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Energy Metals Limited

27 March 2006

Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

FORMS STRATEGIC ALLIANCE WITH DENISON MINES

The Directors of Energy Metals Limited (ASX: EME) wish to advise of the formation of a Strategic Alliance, with Canadian uranium producer Denison Mines Inc. (TSX: DEN).

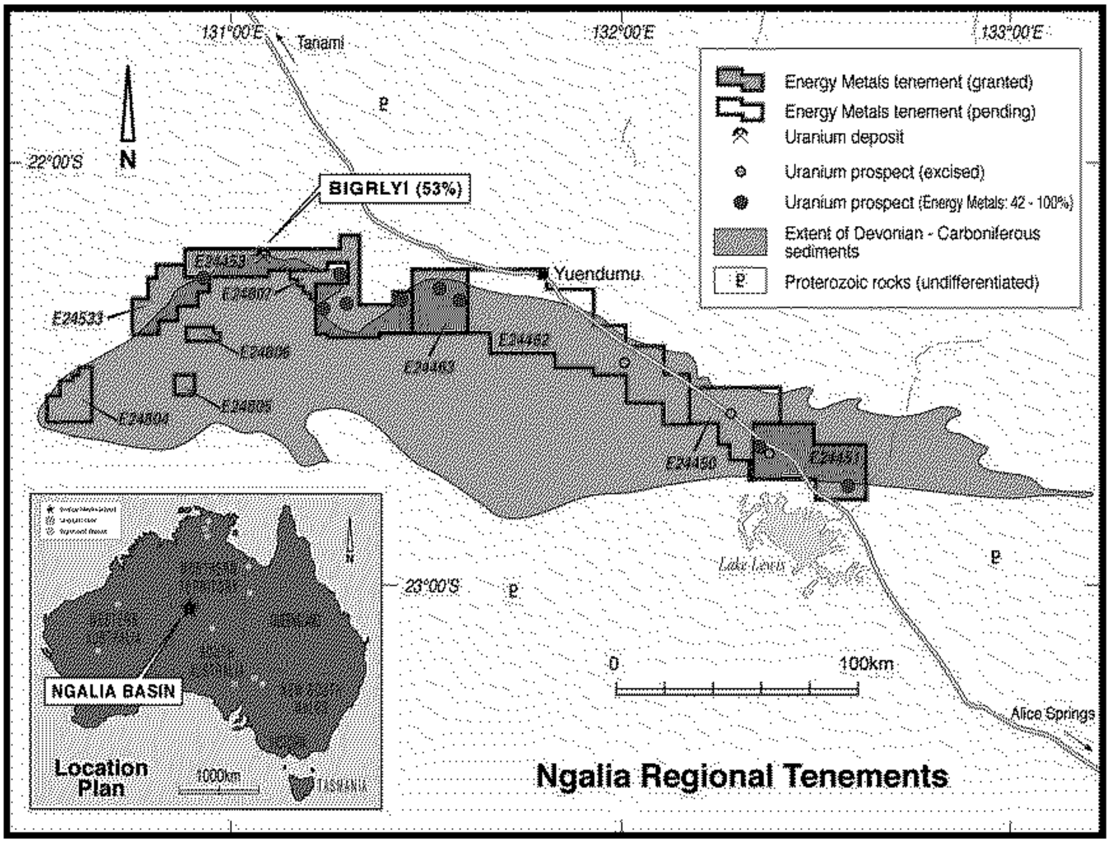
As part of this Strategic Alliance Denison Mines Inc. ("Denison") will subscribe for 3 million Energy Metals shares (subject to a 12 month hold period) at an issue price of $1.50, to raise $4,500,000. This represents a small premium to the Energy Metals volume weighted average share price of $1.46 over the past month.

Funds raised from the issue will be used mainly to fast track exploration of Energy Metals' highly prospective uranium projects in the Northern Territory. Particular emphasis will be directed towards the high grade Bigrlyi deposits and recently granted tenements forming part of the Ngalia Regional project, (refer to Energy Metals' ASX announcement of 21 February 2006 for further details). Funds will also be utilised for the acquisition of new uranium exploration and development opportunities in Australia, and for the upgrading of calcrete uranium prospects held in Western Australia.

After the issue Denison will hold approximately 12% of the issued capital of the Company (on an undiluted basis), making Denison the second largest shareholder of Energy Metals. Energy Metals will also offer Denison the opportunity to take part in future capital raisings and will grant Denison a first right of refusal over Energy Metals' uranium properties in respect to any sale or joint venture arrangement, provided Denison holds no less than 7.5% of Energy Metals' issued capital.

The Strategic Alliance with Denison will not only allow Energy Metals to accelerate exploration (and potential development) of the Company's existing projects but will also allow Energy Metals to more aggressively pursue new uranium opportunities in Australia. The Strategic Alliance also gives Energy Metals access to Denison's considerable expertise in mining and marketing uranium.

The Directors of Energy Metals warmly welcome Denison as a partner and substantial shareholder.



About Denison

Denison is listed on the Toronto Stock Exchange (TSX code: DEN) and has a market capitalisation of approximately $C 408m ($A 487m). Denison is one of only two publicly traded companies involved in uranium mining and production in Canada. Denison is a uranium exploration, development and production company, whose principal assets are its interests in the McClean Lake Facility and the Midwest Uranium Project, both of which are located in Northern Saskatchewan, Canada.

Denison's production is through its 22.5% ownership interest in the McClean Lake Joint Venture. The Joint Venture assets include the sixth largest uranium processing facility in the world as measured by production (which is soon to be significantly expanded) and substantial uranium deposits and reserves. Denison is also a 25.2% owner of the Midwest Project, which also contains substantial reserves of uranium.

In addition Denison has interests in exploration projects in the eastern Athabasca Basin and has an exploration project in Mongolia in joint venture with COGEMA.

Denison is the manager of Uranium Participation Corporation, a publicly traded company that was created to invest in uranium oxide in concentrates.

Denison is also engaged in mine decommissioning and environmental services through its Denison Environmental Services (DES) division.

LINDSAY DUDFIELD
Executive Director.