



 **Energy**
Metals Limited

2018 ANNUAL REPORT

A.B.N. 63 111 306 533

CORPORATE DETAILS

Directors

Deshao Chen (Non-executive Chairman)
 Shuqing Xiao (Managing Director)
 Lindsay George Dudfield (Non-executive Director)
 Jan Macpherson (Non-executive Director)
 Yu Zhong (Non-executive Director)
 Zimin Zhang (Non-executive Director)
 Junmei Xu (Non-executive Director)

Company Secretary

Xuekun Li

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 PERTH WA 6000

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Stock Exchange Listing

The Company's shares are listed by the Australian Securities Exchange Limited ("ASX") - Code EME.

The home exchange is Perth.

Bankers

National Australia Bank Limited
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Solicitors

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CHAIRMAN'S STATEMENT

Dear Shareholders

It gives me great pleasure to welcome you to our annual report for Year 2018.

This is my first year as the Chairman of Energy Metals. The past year was another challenging year for uranium miners and explorers but it also witnessed some promising signs in the market, with the uranium price lifting gradually from under US\$18 in 2016 to US\$28.50/lb by the end of 2018, and widely believed to continue this trend and move up progressively.

During 2018, uranium supply continued to decrease significantly while on the other side demand increased steadily. Cameco, one of the largest uranium producers, suspended its production at McArthur River/Key Lake indefinitely, reducing annual supply to the market by 18 million pounds. Kazatomprom, another significant uranium producer, announced that it would cut its 2018 production to approximately 56 million pounds, around 8% lower than 2018. In addition, Kazatomprom sold 8 million pounds from its inventory to Yellow Cake Plc's uranium fund, significantly reducing market supply, and after its initial public offering in late 2018 Kazatomprom reaffirmed its intention to change from a planned-production producer to a market-oriented player. All of these events have signalled that uranium supplies will continue to remain at low levels, with the uranium price expected to respond positively.

On the demand side, consumption has recovered from recent lows and continues to grow. The negative impact from the shut-downs of nuclear reactors as a result of the tsunami in 2011 has largely cleared and uranium consumption has returned to pre-2011 levels. Eight new reactors started commercial operation in 2018 and fifty reactors are currently under construction, with more planned. Asia and the Middle East are the most significant consumers, in particular China which has an enormous market with huge demand. After being silent for three years, early 2019 China approved the construction of four new reactors, further underlining the expected strengthening demand for uranium.

During the year Energy Metals continued to focus on reducing costs, improving efficiency and seeking opportunities to expand its assets and create value for our shareholders. Our flagship Bigirlyi project is a uranium deposit with vanadium credits. The vanadium price reached a 15 year high of US\$29/lb in late 2018, a near tenfold increase compared with three years ago, and the Company has initiated a vanadium study with the aim of enhancing the project's economic outlook.

Meanwhile, after a careful review Energy Metals surrendered a number of tenement blocks to decrease costs significantly, whilst keeping the key assets in good standing. We have been making steady progress implementing our strategy in a down market and have achieved positive results. The balance sheet remains strong with a cash balance over \$18 million at year-end, allowing the Company to be able to quickly capitalise on opportunities when the market turns.

Finally, I wish to thank all shareholders for their patience, support and faith in Energy Metals. I would also like to, on behalf of the Board, extend my appreciation to the management and all the employees for their hard work and achievements over the past year.

Chairman
Deshao Chen

REVIEW OF ACTIVITIES

Energy Metals Ltd (EME) is a dedicated uranium company with seven projects located in the Northern Territory (NT) and Western Australia covering tenement areas over 3,000 km² in size (Figure 1). Most of the projects contain uranium mineralisation discovered by major companies in the 1970s, including the advanced Bigrlyi Project (NT), which is characterised by relatively high uranium grades (with vanadium credits) and excellent metallurgical recoveries.



Figure 1 - Energy Metals Project Location Map

Australia has significant uranium endowment with the continent containing approximately 29% of the world's low cost uranium resources. With the improving political and public sentiment to uranium mining in Australia and nuclear power playing an increasing role in reducing global carbon emissions Energy Metals is well placed to take advantage of the favourable outlook for the metal.

Furthermore, Energy Metals' largest shareholder (with 66.45% of issued capital) is China Uranium Development Co., Limited, a wholly owned subsidiary of major Chinese utility China General Nuclear Power Group (CGN) (formerly known as China Guangdong Nuclear Power Corporation). At 31 December 2018, the installed capacity of CGN's operating nuclear generating plants was 24,300MWe from 22 nuclear power units with six other power units of 7,430MWe capacity under construction in various locations across China. CGN is one of the only two companies authorised by the Chinese Government to import and export uranium. This unique relationship with CGN gives Energy Metals direct exposure to the uranium market as well as access to significant capital and places the Company in a very strong position going forward.

NORTHERN TERRITORY

Bigrlyi Joint Venture (EME 72.4%)

The Bigrlyi Deposit is a tabular, sandstone-hosted uranium-vanadium deposit located on the northern margin of the Ngalia Basin, 350 km northwest of Alice Springs. It is comprised of three main sub-deposits over 11 km of strike length: Anomalies 2, 4 and 15 (Figure 2). The Bigrlyi Joint Venture (BJV) comprises 10 granted exploration licences in retention (ELRs), that cover the Bigrlyi Deposit, as well as one ELR over the Sundberg Deposit, one granted exploration licence (EL) over the Dingos Rest historical prospect, and several historical applications covering the Karins Deposit (Figures 3). The BJV is a joint venture between Energy Metals Ltd, Northern Territory Uranium Pty Ltd (NTU) and Southern Cross Exploration (SXX). NTU is a subsidiary of a public company Optimal Mining Ltd (OML). A change in the beneficial interests of the JV partners in the Bigrlyi project was announced to the ASX on 14 November 2018; the new interests are EME: 72.39% NTU: 20.82%, and SXX: 6.79%.

Historically, significant exploration activity occurred at Bigrlyi in the period from 1974 to 1982, including over 400 drill holes, resource estimations and metallurgical test-work programs. The program was suspended in 1983.

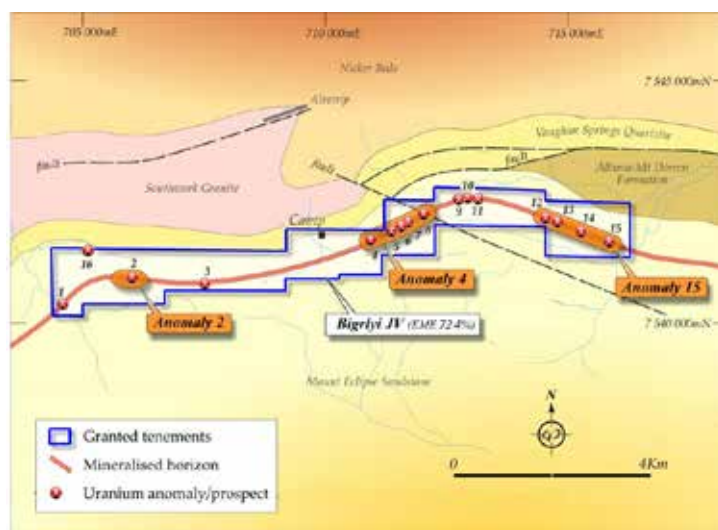


Figure 2 - Plan of the Bigrlyi Deposit and JV tenements

REVIEW OF ACTIVITIES

Work Completed 2005 to 2017

Energy Metals, as manager of the Bigrlyi Joint Venture (BJV), recommenced field activities in November 2005 after a 23-year hiatus. Several drilling programs, concentrating mostly on the Anomaly 4 and Anomaly 15 deposits, were completed at Bigrlyi in the period from 2005 to 2011 with most holes intersecting significant uranium mineralisation. Uranium and vanadium resource estimates were successively modelled to incorporate the drilling results. The latest resource estimate (Table 1), under the JORC (2004) code, was released in July 2011, with resources estimated by Hellman & Schofield Pty Ltd using the Multiple Indicator Kriging (MIK) method for uranium resources and Ordinary Kriging (OK) for vanadium resources.

Detailed metallurgical testwork has confirmed that the major uranium bearing minerals are uraninite and coffinite, and the major vanadium bearing minerals are vanadian illite and clays and the oxide-hydroxide mineral montroseite. This work has also confirmed the excellent extraction characteristics of the Bigrlyi ore with both acid and alkaline leach tests achieving over 90% uranium extraction levels.

A Pre-Feasibility Study (PFS) completed in mid-2011 confirmed that mining the Anomaly 4, Anomaly 15 and Anomaly 2 deposits using a combination of open pit and underground mining and processing ore through a relatively simple acid leach circuit would produce around 10Mlb U_3O_8 and positive cash flow of around \$120M over a mine life of approximately 8 years. A key finding was that a substantial increase in the resource base that underpins the project would have a positive impact on the economics of the project, especially if those resources are amenable to open pit mining.



Figure 3 - EME's Ngalia Basin projects showing tenements, uranium deposits & prospects

To this end, since 2012 EME's exploration activities have focussed on the discovery and definition of additional resources on 100% owned ground. These programs have been aided by the application of geophysical techniques, in particular gradient-array induced polarisation (IP) surveys, in order to locate sandstone units favourable for hosting uranium mineralisation under sand cover.

