming year.

The employee rehabilitation program has successfully moved into its second year of operation. Since its introduction in 1987 the amount of time lost due to injury has been slashed from 820 to 180 hours per month. This is an excellent result and a tribute to the staff and employees involved in the program.

Following the introduction of the 'Code of Practice on Radiation Protection in the Mining and Milling of Radioactive Ores (1987)' and its inclusion in 1988 into the Northern Territory regulations the radiation monitoring program was reviewed and brought into line with the changes in the Code. The average



Top: Ranger biologists sampling aquatic biota.

Above: One of many aboriginal art sites located in the Kakadu National Park.



annual exposure to employees was about 3 mSv which is approximately equivalent to one and half times background level. For the year ending 1988 the maximum annual radiation dose received by any employee at Ranger was 10 mSv.

INDUSTRIAL RELATIONS

There was no major industrial stoppage during the year. Discussions on award restructuring commenced in January 1989 with the objective of improving productivity as well as advancing the aspirations of the work force.

TRAINING AND DEVELOPMENT

Productivity improvement through multi-skilling has continued at the same high level as reported last year. This initiative will be integrated into a skills extension program as part of the overall framework of award restructuring. The continuing program of employee skills development this year involved areas as diverse as coupling alignment to machine vibration analysis courses.

An Affirmative Action Program has been gradually implemented over the year and is expected to be fully established by 1990. Ranger, through the introduction of this initiative, will be able to optimise the use of employees' skills and talents while ensuring equitable treatment for all.

ABORIGINAL TRAINING

A diversity of training programs has been offered to Aboriginal participants throughout the year including a new program in the mill. This year another Aboriginal completed his apprenticeship in the metal fabrication trade. The Environmental Services Section continues to have the highest participation rate with five trainee positions.

The Company continues its ongoing commitment to the Aboriginal people by supporting both the Jabiru Area School and the Northern Territory University's 'Office Assistant's Course' by offering work experience to their Aboriginal students. A landmark achievement has been in the special Adobe Block Construction Program with the completion of an office block for the Aboriginal Liaison Section. This was achieved by Aboriginal trainees with no previous building or construction experience.

ABORIGINAL COMMUNITY RELATIONS

Officers of the Aboriginal Liaison Section in conjunction with Ranger management have maintained particularly close communications with the Gagudju Association. This association represents the traditional owners of the Ranger Project Area and administers that part of the royalty type payments received from the Company's mining operations.

As in previous years regular inspection visits by the Gagudju Association members and other interested persons have featured prominently. This is only one part of the Company's ongoing information dissemination policy that ensures the traditional owners are kept fully informed of Ranger's activities and mining related developments.



The tranquility of the Magela flood plain.



Right: Cool marble floors and a fountain adorn the spacious foyer of Jabiru's new Four Seasons Kakadu Hotel.

Below: Windsurfing is only one of many recreation sports and facilities available at Jabiru.



VISITORS TO THE MINE

During the year some 20 500 visitors took the opportunity to tour the mine site. Special interest group visits were arranged for thirty-three student groups representing both Northern Territory and interstate schools as well as tertiary institutions. In addition three Aboriginal school groups and eight groups of young people from the 'Droving 88' project visited and toured the mine.

JABIRU TOWNSHIP

This year saw the end of an era with the closure of the Jabiru East township. The Company's rehabilitation program of Jabiru East costing approximately \$250 000 is well under way following the last employee's relocation in February to Jabiru.

The major changes in the Jabiru township have centered around tourism related ventures. The Four Seasons Kakadu 'Crocodile' hotel is fully operational. This complex caters for large numbers of tourists as well as providing an additional entertainment venue and employment opportunities for Jabiru residents.

The town's Olympic Pool is another facility enjoyed by many residents and tourists to the area.



Additional Statutory Information

DIRECTORS

The names of the Directors of ERA in office at the date of this report, together with particulars of qualifications, experience and special responsibilities of each are shown on the inside back flap of this report. No Director has an interest in any contract or proposed contract with ERA declared since 1 July 1988.

STATE OF AFFAIRS OF THE GROUP DURING FINANCIAL YEAR

The Directors are not aware of any significant change in the state of affairs of the group that occurred during the financial year which has not been covered elsewhere in this report.

POST BALANCE DATE MATTERS

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial years subsequent to the financial year except as stated elsewhere in this report.

LIKELY DEVELOPMENTS

At year end ERA was negotiating with its Overseas Equity Holders to determine prices for future deliveries as required at mid-term by the contracts with these customers. Substantial progress has been made in these negotiations; however it has not been possible to reach agreement in all cases at the time of writing.

Agreement has been reached with Kansai Electric (Japan) and OKG (Sweden). Understandings exist at working levels with Kyushu Electric and Shikoku Electric, final agreement being subject to the approval of their respective Boards.

Negotiations with the German shareholders Urangesellschaft and Interuran are continuing but RWE has terminated its contract with ERA.

Otherwise, in the opinion of the Directors, likely developments in the operations of the Group known at the date of this report have been covered generally within this report, the Balance Sheets and Profit and Loss Accounts and notes thereto. Directors are not aware of any other specific development likely to have a significant effect on the operations of the Group or the expected results of those operations.

OPTIONS

No options on shares in ERA or in any subsidiary were granted during the financial year and up to the date of this report nor are any such options outstanding.

DIRECTORS' BENEFITS

No Director of ERA, since 30 June 1988 has received or become entitled to receive a benefit (other than Directors' remuneration included in the notes to the accounts).

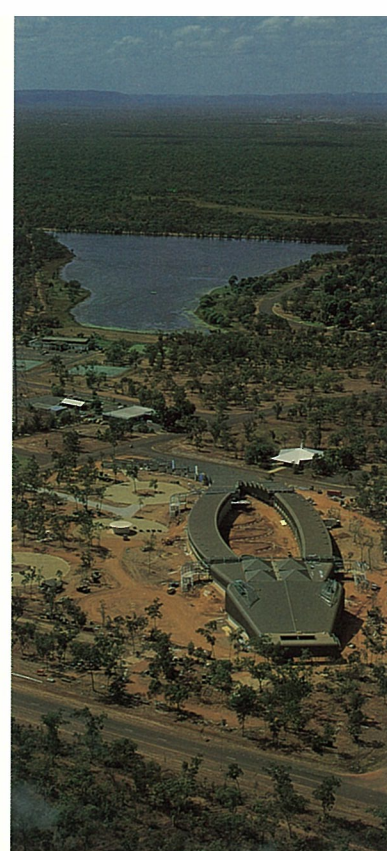
ROUNDING-OFF

The holding company, ERA, is a company of the kind referred to in sub-Regulation 6 of Regulation 58 of the Companies Regulations and amounts in this report and the Accounts have been rounded off to the nearest thousand dollars in accordance with Section 271 of the Companies Act 1981.

Signed at Sydney this 30th day of August 1989, in accordance with a resolution of the Directors.

R L Baillieu
Director

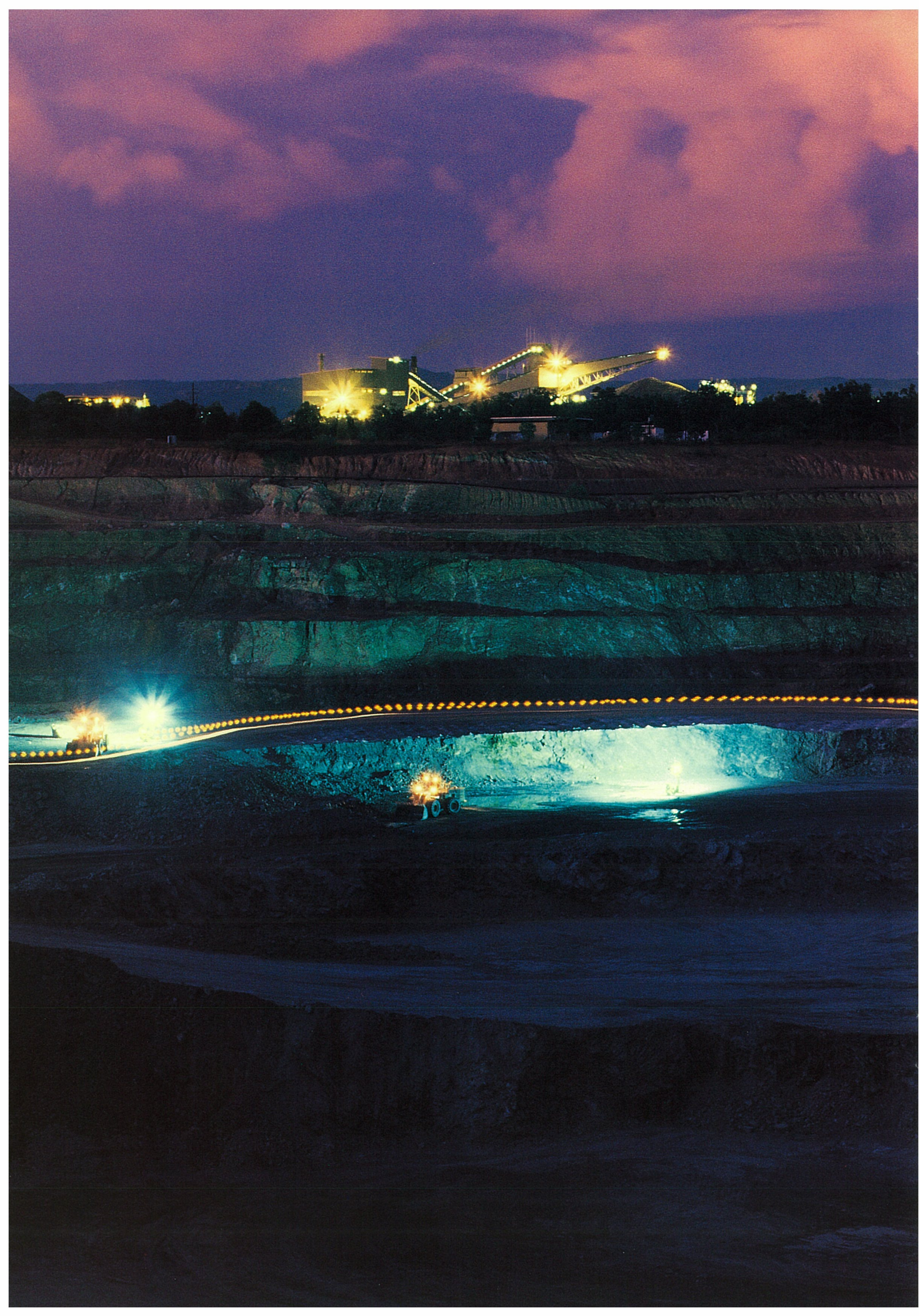
A L Morokoff AO
Director



Aerial view of the Four Seasons Kakadu with Lake Jabiru in background. The official opening in October 1988 of this hotel provided the first public/tourism accommodation facility in Jabiru.

Overleaf: Night lights of the mine pit appear dim against the spectacular lights of the process plant in the background.