In the period from 2013 to 2017, EME's exploration efforts led to the announcement of JORC Mineral Resource Estimates totalling over 20M lbs U_3O_8 for a number of historical and recently-explored deposits in the Ngalia Basin region including Walbiri, Camel Flat, Bigrlyi Satellites, Karins and Malawiri (refer to Mineral Resource Statement).

Table 1: Bigrlyi Mineral Resource estimate at a 500 ppm U_3O_8 cut-off

Resource Category	Mt	U_3O_8 ppm	V_2O_5 ppm	U_3O_8 kt	U_3O_8 Mlbs	% Contrib	V_2O_5 kt	V_2O_5 Mlbs
Indicated	4.65	1366	1303	6.36	14.01	62	6.06	13.36
Inferred	2.81	1144	1022	3.21	7.08	38	2.87	6.33
Total	7.46	1283	1197	9.57	21.09	100	8.93	19.69

Kilotonnes (kt) are metric (2.20462 Mlb); figures may not total due to rounding.

REVIEW OF ACTIVITIES

Work Completed in the Twelve Months to 31 December 2018

Energy Metals' exploration strategy is to progressively advance its projects toward economic development within current market constraints. For its advanced BJV project, Energy Metals' aim is to ensure that they meet the high standards necessary for any future development to proceed in a timely manner once market conditions improve.

Due to the depressed uranium market only small uranium-focussed exploration programs were undertaken during the year to assist with re-optimisation of the PFS. However, recent commodity market interest in vanadium, stemming from demand by the steel industry, resulted in record vanadium pricing of \$33/lb in November 2018 (cf. the \$23 per lb spot price of U_3O_8 in the same period). Since this time the price has fallen but a vanadium price of approx. \$15-20/lb V_2O_5 is expected to be sustained in the medium-term by demand from the steel industry and new developments in battery technologies. Because the Bigirlyi Deposit contains a resource of vanadium roughly of a similar size and grade to the known uranium resource, the recovery of vanadium at Bigirlyi would enhance project economics provided a metallurgical processing route resulting in co-recovery of U and V at sufficiently high levels,

can be developed. However, the factors that control vanadium distribution relative to uranium and its mineralogy and hence its prospects for metallurgical extraction are not well understood.

During the year, EME initiated a program to further investigate vanadium mineralogy and metallurgy at Bigirlyi, including studies on the controls and distribution of vanadium mineralisation in cooperation with CSIRO researchers and external consultants. Some initial results are presented here.

Vanadium Studies. In 2018 Energy Metals continued its program to further investigate vanadium mineralogy and metallurgy at Bigirlyi, in cooperation with CSIRO researchers and external consultants.

Within uranium resource areas of the Bigirlyi deposit, the V_2O_5 to U_3O_8 ratio is on average about 1.2:1 (by weight) but varies widely. Vanadium distribution is not well defined in parts of the deposit located outside uranium resource cut-offs. Vanadium enriched zones typically occur as 'halos' both stratigraphically above, and less commonly, below U-mineralised intervals, with some areas known to be significantly vanadium enriched (percent level V_2O_5 – see Table 2).

Table 2: Drill Core Assays from Vanadium-rich Zones within Anomaly-15 (Vanadium Study Samples)

Hole Number	Depth from (m)	Depth to (m)	V_2O_5 (%)	U_3O_8 (%)	$V_2O_5:U_3O_8$	U_3O_8 (%) calc. from radiogenic Pb
BPD321	132.5	132.55	1.74	0.03	60.8	0.04
BPD321	136.8	136.85	3.00	0.09	32.6	0.16
BPD321	137.1	137.15	2.78	0.09	30.5	0.12
BPD321	137.95	138.00	1.12	0.11	10.6	0.11
BPD321	140.1	140.15	1.47	0.01	118.9	0.02
BPD321	141.6	141.65	2.14	0.08	27.9	0.09
BPD321	144.0	144.05	0.93	0.02	38.3	0.03
BPD321	144.5	144.55	0.74	0.03	26.2	0.04
BPD321	147.0	147.05	1.05	0.29	3.6	0.38
BPD321	148.6	148.65	2.02	0.02	83.0	0.09
BPD321	149.2	149.25	1.77	0.02	98.8	0.09
BPD340	68.40	68.45	0.85	0.15	5.7	0.16
BPD340	69.65	69.70	1.53	0.01	129.6	0.06
BPD340	70.90	70.95	1.53	0.02	65.9	0.08
BPD340	71.45	71.50	3.73	0.03	128.1	0.04
BPD340	71.50	71.55	3.53	0.13	27.2	0.15
BPD340	71.85	71.90	1.15	0.03	41.1	0.06
BPD340	74.50	74.55	1.34	0.04	31.1	0.05

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The main vanadium-bearing minerals in the Bigirlyi deposit include various clays, altered layer silicates, and the hydrous oxide mineral montroseite, with the following V_2O_5 contents:

- Montroseite (~44-76% V_2O_5);
- Mixed layer smectite-chlorite or corrensite (~5-20% V_2O_5);
- Iron-rich smectite (~2-12% V_2O_5);
- Vanadiferous illite/muscovite (~2-22% V_2O_5) and
- Vanadiferous, chloritised biotite (~1-10% V_2O_5).

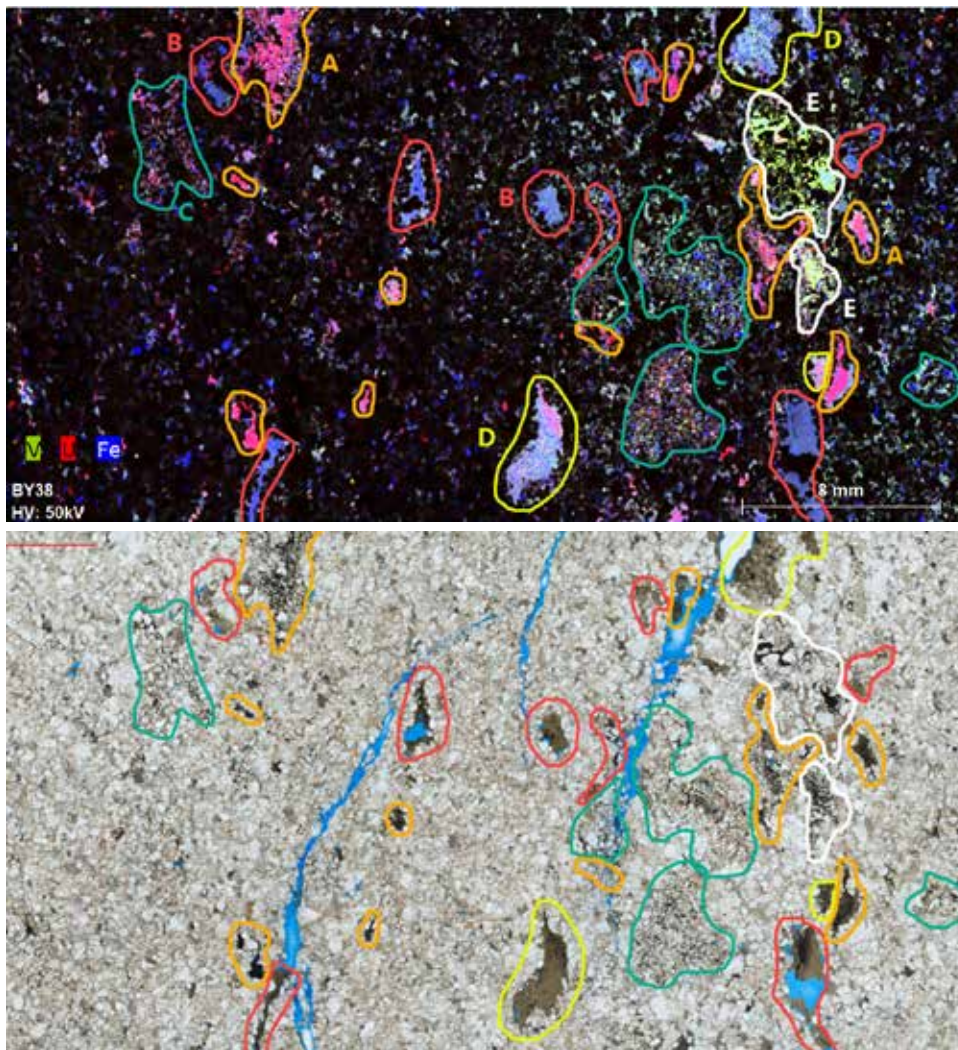


Figure 4: Top. XRF elemental image of a thin section of vanadium-rich core sample B07270-227m (V_2O_5 0.88%, U_3O_8 0.066%) categorised by element showing the V-U-Fe (green-red-blue) characteristics of various kinds of fine-grained rip-up clasts (mudstone, siltstone and clay-rich matrix-supported sandstone) present in the host sandstone. A(orange) – uranium-rich sandstone & mudstone; B(red) - Fe-rich mudstone; C(green) - clay-rich, fine-grained sandstone; D(yellow) - V-U-Fe enriched siltstone; E(white) - V-clay-rich sandstone both coarse & fine. Bottom. Same thin section but imaged under plain light. Blue stained areas are holes in the thin section (where soft, clay-rich material has fallen out during preparation of the section).