Financial
Resources of
Australia
SUMMARY



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FINANCIAL
SECTION

Profit and Loss Statement

For the year ended 30 June 1989

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES		CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	NOTE	1989 \$000	1988 \$000
Operating profit	1-3	80 630	131 055
Income tax attributable to operating profit	4	42 876	67 985
Operating profit after income tax		37 754	63 070
(Loss)/Profit on extraordinary items	5	(74 902)	25 404
Operating (loss)/profit and extraordinary items after income tax		(37 148)	88 474
Retained profits at the beginning of the year		136 939	90 164
Prior year adjustment for leased assets		-	(699)
Total available for appropriation		99 791	177 939
Dividends provided for or paid	21	61 500	41 000
Retained profits at the end of the year		38 291	136 939

Balance Sheet

As at 30 June 1989

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES		CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	NOTE	1989 \$000	1988 \$000
Current Assets			
Cash	6	3 031	4 015
Receivables	7	79 974	104 347
Inventories	8	84 978	63 044
Other	9	53 244	29 534
Total Current Assets		221 227	200 940
Non-Current Assets			
Property, plant & equipment	10	309 637	323 790
Other	11	351 217	389 892
Total Non-Current Assets		660 854	713 682
Total Assets		882 081	914 622
Current Liabilities			
Creditors and borrowings	12	64 861	59 439
Provisions	13	136 264	82 888
Total Current Liabilities		201 125	142 327
Non-Current Liabilities			
Creditors and borrowings	14	127 671	124 690
Provisions	15	104 994	100 666
Total Non-Current Liabilities		232 665	225 356
Total Liabilities		433 790	367 683
Net Assets		448 291	546 939
Shareholders' Equity			
Share capital	16	410 000	410 000
Retained profits		38 291	136 939
Total Shareholders' Equity		448 291	546 939

Notes to and forming part of the accounts are annexed.



Significant Accounting Policies

Used in the ERA Group

Basis of Accounting

These accounts are based on the historical cost accounting convention as practised in Australia and the accounting policies adopted are consistent with those of the previous year, except as otherwise stated.

Principles of Consolidation

The consolidated financial accounts give a view of the group as a whole. A list of subsidiaries appears in Note 22. All inter-company transactions are eliminated.

Where the heading 'Consolidated and Parent' appears, the accounts for the parent company are equal to the accounts on consolidation.

Depreciation and Amortisation

Depreciation of plant, equipment and facilities is provided for as follows:

- (i) individual assets that have a life equal to or longer than the estimated remaining life of the mine are depreciated over a period not longer than the estimated mine life in proportion to ore reserve utilisation;
- (ii) Ranger Project Rights were amortised to 31 December 1988 over the estimated mine life and in relation to projected revenue from production. Effective from 1 January 1989, Ranger Project Rights are amortised over actual production as a proportion of the estimated reserves. The effect of this change in accounting policy on the accounts for the Group and the Company was a reduction in current year's profit of \$1 104 000 and an increase of \$2 145 000 on inventories; and
- (iii) each other asset is depreciated over its estimated operating life on a straight line basis.

Foreign Currency

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the dates of those transactions. Accounts payable and receivable in foreign currency at balance date are converted to Australian dollars at exchange rates ruling on that date.

Exchange differences arising from the conversion of amounts payable and receivable in foreign currencies are treated as operating revenue and expenses in the period in which they arise.

In the case of borrowings that have been hedged the difference between the exchange rate at drawdowns and the rate at the end of the year as reflected on the closing outstanding balance is shown as a foreign exchange hedge asset.

Inventories

Inventories are at the lower of cost and net realisable value using the average cost method. Cost includes both fixed and variable production costs. No accounting value is attributed to ore in situ or broken ore within the mine.

Deferred Expenses

Deferred expenses are amortised over periods to which they relate. The share issue expenses have been written off over the first five financial years of full operation.

Borrowing costs incurred in 1981 are being amortised over eight and a half years from 15 November 1981 to the scheduled final repayment of the projected loans. Costs incurred in 1986 are amortised over five years to January 1991.

Income Tax

Income tax expense for the year is based on pre-tax accounting profit adjusted for items which, as a result of treatment under income tax legislation, create permanent differences between pre-tax accounting profit and taxable income.

To arrive at tax payable, adjustments to income tax expense are made for items which have been included in time periods for accounting purposes which differ from those specified by income tax legislation.

The extent to which timing differences give rise to income tax becoming payable in a different year as indicated by accounting treatment is recorded in the balance sheet as provision for deferred income tax.

Sales

Sales are accounted for when product has been delivered in accordance with a sales contract.

Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of the leased property, and operating leases under which the lessor effectively retains all such risks and benefits. Where non-current assets are acquired by means of finance leases, the present value of minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to the profit and loss account in the periods in which they are incurred.

Contributions to Superannuation Funds

Contributions made by the group to existing employee contributory superannuation funds (to provide benefits for employees and their dependants on retirement, disability or death) are charged to the profit and loss account.