Preliminary XRF elemental imaging studies of thin sections of vanadium-rich samples (Figure 4) show that vanadium is not uniformly distributed on the small scale. Vanadium is associated with a distinctive heterogeneous mixture of different kinds of clay-rich, detrital rip-up clasts (including mudstone, siltstone and clay-rich matrix-supported sandstone of various grain sizes), which contain minerals with varying proportions of V, U and Fe (Figure 4 top). Montroseite typically occurs as blocky grains associated with the clay minerals and altered layer silicates.

As an additional part of the vanadium study, the lead (Pb) isotopic compositions of vanadium-rich intervals from selected drill cores at Bigirlyi were investigated. Because some Pb isotopes such as *Pb-206* are produced from the radioactive decay of uranium, they can be used to trace the history of uranium in the deposit. The results indicate that the V-enriched halos contain more radiogenic

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Pb than is supported by the present amount of uranium in the samples (refer to U_3O_8 values in Table 2 calculated from measured radiogenic Pb) – this suggests that uranium may have been significantly mobilised out of the halos, i.e. the vanadium-rich parts of the deposit were formed as a result of mobilisation and loss of original U (the calculations suggest up to 80% of the original U was lost). Further investigations are underway.

Metallurgical Review. As part of Pre-Feasibility Study (PFS) re-optimisation work, a review of previous metallurgical test-work conducted at Bigrlyi was completed by an external consultant during the year. One of the important aims of the review was to investigate processing options that would enhance the co-recovery of uranium and vanadium and therefore support improved economics for the project.

A large number of laboratory acid leach tests and a smaller number of alkaline leach tests have been completed on composite ore samples from Bigrlyi to date. Exceptionally good uranium extractions (>90%) were achieved with both the acid and alkaline approaches. However, vanadium extraction is typically 30-40% under either the acid or alkali conditions used in previous tests. Therefore, there is a need for future test-work to focus on improving vanadium extraction levels. For the acid leach route this may require leaching at a lower pH and for the alkaline route, higher temperature and pressure leaches may improve vanadium extractions. A better understanding of vanadium chemistry under leach conditions is also required. Further investigation as to whether acid or alkaline leaching is the most cost-effective process option would follow.

Consideration was also given in the review to the use of new ore sorting technologies such as X-Ray Transmission (XRT)



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or radiometric sorting. Either technology could be viable as a means of rejecting barren material and upgrading the plant feed. Ore sorting technologies could have a positive impact on project economics because they could either halve the size of the processing plant, and reduce the capital outlay accordingly, or they could double the uranium and vanadium production rates so doubling the revenue stream and decreasing the payback period.

Disequilibrium Studies. As part of PFS re-optimisation studies, a number of ore grade samples were submitted to ANSTO Laboratories, Sydney, for uranium series disequilibrium analysis during the year. Disequilibrium can occur due to disturbance of the uranium decay chain caused by chemical mobility of daughter radionuclides such as *Radium-226* and this may lead to under-reporting uranium grade if determined by gamma log methods. Historical studies have suggested uranium-series disequilibrium could be significant in parts of the Bigirlyi orebody but this is the first modern study to address the problem.

High-grade mineralised samples from previous drilling at Bigirlyi were selected for analysis; they comprised three samples from near surface materials (weathered carnotite zone, <30m depth) and three samples from depth (unweathered uraninite zone). The results indicate that within error, unweathered Bigirlyi uranium mineralisation is in radiochemical equilibrium. However, near-surface, carnotite-dominant mineralisation shows a variable state of uranium series equilibrium, ranging from in-equilibrium to slightly out of equilibrium to significantly out of equilibrium (low radium).

A follow-up investigation of uranium-series disequilibrium from the Anomaly-2 deposit at Bigirlyi was undertaken later in the year. This deposit differs from Anomaly 4 or 15 in that it is deeply weathered to a depth of 100m or more (carnotite zone) and therefore is likely to be susceptible to radiochemical disequilibrium. The results indicated that like previous results for carnotite-dominant mineralisation, such materials show a variable state of uranium series equilibrium; for Anomaly-2 half the samples were found to be in-equilibrium and half significantly out of equilibrium by 20 to 50% (low radium) with

no depth control. This result likely reflects the variable nature of modern weathering processes and its effect on radium mobility. Furthermore, it is apparent that downhole gamma probe measurement will not accurately reflect uranium grade in parts of the Bigirlyi Anomaly-2 deposit or in the near-surface weathered zone at Anomalies 4 and 15 – in fact gamma log grades could be understating uranium grades by up to 50% in places. The variable nature of the disequilibrium, and the absence of any obvious controls, indicates that grade information for mineral resource estimate purposes should be chemical assay based for the weathered (carnotite) zone.

Future Activities

Exploration activities at Bigirlyi during the 2019 field season will focus on the vanadium study to improve the economics of Bigirlyi project. It is planned to complete an update of EME's exploration database, complete the study of vanadium mineralogy, undertake deposit modelling studies with particular emphasis on vanadium resources, and undertake some further investigations of deposit metallurgy with an emphasis on co-recovery options for uranium and vanadium.



Walbiri Joint Venture (EME 41.9%)

The Walbiri JV project, located on ELR45, is a joint venture with NTU (58.1%), with EME as the operator. ELR45 was granted in

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August 2014 and covers part of the historical Walbiri Deposit and part of the Hill One satellite deposit (Figure 3). In October 2015, an inferred resource was announced for the Walbiri Deposit, confirming Walbiri as the third largest sandstone-hosted uranium deposit in central Australia after Angela and Bigrlyi (refer to ASX announcement of 27 October 2015).

No significant exploration works were conducted during the year.

Malawiri Joint Venture (EME 52.1%)

The Malawiri JV project, located on ELR41, is a joint venture with NTU (47.9%), with EME as the operator. ELR41 was granted in August 2014 and covers the historical Malawiri prospect along strike to the west of the Minerva prospect (owned by NTU). In late 2017 the Malawiri project was advanced to JORC (2012)-compliant resource status (refer to ASX announcement of 14 December 2017).

No significant exploration works were conducted during the year.

Ngalia Regional Project (EME 100%)

The Ngalia Regional project comprises nine 100% owned exploration licences and three retention licences (total area

approx. 2,800 km²) located in the Ngalia Basin, between 180 and 350 km northwest of Alice Springs (Figure 3). Some of the tenements border the Bigrlyi JV project.

Nine of the twelve Ngalia Regional Exploration and Retention Licences have been granted by the Northern Territory Department of Primary Industry and Resources (DPIR). The remaining three applications (ELs 24450, 24462 & 27169) are located on Aboriginal freehold (ALRA) land and the consent of the Traditional Owners is required before the tenements can be granted.

A number of high priority targets have been identified on the Ngalia Regional tenements and EME is undertaking a program of systematic evaluation of these prospects. Most of the Ngalia Regional uranium prospects are of a similar style to the Bigrlyi Deposit and are hosted in the Carboniferous age Mt Eclipse Sandstone; however, some prospects, mainly in the eastern Ngalia Basin, are associated with surficial calcrete deposits and buried palaeochannels.

The 2018 exploration program focused on undercover target areas in the eastern Ngalia Basin with interpretive work completed on an aerial electromagnetic (AEM) survey to identify buried palaeochannels



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Eastern Ngalia Electromagnetic Survey. In mid-2017 an aerial electromagnetic (AEM) survey was flown over parts of EL24451 and EL31098 in the eastern Ngalia Basin in conjunction with Geoscience Australia's *Exploring for the Future Program*. Final data products from the survey were received in 2018 and interpretation and targeting work by Energy Metals' staff and external geophysical consultants was completed.

An example of enhanced-processed AEM conductivity imagery is shown in Figure 5 below. The image is a conductivity slice at 30-40m depth and shows numerous buried, highly conductive, palaeochannel-like features, presumably containing saline groundwaters, which are located beneath and to the north of Energy Metals' Cappers deposit (a surficial calcrete-style uranium deposit).

The Cappers deposit was only ever drill tested to a depth of 10m; the underlying older channel system is a new and deeper target within inferred palaeochannels of several kilometres length.

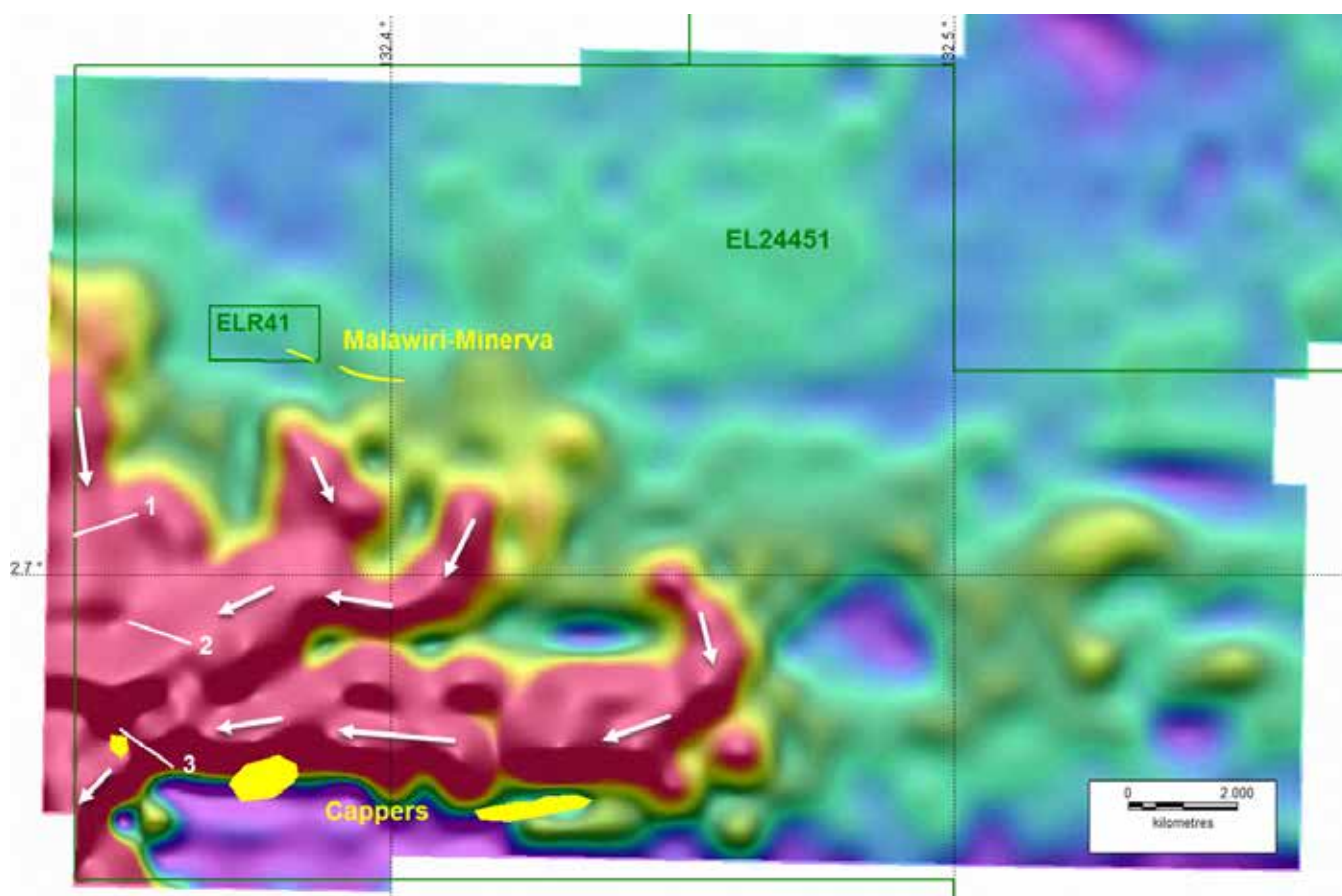


Figure 5 – Enhanced AEM conductivity imagery for a 30-40m depth slice over southwest part of EL24451 (red = highly conductive, blue/purple = low conductivity) showing conductive palaeochannel-like features of several kilometres length inferred to drain from the north and east (arrows). Yellow outlines show Cappers calcrete uranium mineralisation (surficial) and Malawiri-Minerva sandstone-hosted uranium mineralisation (buried). The location of DS-GPR lines 1 to 3 shown.

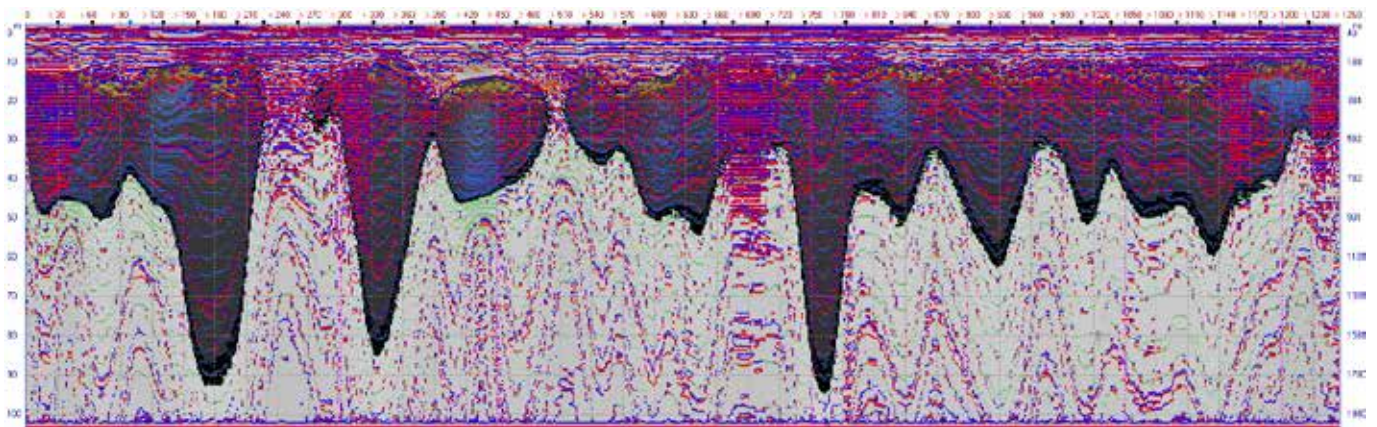
REVIEW OF ACTIVITIES

EL24451 Deep-Sensing GPR Survey. In order to refine targets within the inferred palaeochannel areas, three traverses of approx. 1.2 km length each (Figure 5) were selected for high-resolution, deep-sensing ground penetrating radar (DS-GPR) surveys by *Lozar Radar Australia* (Figure 6). The technique is able to detect the sub-surface architecture of buried channel-systems based on their contrasting radar signal responses. Results are shown in Figure 7. Several deeper palaeochannels incised into inferred basement sandstone have been identified – all are considered future priority uranium drilling targets.

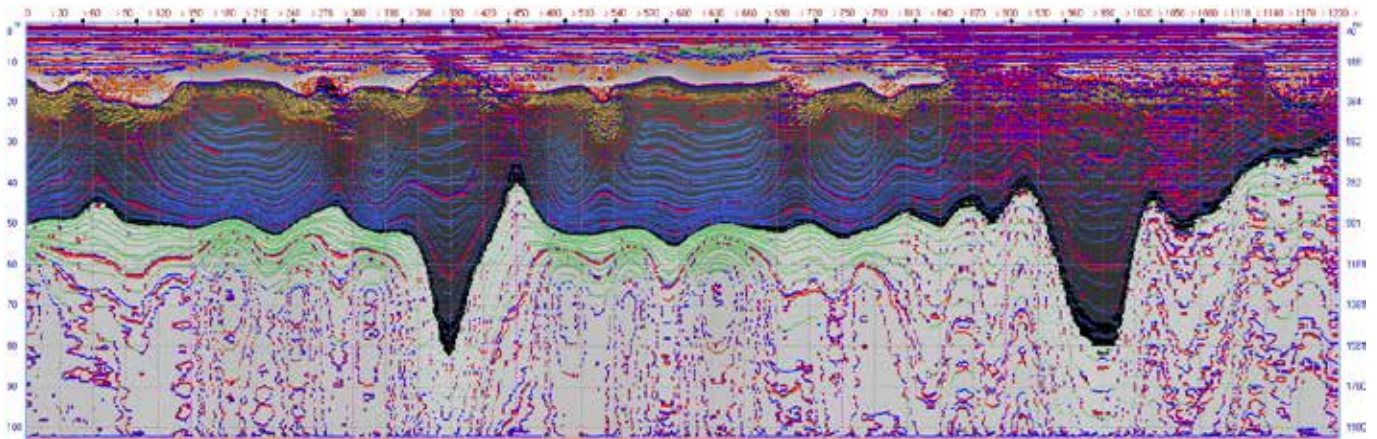


Figure 6 – Manually towed GPR sensor & transmitter array on location, southwest EL24451, July 2018.

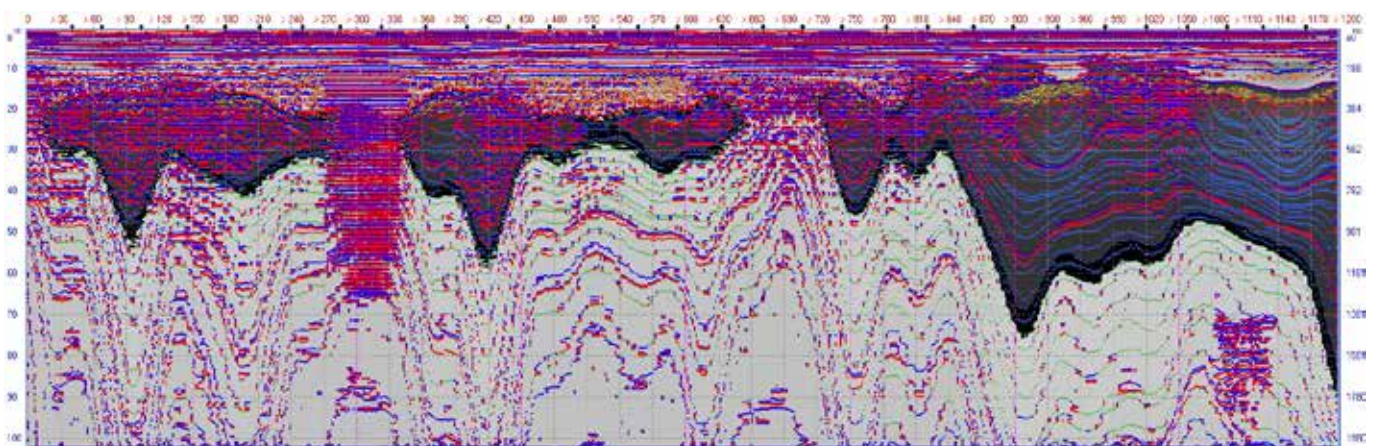
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GPR Line 1 – Three 80-90m deep channels incised into rugged sub-surface topography of approx. 30-50m depth



GPR Line 2 – Two 75m deep channels incised into smooth sub-surface of 40-50m depth shallowing in the east



GPR Line 3 – Deep channel system in the east, smaller incised channels on approx. 30m deep surface to the west

Figure 7 – Generated GPR profiles for lines 1, 2 and 3 to a depth of 100m showing three distinct units with different radar penetration/reflection properties: a surficial unit of 10-15m depth (bedded clay-rich lake sediments), a sub-surface channel-facies of variable thickness (sand & gravel - dark blue colours) and more consolidated basement (inferred sandstone - grey) into which channels have been incised. The conductivity anomalies seen in Figure 4 occur largely within the channel-facies.