Statement of Sources & Applications of Funds

For the year ended 30 June 1989

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED		CONSOLIDATED	
	1989 \$000	1989 \$000	1988 \$000	1988 \$000
Sources of Funds				
Funds from Operations				
Inflows of funds from operations	184 979		255 704	
Less outflows of funds from operations	104 349	80 630	124 649	131 055
Add non-cash items				
Amortisation and depreciation	30 216		19 483	
Other	1 834	32 050	4 800	24 283
		112 680		155 338
Reduction in Assets				
Current Assets				
Cash on hand	-		7	
Short term deposits (at call)	2 000		-	
Trade debtors	25 321		5 141	
Other debtors	-		1 092	
Prepayments	-	27 321	357	6 597
Fixed Assets				
Cash proceeds from sale		1 390		1 034
Increase in Liabilities				
Current Liabilities				
Creditors	1 235		4 667	
Borrowings	-	1 235	6 377	11 044
Non-Current Liabilities				
Creditors	10 186		10 714	
Borrowings	19 868	30 054	-	10 714
		172 680		184 727
Applications of Funds				
Increase in Assets				
Current Assets				
Cash on hand	1 016		-	
Short term deposits	10 700		3 889	
Other debtors	944		-	
Stock on hand	22 050		1 532	
Loan to holding company	4		-	
Prepayments	2 949	37 663	-	5 421
Non-Current Assets				
Plant, equipment and facilities		5 515		17 929
Reduction in Liabilities				
Current Liabilities				
Borrowings		5 874		-
Non-Current Liabilities				
Borrowings		-		42 349
Dividends paid		61 500		61 500
Income tax paid		60 010		55 775
Maintenance paid		428		201
Employee entitlements paid		1 690		1 552
		172 680		184 727



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT		CONSOLIDATED AND PARENT	
	1989 \$000		1988 \$000	
1. Revenue				
(a) Sales revenue	<u>177 516</u>		<u>251 300</u>	
(b) Other revenue				
Interest received	7 463		4 404	
Proceeds on sale of non-current assets	<u>1 390</u>		<u>1 034</u>	
	<u><u>186 369</u></u>		<u><u>256 738</u></u>	

	CONSOLIDATED		PARENT	
	1989 \$000	1988 \$000	1989 \$000	1988 \$000
2. Operating Profit				
(a) The operating profit before income tax is arrived at after charging and crediting the following specific items:				
<i>Charges:</i>				
Amortisation of Ranger Project Rights	11 159	6 691	11 159	6 691
Amortisation of deferred expense	443	444	443	444
Depreciation of fixed assets	18 614	12 348	18 614	12 348
Royalty type expense	2 304	3 461	2 304	3 461
Payments for Aboriginal interests	8 033	12 127	8 033	12 127
Rehabilitation fund payments and guarantee costs	4 056	5 288	4 056	5 288
Exploration costs	1 365	1 299	1 365	1 299
Loss on translation of foreign exchange hedge asset	-	10 227	-	6 515
Loss on translation of foreign borrowings	2 344	-	1 502	-
Auditors' remuneration				
audit of accounts and group accounts	106	112	106	112
other services	339	275	339	275
Rent expense on operating leases	524	539	524	539
Finance charges on finance leases	927	1 179	927	1 179
Contribution to employee retirement fund	831	450	831	450
Interest paid/payable to				
related companies	-	-	3 169	6 852
other corporations	16 514	21 422	13 345	14 570
Provision for employee entitlements	2 081	2 573	2 081	2 573
Provision for obsolescence	150	172	150	172
Provision for maintenance	402	111	402	111
<i>Credits:</i>				
Interest received/receivable from other corporations	7 463	4 404	7 463	4 404
Profit on disposal of fixed assets	355	973	355	973
Profit on translation of foreign borrowings	-	10 227	-	6 515
Profit on translation of foreign exchange hedge asset	2 344	-	1 502	-



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000

3. Directors' and Executives' Remuneration
Remuneration of Directors

The number of directors of the company, including executive directors, who received or in respect of whom income is due and receivable, from the holding company and related corporations, within the following bands are:

	1989	1988
\$ 0 to \$ 9999	1	3
\$ 10 000 to \$ 19 999	3	2
\$ 30 000 to \$ 39 999	-	1
\$ 40 000 to \$ 49 999	-	1
\$ 50 000 to \$ 59 999	1	-
\$ 70 000 to \$ 79 999	-	2
\$ 80 000 to \$ 89 999	-	1
\$ 90 000 to \$ 99 999	1	-
\$100 000 to \$109 999	-	1
\$210 000 to \$219 999	1	-
\$220 000 to \$229 999	1	-
\$340 000 to \$349 999	1	-

Total remuneration received or due and receivable by the directors, including executive directors, from the holding company and related corporations

982

463

Remuneration of Executives

The number of executive officers and executive directors who received, or in respect of whom income is due and receivable, which equals or exceeds \$85 000, from the holding company and related corporations, within the following bands are:

	1989	1988
\$ 85 000 to \$ 94 999	4	2
\$ 95 000 to \$104 999	1	1
\$105 000 to \$114 999	3	-
\$115 000 to \$124 999	1	1
\$125 000 to \$134 999	-	1
\$155 000 to \$164 999	1	1

Total remuneration received or due and receivable by these executives from the holding company and related corporations