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Walbiri Deposit

Walbiri and its satellite deposits are tabular, sandstone-hosted, uranium-vanadium deposits similar to the nearby Bigrlyi Deposit. Mineralisation occurs within a number of semi-continuous lenses confined by shale bands. The total combined strike length of the Walbiri Deposit and its two satellite deposits (Sundberg and Hill One) is 8.7 km. Stratigraphy and mineralisation dips between 10° and 18° to the SW and the width of the mineralised interval varies from 0.2m to 7.5m, averaging 1.3m thickness. Mineralisation extends from surface and plunges toward the SE with the deepest drill intercept being 230m below surface.

On 27 October 2015, EME announced inferred JORC (2012) resource estimates of 7,037 tonnes U_3O_8 at 641ppm for the Walbiri Deposit, 260 tonnes U_3O_8 at 259ppm for the Sundberg Deposit, and 159 tonnes U_3O_8 at 321ppm for the and Hill One Deposit (all at 200ppm cut-off).

The Walbiri deposit is the third largest sandstone-hosted uranium deposit in the southern Northern Territory after Angela and Bigrlyi, and is the second largest deposit in the Ngalia Basin. These results affirm the standing of the Ngalia Basin as one of Australia's significant uranium provinces.

Energy Metals believes there is considerable scope for expansion of the resource by both in-fill and along strike extensional drilling. In particular, mineralisation is open to the SE and is likely to be repeated in folded strata of the Mt Eclipse syncline and anticline to the south of the current resource area.

Due to the proximity of the Walbiri and Bigrlyi deposits (Figure 3), EME considers that a combined future mining development would have a positive impact on project economics through both shared capital costs and increased project mine life. Although mineralisation at Walbiri is known to have certain favourable metallurgical characteristics such as low carbonate content, little work has been done on Walbiri since 1976; modern investigations of deposit metallurgy, hydrology, rock properties and uranium series equilibrium, in addition to drill test work, will be required to advance the project in the medium term.

Tenement Matters

A review designed to ensure EME's exploration efforts are focussed on the most prospective ground was completed in late 2018. As a result, a relinquishment plan involving partial surrender of low prospectivity areas of ELs 31820, 31820, 24463, 24451 and 31098 was approved by the EME board. The plan will be progressively implemented in 2019. Retention licences (ELRs) covering the Bigwest, Anomaly 15E and Camel Flat deposits were granted during the year.

Macallan Project (EME 100%)

The Macallan project comprises a single exploration licence application (ELA27333), located 460 km NW of Alice Springs and 140 km from Bigrlyi. The tenement (area 225 km²) was applied for to cover a strong 3km-wide bullseye radiometric anomaly, identified through the interpretation of regional airborne geophysical data. The anomaly, which lies within the Tanami Desert, occurs in an area dominated by extensive sand plain, dune and sheet wash cover. An interpretation of palaeovalley systems within central Australia by *Geoscience Australia* indicates that the Macallan anomaly lies within the Wildcat Palaeovalley, an ancient valley system that drains into Lake Mackay to the southwest. Energy Metals considers that the Macallan anomaly most likely represents a surficial accumulation of uranium minerals associated with the Wildcat palaeodrainage system though other explanations are possible.

ELA27333 lies on land under Aboriginal Freehold title and EME is currently in negotiations with the Central Land Council and Traditional Owners to gain access to the ground for exploration.



REVIEW OF ACTIVITIES

WESTERN AUSTRALIA

Because of current market conditions, Energy Metals' Western Australian projects are not currently economically viable mining propositions. In addition, in 2017 the Western Australian Government instituted an indefinite ban on uranium mining (except for three already permitted projects). Under these circumstances, EME undertook a program to convert its WA tenure to retention licences to allow the Company to maintain the project areas with minimal expenditure until such time as the economic viability of the projects improves and a change in the political situation occurs. In 2018, EME instituted a program of cost saving measures with a plan to reduce retention licence areas to cover only the defined mineral resources to be implemented in 2019.

Manyingee (EME 100%)

The Manyingee project comprises Retention Licence application R08/2 and Exploration Licence application E08/2856, which are located 85 km south of Onslow in the West Pilbara. The project is located adjacent to mining leases containing Paladin Energy's Manyingee Deposit, a stacked series of buried, palaeochannel-hosted, roll front uranium deposits of Cretaceous age. A Mineral Resource of 1,291 tonnes U_3O_8 was estimated for the Manyingee East Deposit in 2016 (refer to ASX announcement of 7 November 2016).

During the year, legal firm Gilbert+Tobin was appointed to assist EME with landholder objections to grant of the Manyingee title applications. The objections will proceed through Warden's Court hearings in 2019.

Anketell (EME 100%)

The Anketell project, located 50 km west of Sandstone, comprises one retention licence (R58/2). The project consists of shallow calcrete-style uranium mineralisation. In 2009, EME announced a JORC (2004) Inferred resource estimate for the Anketell Deposit (refer to ASX Announcement of 21 July 2009).

Lake Mason (EME 100%)

The Lake Mason project, located 25km NNE of Sandstone, comprises one retention licence (R57/2). The project comprises shallow carnotite mineralisation in calcretised sediments associated with the Lake Mason drainage system. In 2010, EME announced a JORC (2004) resource estimate for the Lake Mason Deposit (refer to ASX announcement of 17 December 2010).

Lakeside (EME 100%)

The Lakeside project, located 20 km west of Cue, comprises one retention licence (R21/1). The project comprises shallow-level carnotite mineralisation mainly hosted at depths of 1-5 metres within a palaeo-drainage system on the northwest margin of Lake Austin. Following various drilling campaigns by EME and others, mineralisation in three separate palaeochannels was defined. In 2014, EME announced a JORC (2012) Inferred resource estimate for the Lakeside Deposit (refer to ASX Announcement of 3 June 2014).

Mopoke Well (EME 100%)

The Mopoke Well project, located 55km west of Leonora, comprises one retention licence (R29/1). The tenement contains two historic uranium prospects (Peninsula and Stakeyard Well), with the uranium hosted by calcretised sediments associated with the Lake Raeside drainage system. In 2013, a JORC (2004) Inferred resource estimate was announced for the Peninsula Deposit following several drilling campaigns (refer to ASX announcement of 12 March 2013).



REVIEW OF ACTIVITIES

CORPORATE

In July 2018 Energy Metals announced the appointment of Mr Deshao Chen as Non-Executive Chairman and the resignation of Mr Yusheng Cai from the board.

In August 2018 Energy Metals announced that Dr Weidong Xiang had resigned as Managing Director and that Mr Shuqing Xiao had been appointed a Non-Executive Director. Mr Xiao was subsequently appointed as Managing Director of the Company on 23 October 2018.

The Permit to Possess Nuclear Material held by Energy Metals' subsidiary NT Energy Pty Ltd was renewed by the Australian Safeguards and Non-Proliferation Office (ASNO) in early 2018.

At 31 December 2018 Energy Metals had 209,683,312 shares on issue and held approximately \$18 million in cash and bank deposits, providing a strong base to fund ongoing exploration and project development in the coming period.

About CGN

Established in September 1994, China General Nuclear Power Group (CGN) (formerly known as China Guangdong Nuclear Power Corporation) is a large clean energy corporation with current total assets of approximately RMB675 billion at the end of 2018. At the end of 2018 CGN had 22 operating nuclear power units with a generation capacity of 24,300MWe and 7,430MWe of capacity under construction in six other nuclear power units across various locations in China. CGN is one of only two Chinese companies that has been granted the right to import and export uranium.

CGN has also invested in a portfolio of wind, solar energy and hydro power units with total current generating capacity of approximately 16,610 MWe with further clean energy generating capacity under construction. CGN aims to become the world's leading clean energy producer.



REVIEW OF ACTIVITIES

MINERAL RESOURCES GOVERNANCE STATEMENT

Energy Metals Ltd ensures that the mineral resource estimates for its Western Australia and Northern Territory projects are subject to appropriate levels of governance and internal controls. The mineral resource estimation procedures are well established and are subject to annual internal review by the Company and external review by the Company's professional resource estimation consultants. This review process has not identified any material issues or risks associated with the existing Mineral Resource estimates. The Company periodically reviews the governance framework in line with the expansion and development of its business.

Energy Metals Ltd reports its Mineral Resources on an annual basis in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code) 2012 Edition.

The Competent Persons named by the Company are Members or Fellows of the Australia Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and qualify and competent persons as defined in the JORC Code.

In accordance with listing rules 5.21.2 and 5.21.4, the tables below set out the Company's Mineral Resources for 2018.