1064

645



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000
4. Income Tax		
(a) Income tax is calculated as follows:		
Operating profit before income tax	80 630	131 055
Tax calculated at 39% (1988: 49%)	31 446	64 217
Tax effect of permanent differences		
Amortisation of Ranger Project Rights and other non-allowable items	4 847	3 768
Back to back hedge losses	6 583	
Prima facie tax adjusted for permanent differences	42 876	67 985
Tax effect of timing differences	(4 080)	(7 547)
Contested income tax attributable to prior periods (Note 5)	74 902	-
Provision for current income tax	113 698	60 438
(b) The provision for deferred income tax that relates to timing differences	103 676	99 596
The provision for deferred income tax arises from certain costs being allowable for income tax purposes earlier than the time when the corresponding charge is made against book profits. Deductions under Division 10 and Section 51 of the Income Tax Assessment Act are the main factors.		
5. Extraordinary Items		
Contested Income Tax ^a	(74 902)	-
Adjustment to provision for deferred income tax-change in rate from 49% to 39%	-	25 404
	(74 902)	25 404
^a Following the audit of the Company's affairs carried out by the Australian Taxation Office in 1987 and 1988, referred to in Note 4 to the 1988 accounts, the Company is in dispute with the Commissioner of Taxation regarding the income tax liabilities of the Company for the years 1984 to 1988 inclusive. Amended assessments for the years 1984 to 1987, and an assessment for the 1988 year, have been issued on a basis unacceptable to the Company. Following advice received from Senior Counsel the Company has lodged objections against the assessments and has included a cross claim as to deductibility of \$125 million paid to the Commonwealth for uranium concentrates. If the objections are disallowed by the Commissioner the Company will challenge his assessments in the Courts. On the basis of advice received that the amount of tax assessed is a liability of the Company, notwithstanding the existence of undetermined objections, it has been decided, as a matter of prudence, to provide for the full amount on the basis of the amended assessments until such time as the dispute is resolved. The liability in respect of 1989 has been calculated on the same basis, and the effect has been to increase income tax attributable to operating profit by \$6583 000. No part of the disputed amount has been paid, and an extension of time has been sought until after the liability of the Company, if any, is finally determined.		
6. Cash		
Cash at banks and on hand	1 031	15
Short term and deposits (at call)	2 000	4 000
	3 031	4 015



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000
7. Current Assets – Receivables		
Loan to holding company	4	–
Trade debtors – receivable within one year ^a	76 741	102 062
Other debtors ^b	3 241	2 297
Less provision for doubtful debts	12	12
	<u>79 974</u>	<u>104 347</u>
^a Bad debts written off against provisions: \$Nil (1988: \$Nil)		
^b Bad debts written off against provisions: \$Nil (1988: \$Nil)		
8. Current Assets – Inventories		
Stores	11 629	13 070
Less provision for obsolescence	996	880
	<u>10 633</u>	<u>12 190</u>
Ore stockpile	19 611	17 094
Work in progress	636	142
Finished product U ₃ O ₈	54 098	33 618
At cost	<u>84 978</u>	<u>63 044</u>
9. Current Assets – Other		
Short term deposits	28 651	17 951
Foreign exchange hedge asset	17 145	7 084
Prepayments	7 448	4 499
	<u>53 244</u>	<u>29 534</u>
10. Non-Current Assets – Property, Plant and Equipment		
Plant, equipment and facilities – cost	409 254	406 379
Less provision for depreciation	102 709	87 875
	<u>306 545</u>	<u>318 504</u>
Plant, equipment and facilities – leased	10 964	10 964
Less accumulated amortisation	7 872	5 678
	<u>3 092</u>	<u>5 286</u>
Total plant, equipment and facilities	<u>309 637</u>	<u>323 790</u>
11. Non-Current Assets – Other		
Ranger Project Rights – cost	407 000	407 000
Less accumulated amortisation	56 510	45 350
	<u>350 490</u>	<u>361 650</u>
Share issue expenses – cost	3 158	3 158
Borrowing costs – cost	5 592	5 592
	<u>8 750</u>	<u>8 750</u>
Less accumulated amortisation	8 023	7 581
	<u>727</u>	<u>1 169</u>
Foreign exchange hedge asset	–	27 073
	<u>351 217</u>	<u>389 892</u>

The Ranger Project Rights were acquired from the former Ranger joint venturers. These included rights to receive and sell the concentrates produced from the Ranger Project Area and the benefits of long term sales contracts previously arranged by certain of the former venturers.



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000
12. Current Liabilities – Creditors and Borrowings		
Unsecured:		
Current maturities of long term loans		
Notes and bills payable	21 312	10 000
Other loans	17 472	22 174
	<u>38 784</u>	<u>32 174</u>
Finance lease liabilities	2 032	2 032
Bank overdraft	1 485	3 908
	<u>42 301</u>	<u>38 114</u>
Trade creditors	7 176	8 386
Other creditors	15 384	12 939
	<u>22 560</u>	<u>21 325</u>
	<u>64 861</u>	<u>59 439</u>
Current maturities of long term loans are repayable in the following currencies (Australian dollar equivalents are shown):		
Australian dollars	8 000	10 000
United States dollars – Hedged (Note 17)	17 472	22 174
– Unhedged (Note 17)	13 312	–
	<u>38 784</u>	<u>32 174</u>
Borrowing facilities are on an unsecured, negative pledge basis. The facilities extend to 30 June 1994 with differing annual reduction amounts from 30 June 1987 and provide for the issue of Euronotes and the provision of letters of credit.		
13. Current Liabilities – Provisions		
Employee entitlements	1 923	1 780
Maintenance	143	170
Dividend	20 500	20 500
Income Tax (Note 4)	113 698	60 438
	<u>136 264</u>	<u>82 888</u>
14. Non-Current Liabilities – Creditors and Borrowings		
Unsecured:		
Notes and bills payable	99 840	88 362
Other loans	–	16 631
	<u>99 840</u>	<u>104 993</u>
Term creditors	24 850	14 664
Finance lease liabilities	2 981	5 033
	<u>127 671</u>	<u>124 690</u>
Non-current borrowings are repayable in the following currencies (Australian dollar equivalents are shown):		
Australian dollars	–	6 000
United States dollars – Hedged (Note 17)	31 200	84 738
– Unhedged ^a (Note 17)	68 640	14 255
	<u>99 840</u>	<u>104 993</u>

^aThe corresponding amounts in United States dollars are \$51 562 000 (1988: \$11 250 000).



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000

14. Non-Current Liabilities – Creditors and Borrowings (continued)

Total non-current creditors and borrowings are repayable as follows:

Year ending June 1991	1 636	1 510
1992	8 549	35 526
1993	44 813	48 000
1994	58 428	8 107
1995	14 245	6 557

Borrowing facilities are on an unsecured, negative pledge basis. The facilities extend to 30 June 1994 with differing annual reduction amounts from 30 June 1987 and provide for the issue of Euronotes and the provision of letters of credit.