MINERAL RESOURCE STATEMENT***Bigirlyi Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2018**

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8	Grade V_2O_5	Contained U_3O_8	Contained V_2O_5	Contained U_3O_8	Contained V_2O_5
				(ppm)	(ppm)	(tonnes)	(tonnes)	(Mlb)	(Mlb)
Bigirlyi	Indicated	500	4.65	1,366	1,303	6,360	6,060	14.0	13.4
Bigirlyi	Inferred	500	2.81	1,144	1,022	3,210	2,870	7.1	6.3
Bigirlyi	Total	500	7.46	1,283	1,197	9,570	8,930	21.1	19.7

There have been no changes in the mineral resources at the Bigirlyi Deposit from the previous financial year. Note that contained metal was originally reported in units of kilotonnes (thousands of tonnes) rounded to one significant figure. For consistency, contained metal is listed here in tonnes at the same level of accuracy as originally reported.

Bigirlyi Satellite Deposits - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade eU_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Anomaly15 East	Inferred	100	0.14	1,320	187	0.41
Bigwest	Inferred	100	0.41	362	147	0.32

There have been no changes in the mineral resources at the Bigirlyi Satellite Deposits from the previous financial year.

REVIEW OF ACTIVITIES

Walbiri Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade U_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Walbiri	Inferred	200	10.98	641	7,037	15.5

There have been no changes in the mineral resources at the Walbiri Deposit from the previous financial year.

Walbiri Satellite Deposits - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade eU_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Hill One	Inferred	200	0.49	321	159	0.35
Sundberg	Inferred	200	1.01	259	260	0.57

There have been no changes in the mineral resources at the Walbiri Satellite Deposits from the previous financial year.

Camel Flat Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade U_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Camel Flat	Inferred	100	0.21	1,384	292	0.64

There have been no changes in the mineral resources at the Camel Flat Deposit from the previous financial year.

Cappers Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade U_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Cappers	Inferred	100	22.0	145	3,200	7.0

There have been no changes in the mineral resources at the Cappers Deposit from the previous financial year.

Karins Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade U_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Karins	Inferred	200	1.24	556	691	1.52

There have been no changes in the mineral resources at the Karins Deposit from the previous financial year.

REVIEW OF ACTIVITIES

Lakeside Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade U_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Lakeside	Inferred	200	2.74	350	960	2.12

There have been no changes in the mineral resources at the Lakeside Deposit from the previous financial year.

Peninsula Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade eU_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Peninsula	Inferred	100	9.75	165	1,613	3.56

There have been no changes in the mineral resources at the Peninsula Deposit from the previous financial year.

Anketell Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade eU_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Anketell	Inferred	100	16.3	167	2,720	6.0

There have been no changes in the mineral resources at the Anketell Deposit from the previous financial year.

Lake Mason Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade U_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Lake Mason	Indicated	100	5.1	204	1,049	2.3
Lake Mason	Inferred	100	4.0	160	640	1.4
Lake Mason	Total	100	9.1	185	1,689	3.7

There have been no changes in the mineral resources at the Lake Mason Deposit from the previous financial year.

Manyingee East Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

Deposit	Resource Category	Cut-off Grade (m*ppm eU_3O_8)	Tonnes	Grade eU_3O_8	Contained U_3O_8	Contained U_3O_8
			(millions)	(ppm)	(tonnes)	(Mlb)
Manyingee East	Inferred	250	2.84	455	1,291	2.85

There have been no changes in the mineral resources at the Manyingee East Deposit from the previous financial year.

Malawiri Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2018

REVIEW OF ACTIVITIES

Deposit	Resource Category	Cut-off Grade	Tonnes	Grade eU ₃ O ₈	Contained U ₃ O ₈	Contained U ₃ O ₈
			(millions)	(ppm)	(tonnes)	(Mlb)
Malawiri	Inferred	100	0.42	1,288	542	1.20

There have been no changes in the mineral resources at the Malawiri Deposit from the previous financial year.

*Totals may not sum exactly or may not convert exactly between alternative units due to rounding.

Note: The information in this report relating to mineral resource estimates at Bigryli and Anketell is based on information compiled by Arnold van der Heyden BSc, who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM). Mr van der Heyden has more than five years relevant experience in estimation of mineral resources and the mineral commodity uranium. Mr van der Heyden is a full time employee of Helman & Schofield and takes responsibility for the resource estimation. Mr van der Heyden has sufficient experience relevant to the assessment of this style of mineralisation to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2004)". Mr van der Heyden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates mineral resource estimation for Lake Mason is based on work completed by Mr Jonathon Abbott who is a full time employee of Hellman and Schofield Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Abbott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Abbott consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates mineral resource estimation for the Peninsula (Mopoke Well), Lakeside, Camel Flat, Anomaly 15 East and Bigwest Deposits is based on work completed by Mr Dmitry Pertel who is a full time employee of CSA Global Ltd and a member of the Australasian Institute of Mining and Metallurgy. Mr Pertel has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Editions of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pertel consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates mineral resource estimation for the Karins, Walbiri, Sundberg, and Hill One Deposits is based on work completed by Mr Dmitry Pertel and Dr Maxim Seredkin who are full time employees of CSA Global Ltd and are a member and fellow, respectively, of the Australasian Institute of Mining and Metallurgy. Mr Pertel and Dr Seredkin have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pertel and Dr Seredkin consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

REVIEW OF ACTIVITIES

The information in this report that relates mineral resource estimation for the Manyingee East and Malawiri Deposits is based on work completed by Dr Maxim Seredkin who is a full time employee of CSA Global Ltd and is a fellow of the Australasian Institute of Mining and Metallurgy. Dr Seredkin has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Seredkin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report relating to exploration results, data and cut-off grades is based on information compiled by Dr Wayne Taylor, MAIG. Dr Taylor is a full time employee of Energy Metals. Dr Taylor has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves –The JORC Code (2012)". Dr Taylor consents to the inclusion of the information in the report in the form and context in which it appears.

Each of the above named consents to the inclusion of the information in the report in the form and context in which it appears. The Mineral Resource estimates for Anketell, Lake Mason and Peninsula Deposits were originally compiled and announced utilising parameters from the 2004 JORC Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Uranium mineralisation grades throughout this report may be annotated with a sub-prefix 'e' because they have been reported as uranium equivalent grades derived from down-hole gamma ray logging results. Gamma logging or "total count gamma logging" (the method used by Energy Metals) is a common method used to estimate uranium grade where the radiation contribution from thorium and potassium is very small as in most sandstone and calcrete hosted deposits. Gamma logging does not account for the signal derived from thorium and potassium, nor does it account for possible parent-daughter disequilibrium in the uranium-series decay chain, thus the result is expressed as an equivalent value or eU_3O_8 .

Energy Metals uses downhole gamma probes which were initially calibrated at PIRSA (now DEWNR), South Australia test pits and then subjected to annual recalibration to ensure the integrity of measurements. Information in this report relating to the determination of gamma probe results and related geophysical work is based on information compiled by Mr David Wilson. Mr Wilson is a member of the AusIMM and the AIG. Mr Wilson is a consultant to Energy Metals. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves –The JORC Code (2012)". Mr Wilson consents to the inclusion of the information in the report in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Energy Metals Limited and the entity it controlled at the end or during the year ended 31 December 2018.

DIRECTORS

The following persons were directors of Energy Metals Limited during the whole of the financial year (or as disclosed) and up to the date of this report:

Deshao Chen (Non-executive Chairman, appointed 10 July 2018)
 Shuqing Xiao (Managing Director, appointed 23 October 2018)
 Lindsay George Dudfield (Non-executive Director)
 Jan Macpherson (Non-executive Director)
 Yu Zhong (Non-executive Director)
 Zimin Zhang (Non-executive Director)
 Junmei Xu (Non-executive Director)

Yusheng Cai (Non-executive Chairman, resigned 10 July 2018)
 Weidong Xiang (Managing Director, resigned 9 August 2018)

PRINCIPAL ACTIVITIES

During the year the principal continuing activity of the Group was uranium exploration.

DIVIDENDS

No dividends have been paid or declared and no dividends have been recommended by the Directors.

REVIEW OF OPERATIONS

Exploration

Northern Territory

Ngalia Regional Project – The Company continued exploration targeting work on its Ngalia Basin tenements. Final results for an aerial electromagnetic (AEM) survey, flown over part of the eastern Ngalia Basin in conjunction with Geoscience Australia's *Exploring for the Future Program*, were received during the year with interpretive work on-going. Analysis of the AEM imagery revealed details of uranium-prospective, buried palaeochannels in the eastern Ngalia Basin. A follow-up high resolution ground penetrating radar survey over these features identified several palaeochannel targets at depths of 40m to 90m. A tenement reorganisation plan was completed during the year to enable the Company to focus its exploration efforts on the most prospective ground.

DIRECTORS' REPORT

Bigrlyi Joint Venture (BJV) – Following last year's audit of the Company's Bigrlyi project database, a program to update and improve the database structure was implemented during the year with significant progress achieved. Uranium series disequilibrium studies on Bigrlyi ore samples were completed during the year with the results confirming that uraninite-dominant mineralisation is in radiochemical equilibrium. A study of vanadium mineralisation at the Bigrlyi deposit commenced during the year and a metallurgical review was completed with recommendations for further test-work to optimise the co-recovery of uranium and vanadium. The Bigrlyi exploration camp remained on a care and maintenance footing in 2018. The Company's interest in the BJV project has increased from 53.3% to 72.39% (refer ASX release of 14 November 2018).

Western Australia

The Company's application for a Retention Licence over its Manyingee East uranium deposit progressed during the year. All other Western Australian resource areas are covered by granted Retention Licences with limited exploration activity planned until economic conditions in the uranium market improve.

Uranium Trading

During the year, the Company did not conduct any uranium trading activities.

Full details of the Company's operations during the year will be included within the Review of Activities section of the Annual Report.

OPERATING RESULTS FOR THE YEAR

The consolidated loss of the Group for the year ended 31 December 2018 was \$552,803 (31 December 2017: loss of \$874,482).

REVIEW OF FINANCIAL CONDITIONS

The net assets of the Group were \$52,762,756 at 31 December 2018 (2017: \$53,315,559).

Use of cash and assets by the Company for the year ended 31 December 2018 was consistent with the Company's business objectives since listing on the Australian Securities Exchange on 9 September 2005.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company continued to closely monitor its spending on the BJV project and other tenements according to market conditions this year. Exploration activities were carried out in the Ngalia Regional Project (Northern Territory). Future exploration and development expenditure on the tenements is subject to market conditions and operational requirements.

The Directors are not aware of any developments that might have a significant effect on the operations of the Group in subsequent financial years that are not already disclosed in this report.

ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulations in respect of its exploration activities. Tenements in the Northern Territory and Western Australia are granted subject to adherence to environmental conditions with strict controls on vegetation clearance, ground-disturbing works or other development without the approval of the relevant government agencies and with rehabilitation required on completion of exploration activities.

Energy Metals Limited conducts its exploration activities in an environmentally sensitive manner and the Company is not aware of any breach of statutory environmental conditions or obligations.

The Directors have considered compliance with the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. For the measurement year 1 January 2018 to 31 December 2018 the Directors have assessed that there is no current reporting required, but there may be a requirement in the future.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Name	Director's Experience	Special Responsibilities
Mr Deshao Chen	Mr Chen has over 20 years' experience in accounting and finance, especially in the energy industry. He holds a Master degree of Economics and has worked as a senior manager for China General Nuclear Power Group since 2004. He is currently the Chief Financial Officer of CGNPC Uranium Resources Corporation. Mr Chen does not currently hold directorship of other public Australian companies.	Non-Executive Chairman
Mr Shuqing Xiao	Mr Xiao is a geologist with over 15 years' experience in earth science and mineral exploration, predominantly in the uranium industry. He holds a Master degree of Science and has worked for a number of mineral research institute and companies. He has extensive experience in mineral analysis, exploration, mining and project management and worked in Energy Metals from March 2013 to February 2016 as a project geologist. Mr Xiao does not currently hold directorship of other public Australian companies.	Managing Director
Mr Lindsay Dudfield	Mr Dudfield is a qualified geologist with 40 years' experience exploring for gold and base metals in Australia and overseas, including close involvement with a number of greenfields discoveries. Member of the AusIMM, SEG, AIG and GSA. He is currently an Executive Director of Jindalee Resources Limited. Other public company directorships held by Mr Dudfield over the last three years are: Jindalee Resources Limited – current; Alchemy Resources Limited - current.	Non-executive Director
Mr Yu Zhong	Mr Zhong has over 30 years' experience in engineering and specialises in research and development of new engineering technology. Mr Zhong has a Master degree of Management and does not currently hold directorship of other public Australian companies.	Non-executive Director
Ms Jan Macpherson	Ms Macpherson has extensive experience in executive management, legal, commercial and corporate governance. She worked for Arc Infrastructure Pty Ltd (formerly Brookfield Rail Pty Ltd) ("Arc") as its General Counsel and Company Secretary from March 2015 until October 2018. Since then she has been the Legal and Commercial Manager for Duro Felguera Australia Pty Ltd. Before she joined Arc, she worked as a senior executive for various exploration and energy companies. Ms Macpherson is a fellow of the AICD and the Australian Governance Institute and does not currently hold any directorships of other public Australian companies.	Non-executive Director
Mr Zimin Zhang	Mr Zhang is a senior engineer with over 25 years' experience in the uranium industry. He holds a Master degree from Beijing Research Institute of Uranium Geology and has worked as a senior manager for China General Nuclear Power Group since 2008. He is currently the Chief Engineer of the Department of Overseas Business Development of CGNPC-Uranium Resources Co. Ltd. Mr Zhang does not currently hold directorship of other public Australian companies.	Non-executive Director
Ms Junmei Xu	Ms Xu is a qualified accountant with nearly 15 years' experience in accounting and finance. She holds a Master of Management degree in Business Administration from Tsinghua University, China and has worked as a senior manager for CGNPC URC since 2013. Prior to joining the CGNPC URC, she was an audit manager of KPMG LLP. Ms Xu does not currently hold directorship of other public Australian companies.	Non-executive Director

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The particulars of Directors' interest in shares and options are as at the date of this report.

	Ordinary Shares	Options
Deshao Chen	-	-
Shuqing Xiao	-	-
Lindsay G Dudfield	3,255,165	-
Jan Macpherson	-	-
Yu Zhong*	26,553,722	-
Zimin Zhang	-	-
Junmei Xu	-	-

*: shares indirectly held through KangDe Investment Group. Mr Zhong controls KangDe Investment Group by holding more than 50% holding.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 December 2018 and the numbers of meetings attended by each Director.

	Number Held Whilst in Office	Number Attended
Deshao Chen	0	0
Shuqing Xiao	0	0
Lindsay G Dudfield	1	1
Jan Macpherson	1	1
Yu Zhong	1	1
Zimin Zhang	1	1
Junmei Xu	1	1
Yusheng Cai	0	0
Weidong Xiang	1	1

As at the date of this report, the Group did not have an Audit Committee. The Board considers that due to the Group's size, an audit committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Group's mechanisms designed to ensure independent judgement in decision making.

RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

Ms Jan Macpherson and Mr Zimin Zhang are directors retiring by rotation who, being eligible, may offer herself or himself for re-election at the Annual General Meeting.

DIRECTORS' REPORT

COMPANY SECRETARY INFORMATION

Ms Xuekun Li, ACCA, ACIS, was appointed the Company Secretary on 15 June 2010. Ms Li has completed a Bachelor of Management. She has nearly 20 years' experience in finance and corporate governance. She previously worked for a Big-Four international accounting firm where she was involved in audits and other assurance engagements. Ms Li is currently an executive of a boutique accounting and corporate business providing professional services to various companies.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 31 December 2018. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- remuneration policy
- key management personnel emoluments
- service agreements
- options granted as part of remuneration
- share-based compensation
- securities policy

Directors and Key Management Personnel ("KMP")

D. Chen	Non-Executive Chairman
S. Xiao	Managing Director
L. Dudfield	Non-Executive Director
J. Macpherson	Non-Executive Director
Y. Zhong	Non-Executive Director
Z. Zhang	Non-Executive Director
J. Xu	Non-Executive Director
X. Li	Company Secretary

Remuneration Policy

The remuneration policy of the Group has been designed to align directors' objectives with shareholders and business objectives. The Board of Energy Metals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders. The Board's policy for determining the nature and amount of remuneration for Board members of the Company is as follows:

DIRECTORS' REPORT

All executives receive either consulting fees or a salary, part of which may be taken as superannuation, and from time to time, options. Options issued to directors are subject to approval by shareholders. The Board reviews executive packages annually by reference to the executive's performance and comparable information from industry sectors and other listed companies in similar industries. An Employee Share Option Plan was adopted by the Group following approval by shareholders at the Group's Annual General Meeting held on 24th November 2006.

Board members are allocated superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals may choose to sacrifice their salary or consulting fees to increase payments towards superannuation. All remuneration paid to directors and specified executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate non-executive directors at commercial market rates for comparable companies for their time, commitment and responsibilities. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is currently set at \$200,000 per annum. Fees for non-executive directors are not linked to the performance of the Group. Non-executive directors' remuneration may also include an incentive portion consisting of options, subject to approval by Shareholders.

The policy, setting the terms and conditions for the executive directors and specified executives, was developed and approved by the Board and is considered appropriate for the current exploration phase of the Group's development. Emoluments of directors are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of directors. Fees paid to directors are not linked to the performance of the Group. This policy may change once the exploration phase is complete. At present the existing remuneration policy is not impacted by the Group's performance including earnings and changes in shareholder wealth (dividends, changes in share price or returns of capital to shareholders).

The following table shows the share price and the market capitalisation of the Company at the end of each period in the past four financial years. No dividends have been paid during the year.

	At 31 December 2014	At 31 December 2015	At 31 December 2016	At 31 December 2017	At 31 December 2018
Share Price	\$0.13	\$0.065	\$0.08	\$0.09	\$0.10
Market Capitalisation	\$27.3M	\$13.6M	\$16.7M	\$18.6M	\$20.9M
Dividend	-	-	-	-	-

DIRECTORS' REPORT

Directors and Executives (Key Management Personnel) Emoluments

The Group's policy for determining the nature and amount of emoluments of key management personnel is that Directors are to be paid by salaries or consulting fees at commercial rates for professional services performed.

Details of the nature and amount of each element of the emoluments of each director of Energy Metals Limited are set out in the following tables.