15. Non-Current Liabilities – Provisions

Employee entitlements	1 318	1 070
Deferred income tax (Note 4)	103 676	99 596
	<u>104 994</u>	<u>100 666</u>

16. Share Capital

Authorised capital comprises:

750 000 000 shares of \$1.00 each	<u>750 000</u>	<u>500 000</u>
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Issued and paid up capital comprises:

307 500 000 A Class shares of \$1.00 each fully paid	307 500	307 500
61 500 000 B Class shares of \$1.00 each fully paid	61 500	61 500
41 000 000 C Class shares of \$1.00 each fully paid	41 000	41 000
	<u>410 000</u>	<u>410 000</u>

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

17. Foreign Currency

The Group has sales proceeds in US dollars exceeding repayments of borrowings, interest and other costs in US dollars.

Forward purchase contracts for US dollars have been entered into covering part of the principal outstanding in US dollars under loan agreements (refer Notes 12 and 14 for unhedged principal). These hedge contracts will have the effect of \$A113 480 000 (1988: \$A87 011 000) being required to repay the principal of the loans at 30 June 1989, US\$98 125 000 (1988: US\$95 625 000), whereas the conversion of the principal in US dollars at the rate of exchange at year end was \$A130 624 000 (1988: \$A121 167 000). There are forward sales contracts for US dollars which match the purchase contracts covering loan repayments. These contracts for US dollars resulted in revenue for the year being reduced by \$A16 880 000 (1988: \$A24 578 000).

Foreign currency options and hedge contracts which were entered into during the year for US dollars in respect of some further sales proceeds were completed by 30 June 1989 and the losses brought to account. These reduced revenue for the year by \$A730 000 (1988: \$A230 000).

The net exchange loss included in the profit and loss account for the year on the holding of net foreign monetary assets was \$A3 299 000 (1988: \$A4 260 000).



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000
18. Commitments		
(a) Commitments for capital expenditure		
Not later than one year	<u>535</u>	<u>1039</u>
(b) Lease and Hire Commitments		
(i) Operating Leases – Offices		
Aggregate of amounts contracted but not provided for in the accounts	<u>6 590</u>	<u>432</u>
Due within 1 year	475	430
Due between 1-2 years	686	2
Due between 2-5 years	2 056	-
Due after 5 years	<u>3 373</u>	<u>-</u>
	<u>6 590</u>	<u>432</u>
Rent expense for period	<u>524</u>	<u>539</u>
(ii) Finance Leases		
Aggregate amount contracted for in respect of finance leases (plant, equipment and facilities) is capitalised in the accounts in accordance with the accounting policies		
Total lease liability		
– current	2 032	2 032
– non-current	<u>2 981</u>	<u>5 033</u>
	<u>5 013</u>	<u>7 065</u>
Finance lease commitments		
Due within 1 year	2 740	2 909
Due between 1-2 years	1 824	3 878
Due between 2-5 years	<u>1 486</u>	<u>1 164</u>
Minimum lease payments	6 050	7 951
Less future finance charges	<u>1 037</u>	<u>886</u>
	<u>5 013</u>	<u>7 065</u>

(c) ERA is liable to make payments to the Commonwealth as listed below:

(i) an amount equal to the sum payable by the Commonwealth to the Northern Lands Council pursuant to the Section 44 Agreement (Aboriginal Land Rights (N.T.) Act 1976). This amounts to \$200 000 per annum during the currency of the Agreement;

(ii) amounts equal to the sums payable by the Commonwealth to the Aboriginals Benefit Trust Account pursuant to Section 63(5) of the Aboriginal Land Rights (N.T.) Act. These amounts are calculated as though they were royalties payable pursuant to the Northern Territory Mining Act and represent 4.25% of net sales revenue (1989: \$8 033 000/1988: \$12 127 000);

(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% (1989: \$2 304 000/1988: \$3 461 000);

(iv) amounts equal to 2% (or such other rate as the Minister of State for the time being administering Section 41 of the Atomic Energy Act may determine) of the payments received by ERA in respect of sales of uranium concentrates. These amounts are credited to the Ranger Rehabilitation Trust Fund to provide for rehabilitation of the mine site (1989: \$4 056 000/1988: \$5 288 000).



Notes To and Forming Part of the Accounts

ENERGY RESOURCES OF AUSTRALIA LIMITED AND SUBSIDIARIES	CONSOLIDATED AND PARENT	CONSOLIDATED AND PARENT
	1989 \$000	1988 \$000

19. Contingent Liabilities

ERA has given to the Commonwealth Government an undertaking to rehabilitate the Ranger Project Area after cessation of mining operations. To the extent from time to time that the balance of the Ranger Rehabilitation Trust Fund is insufficient to meet the then estimated cost of rehabilitation, this undertaking has been secured by a bank guarantee given by the Commonwealth Bank of Australia.

The estimated cost of rehabilitation (including a 10% contingency), should ERA have been required to cease mining at 30 June 1989, would have been \$66 134 000 (1988: \$58 633 000) whilst the balance of the Trust Fund was \$58 391 000 (1988: \$50 995 000). The Fund balance of \$58 391 000 excludes an amount of \$6 224 000 provided for in the accounts.

The Northern Land Council has taken legal proceedings against the Commonwealth of Australia and ERA to have the Agreement for Mining under Section 44 of the Aboriginal Land Rights (N.T.) Act set aside. The matter came before the High Court and has now been remitted to the Federal Court and may take some time to be resolved. Legal advice indicates the proceedings will be resolved in favour of the Company.

Under certain conditions when the minimum price as approved by the Minister for Primary Industries and Energy of the Commonwealth of Australia exceeds the contract price as set out in the sale agreements with certain customers, the customer becomes entitled to a credit which will reduce the contract price when the contract price exceeds the minimum price. No credits were payable at 30 June 1989.

20. Financial Reporting by Segments

The Company is solely a uranium miner and producer operating in Australia.

Revenue by geographical segments:

United States	11 700	10 596
Japan	52 690	71 642
Korea	5 838	29 722
Europe	<u>107 288</u>	<u>139 340</u>
	<u>177 516</u>	<u>251 300</u>

All operating expenditure is incurred in one geographical area and the assets are based in Australia.

21. Dividends

Franked dividends paid during the period, provided in the previous period	20 500	41 000
Dividends paid \$20 500 000, franked to 3.74 cents per share out of existing franking credits	-	15 334
Franked dividends provided and paid for in this period	41 000	-
Dividends provided which will, when paid, be franked out of franking credits which will arise from income tax payments in the following period	20 500	20 500
Unappropriated profits and reserves which could be distributed as franked dividends using franking credits already in existence or which are expected to arise from income tax payments in the following period. (This does not include franking credits which may arise from the contested income tax detailed in Note 5.)	38 291	42 410



	PLACE OF INCORPORATION	PARENT INVESTMENT AT COST \$
22. Investments		
(a) Shares in subsidiary companies		
E.R.A. (Canberra) Limited	Australian Capital Territory	5
Ranger Export Development Company Pty Ltd	New South Wales	20
Ranger Uranium Mines Pty Ltd	New South Wales	20
		<u>45</u>

The above subsidiaries are wholly owned. The operations of the subsidiaries did not result in a profit or a loss and no dividends were paid to the parent company.

(b) Loan to subsidiary company

Unsecured subordinated loan to E.R.A. (Canberra) Limited \$34 067 (1988: \$69).

23. Superannuation Benefits and Commitments

Staff are entitled after serving a qualifying period to benefits on retirement, disability or death. The superannuation plans provide defined benefits based on years of service and final average salary. Employees contribute to the plans at various percentages of their wages and salaries. The Company also contributes to the plan. The Company's contributions are not legally enforceable.

An actuarial assessment of the plan was last made as at 1 July 1987 by Mr M F Murphy BA, FIA, FIAA. Based on this assessment, the directors are of the view that the assets of the fund are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans, and voluntary or compulsory termination of employment of each employee.

24. Related Parties

Related parties of Energy Resources of Australia Limited fall into the following categories:

Subsidiaries

Information relating to subsidiaries is set out in Note 22.

Ultimate Holding Company

The ultimate holding company is North Broken Hill Peko Limited (incorporated in Victoria, Australia) which owns 65.1% of the issued ordinary shares of the company.

Superannuation Fund

Information relating to the group's superannuation fund is set out in Note 23.



Statement by Directors

Energy Resources of Australia Limited
(Incorporated in the Australian Capital Territory)

1. The ultimate liability, if any, in respect of the contested tax of \$81 485 000 (as detailed in Note 5) cannot be assessed at this stage.
2. In the opinion of the Directors subject to 1. above:
 - (a) the accounts of the Company and of the Group, set out on pages 18 to 29, are drawn up so as to give a true and fair view of the state of affairs as at 30 June 1989, and the profits for the year ended on that date, of the Company and of the Group as far as they concern members of the Company; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
3. The accounts are in accordance with Australian Accounting Standards and applicable Approved Accounting Standards except that the contested income tax attributable to prior years amounting to \$74 902 000 has been shown as an extraordinary item in the Profit and Loss account. We believe this departure from Australian Accounting Standard, AAS1 'Profit and Loss Statements', is appropriate because of the uncertain nature of this large contested tax liability, coupled with the fact that it relates to a period commencing 1982.

Signed at Sydney this 30th day of August 1989 in accordance with a resolution of the Directors.

H Weise
Director

A L Morokoff AO
Director

Auditors' Report

Auditors' Report to the Members of Energy Resources of Australia Limited
(Incorporated in the Australian Capital Territory)

We have audited the accounts and group accounts set out on pages 18 to 30 in accordance with Australian Auditing Standards.

As detailed in Note 5 to the accounts the Company is disputing additional tax liabilities assessed by the Commissioner of Taxation during the year. These assessments and the future tax payable calculated on a consistent basis amount to \$74 902 000 in respect of the years 1984 to 1988. The Company strongly disputes the assessments. It has lodged objections against the assessments and if unsuccessful will challenge the assessments in the Courts. Pending the ultimate outcome of this dispute the Company, on the basis of prudence, has decided to provide for the full amount of the disputed tax. Further the Company has also provided for tax on the current year's results on the same basis, resulting in an increase in income tax attributable to the current year's operating profit of \$6 583 000.

Due to the uncertainty of the ultimate outcome of the objections and any possible related Court action, we are unable to assess the ultimate liability, if any, in respect of the disputed tax for which a total of \$81 485 000 has been provided at 30 June 1989.

Subject to the resolution of the material uncertainty referred to above, in our opinion the accounts and Group accounts are properly drawn up in accordance with the provisions of the Companies Act 1981 and so as to give a true and fair view of:

- (a) the state of affairs of the Company and of the Group as at 30 June 1989 and of the loss of the Company and of the Group for the year ended on that date so far as they concern members of the holding Company; and
- (b) the other matters required by Section 269 of that Act to be dealt with in the accounts and in the Group accounts;

and are in accordance with Australian Accounting Standards and applicable Approved Accounting Standards except that the contested income tax attributable to prior years amounting to \$74 902 000 has been shown as an extraordinary item in the Profit and Loss account. In our opinion, this is a departure from Australian Accounting Standard, AAS1 'Profit and Loss Statements', as that standard does not permit such treatment for an item of this nature. However, we believe that because of the uncertain nature of this large contested tax liability, coupled with the fact that it relates to a period commencing 1982, the charge should not impact the operating profit after tax for the current year. We therefore concur with the departure.

Coopers & Lybrand,
Chartered Accountants

by M J Sharpe
Sydney, 30th August 1989



Stock Exchange Information

Twenty Largest Shareholders of A Class Ordinary Shares as at 15 August 1989

SHAREHOLDERS	SHARES HELD
Peko-Wallsend Ltd	136 329 100
North Broken Hill Peko Ltd	130 570 600
CTB Nominees Ltd	6 665 412
Pendal Nominees Pty Ltd	6 422 200
State Authorities Superannuation Board	1 603 724
Government Insurance Office of New South Wales	1 547 000
MLC Life Limited	1 374 267
Australian Mutual Provident Society	1 144 576
The National Mutual Life Association of Australasia Ltd	704 600
Perpetual Trustees Victoria Ltd	677 900
ANZ Nominees Ltd (Melbourne)	665 514
Burns Philp Trustee Co Ltd	625 500
Bank of New South Wales Nominees Pty Ltd	396 100
Schroders Dual Fund Ltd	374 900
Icianz Pension Fund Sec Pty Ltd	282 400
Eagle Star Trustees Ltd	276 700
Goldfields Mining Investments Ltd	244 600
BT Custodians Ltd	205 500
Argo Investments Ltd	200 000
Australian Reinsurance Co Ltd	200 000
Total of top twenty Holdings	290 510 593

The proportion of A Class Ordinary Shares held by the twenty largest shareholders is 94.47%.

Interest of Directors in the share capital of the Company and related Companies as at 30 August 1989
(beneficially held unless otherwise shown)

DIRECTOR	ERA	NORTH
R L Baillieu	10 000	1 405 913 391 242 (non beneficially held)
G W Forster	-	12 213 300 000 Options
R Knight	-	109 237 200 000 Options
Dr E Miller	-	3 154 300 000 Options
A L Morokoff AO	5 000	-
Sir Rupert Myers KBE	2 000	-
P H Wade	2 000	7 748
H Weise	-	500 000 Options 1 000

Key:

ERA Energy Resources of Australia Ltd. - shares of \$1 each fully paid.

North North Broken Hill Peko Ltd - shares of 50¢ each fully paid.

(Options to subscribe for shares of 50¢ each fully paid under the North Broken Hill Share Option Incentive Plan.)



Stock Exchange Information

Information pursuant to Australian Associated Stock Exchanges Listing Requirement 3c.

Entitlement to Vote (Article 85)

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.

Stock Exchange Listing

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

Distribution of Shareholders as at 15 August 1989

(a) A Class Ordinary Shareholders			Equal to 75.0% of the issued capital	
	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1-99	13	0.1	694	0.0
100-1000	14818	85.5	5 696 526	1.9
1001-5000	2 119	12.2	5 037 736	1.6
5001-10000	230	1.3	1 721 792	0.6
over 10000	160	0.9	295 043 252	95.9
	17 340	100.0	307 500 000	100.0
(b) B Class Ordinary Shareholders			Equal to 15.0% of the issued capital	
Rheinbraun Australia Pty Ltd			25 625 000	41.6
UG Australia Developments Pty Ltd			16 400 000	26.7
Interuranium Australia Pty Ltd			10 250 000	16.7
Cogema Australia Pty Ltd			5 125 000	8.3
OKG Aktiebolag			4 100 000	6.7
			61 500 000	100.0
(c) C Class Ordinary Shareholders			Equal to 10.0% of the issued capital	
Japan Australia Uranium Resources Development Co Ltd			41 000 000	100.0
Total Issued Capital			410 000 000	100.0
Register of Substantial Shareholders			Shares held as at 15 August 1989	
A Class Ordinary Shareholders				
Peko-Wallsend Ltd			136 329 100	
North Broken Hill Peko Ltd*			266 899 700	
B Class Ordinary Shareholders				
Rheinbraun Australia Pty Ltd			25 625 000	
UG Australia Developments Pty Ltd			16 400 000	
Interuranium Australia Pty Ltd			10 250 000	
C Class Ordinary Shareholders				
Japan Australia Uranium Resources Development Co Ltd			41 000 000	

*By a notice of change in interest of substantial shareholders dated 29 May 1986 received from North Broken Hill Holdings Limited, ERA was informed that North Broken Hill Holdings Ltd has a relevant interest in all A Class ordinary shares held by Peko-Wallsend Ltd and all the B Class shares and C Class shares on issue. The relevant interest is said to have arisen under an agreement and a series of instruments entered into by ERA with its shareholders between September 1980 and December 1981.

Share Registries

New South Wales

C/- Professional Share Registries (NSW) Pty Ltd
4th Floor, 720 George Street
Sydney NSW 2000
Telephone (02) 211 5299

Victoria

C/- Professional Share Registries (NSW) Pty Ltd
C/- Bishop Connelly & Duncan
3rd Floor, 11 Bank Place
Melbourne VIC 3000
Telephone (03) 670 0206

Australian Capital Territory

C/- Professional Share Registries (NSW) Pty Ltd
C/- Houston & Hanna
3rd Floor, 40 Marcus Clarke Street
Canberra City ACT 2601
Telephone (062) 49 8515