		Short-Term Benefits		Post- Employment	Share-Based Payment		Remuneration Consisting of
		Directors Fees \$	Cash Salary, Consulting Fees \$	Super-annuation \$	Options \$	Total \$	Options %
Non-Executive Directors							
D. Chen	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
L. Dudfield	2018	-	24,000	-	-	24,000	-
	2017	-	24,000	-	-	24,000	-
G. Jones	2018	-	-	-	-	-	-
	2017	2,853	-	271	-	3,124	-
Y. Zhong	2018	25,000	-	-	-	25,000	-
	2017	25,000	-	-	-	25,000	-
J. Macpherson	2018	-	25,000	-	-	25,000	-
	2017	-	20,833	-	-	20,833	-
J. Xu	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
Z. Zhang	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
Y. Cai	2018	-	-	-	-	-	-
	2017	-	-	-	-	-	-
Executive Directors							
S. Xiao	2018	-	33,231	-	-	33,231	-
	2017	-	-	-	-	-	-
W. Xiang	2018	-	160,374	-	-	160,374	-
	2017	-	200,000	-	-	200,000	-
Key Management							
X. Li	2018	-	30,376	-	-	30,376	-
	2017	-	33,338	-	-	33,338	-
Total	2018	25,000	272,981	-	-	297,981	-
	2017	27,853	278,171	271	-	306,295	-

DIRECTORS' REPORT

Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the Executive Director and other senior management are also formalised in service agreements as summarised below.

Deshao Chen

On 10 July 2018, Mr Chen was appointed as a Non-Executive Chairman. According to a letter of appointment, Mr Dehao Chen is entitled to a director's fee of \$25,000 per annum. Mr Chen consented to forgive this remuneration as his service had been considered and compensated by other related corporate bodies.

Shuqing Xiao

Mr Xiao was appointed as a Managing Director on 23 October 2018 pursuant to the terms and conditions of his employment contract with the Company. His salary is \$180,000 per annum. The agreement may be terminated by either party on 1 month's written notice.

Lindsay Dudfield

Mr Dudfield, as a Non-executive Director, is contracted via a Consultancy Agreement between the Company and Jopan Management Pty Ltd trading as Western Geological Services. The Company pays Western Geological Services at a rate of \$750/day (2017: \$750/day) or a minimum charge of \$2,200 per month (inc GST) in return for Mr Dudfield's services. The agreement may be terminated by either party on 1 month's written notice.

Yu Zhong

On 8 December 2010, the Company entered into an agreement (via a letter of appointment), appointing Mr Yu Zhong as a Non-Executive Director. Mr Zhong is entitled to a director's fees of \$25,000 (2017: \$25,000) per annum.

Jan Macpherson

On 1 March 2017, Ms Jan Macpherson was appointed as a Non-Executive Director. The company entered into an agreement with Blairgowrie Pty Ltd trading as "ResourceAus" and pays \$25,000 per annum in return of Ms Jan's services.

Zimin Zhang

Mr Zhang was appointed a Non-Executive director on 30 June 2014. According to a letter of appointment, Mr Zhang is entitled to a director's fee of \$25,000 per annum. Mr Zhang consented to forgive his remuneration as his service had been considered and compensated by other related corporate bodies.

Junmei Xu

Ms Xu was appointed a Non-Executive director on 6 July 2016. According to a letter of appointment, Ms Xu is entitled to a director's fee of \$25,000 per annum. Ms Xu consented to forgive her remuneration as her service had been considered and compensated by other related corporate bodies.

DIRECTORS' REPORT

Xuekun Li

Ms Li is the Company Secretary of Energy Metals Limited since July 2010. She provides her service via L.X.K. Consulting. On 25 May 2015, the Company entered into a Professional Service Agreement with Ms. Li and pays a rate of \$105/hour in return for her professional services. The agreement may be terminated by a party if the other party commits a breach of the agreement and the breach is not corrected within 30 days.

Options granted as part of remuneration

Options over shares in Energy Metals Limited are granted under the Energy Metals Employee Share Option Plan. Participation in the plan and any vesting criteria, are at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Any options issued to directors of the Company are subject to shareholder approval and are not linked to Company financial performance. There were no options issued during the year to any of the KMP.

Share-based compensation

No shares in the Company were provided as remuneration to directors of Energy Metals Limited and key management of the Company during the year (2017: nil). No options were vested during the year (2017: nil).

Securities Policy

The Company has implemented a policy on trading in the Company's securities designed to ensure that all directors, senior management and employees of the Company act ethically and do not use confidential inside information for personal gain. The policy states acceptable and unacceptable times for trading in Company securities and outlines the responsibility of directors, senior management and employees to ensure that trading complies with the *Corporations Act 2001*, the Australian Securities Exchange (ASX) Listing Rules and Company Policy.

Any transaction conducted by Directors with regards to shares of the Company requires notification to the ASX. Each Director has entered into an agreement to provide any such information with regards to Company dealings directly to the Company Secretary promptly to allow the Company to notify the ASX within the required reporting timeframes.

Shares provided on exercise of options

No ordinary shares in the Company were provided as a result of the exercise of remuneration options to directors of Energy Metals Limited and key management of the Company during the year (2017: nil). No related party transaction occurred during the year (2017: nil)

End of Remuneration Report (Audited).

DIRECTORS' REPORT

SHARES UNDER OPTION

At 31 December 2018, there were no shares under option (2017: nil).

SHARES ISSUED ON EXERCISE OF OPTIONS

There were no shares issued on exercise of options during the financial year and up to the date of this report.

DIRECTORS AND OFFICERS INSURANCE

The Company has paid a premium to insure the directors and officers of the Company for the period 1 January 2018 to 31 December 2018 against those liabilities for which insurance is permitted under section 199B of the *Corporations Act 2001*. Details of the nature of the liabilities insured for and the amount of the premium are subject to a confidentiality clause under the contract of insurance.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

D I R E C T O R S ' R E P O R T

A U D I T O R ' S I N D E P E N D E N C E D E C L A R A T I O N

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 64 of this report.

N O N - A U D I T S E R V I C E S

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence, based on advice received from the Board of Directors, for the following reasons:

- no non-audit services have been occurred during the year; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 '*Code of Ethics for Professional Accountants*' issued by the Accounting Professional & Ethical Standards Board, 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.

19 February 2019, at Perth, Western Australia



Shuqing Xiao

Managing Director

C O N T E N T S

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These financial statements cover the consolidated financial statements for the controlled entity consisting of Energy Metals Limited and its subsidiary and its joint operations. The financial statements are presented in the Australian currency.

Energy Metals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Energy Metals Limited
Level 2, 28 Kings Park Road
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 20 to 22 are not part of these financial statements.

The financial statements were authorised for issue by the directors on 19 February 2019. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Investor Information on our website: www.energymetals.net

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
Other revenue	3a	483,565	586,508
Depreciation expense	3b	(39,380)	(48,490)
Exploration expense		(204,829)	(543,693)
Employee benefits expense	3c	(452,063)	(496,451)
Corporate and regulatory expenses		(170,925)	(159,821)
Office rental		(87,365)	(105,065)
Other administrative expense		(81,806)	(107,470)
Loss before income tax		(552,803)	(874,482)
Income tax expense	4	-	-
Loss for the year		(552,803)	(874,482)
Total comprehensive expense for the year		(552,803)	(874,482)
Loss attributable to owners of Energy Metals Limited		(552,803)	(874,482)
Total comprehensive expense attributable to owners of Energy Metals Limited		(552,803)	(874,482)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	6	(0.26)	(0.42)
Diluted earnings per share (cents per share)	6	(0.26)	(0.42)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	As at 31 December 2018 \$	As at 31 December 2017 \$
Current Assets			
Cash and cash equivalents	8	369,679	111,639
Term deposits	8	17,894,842	19,272,283
Trade and other receivables	9	241,783	361,177
Prepayment		15,451	1,256
Total Current Assets		18,521,755	19,746,355
Non-Current Assets			
Plant and equipment	10	189,735	190,682
Exploration and evaluation expenditure	11	34,239,060	33,592,335
Total Non-Current Assets		34,428,795	33,783,017
Total Assets		52,950,550	53,529,372
Current Liabilities			
Trade and other payables	12	146,204	158,022
Provisions	13	41,590	55,791
Total Current Liabilities		187,794	213,813
Total Liabilities		187,794	213,813
Net Assets		52,762,756	53,315,559
Equity			
Contributed equity	14	59,051,644	59,051,644
Accumulated losses		(6,288,888)	(5,736,085)
Capital and reserves attributable to owners of Energy Metals Limited		52,762,756	53,315,559
Total Equity		52,762,756	53,315,559

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of Energy Metals Limited		
	Contributed equity \$	Accumulated losses \$	Total \$
Balance at 1 January 2017	59,051,644	(4,861,603)	54,190,041
Total comprehensive expense for the year	-	(874,482)	(874,482)
Balance at 31 December 2017	59,051,644	(5,736,085)	53,315,559
Total comprehensive expense for the year	-	(552,803)	(552,803)
Balance at 31 December 2018	59,051,644	(6,288,888)	52,762,756

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 \$	Year ended 31 December 2017 \$
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		(740,877)	(907,185)
Payments for exploration operation		(204,829)	(127,017)
Income received from joint operations		8,292	3,736
Interest income received		514,304	426,298
Net cash used in operating activities	5	(423,110)	(604,168)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(657,860)	(620,611)
Payments for acquisition of plant and equipment		(38,432)	(2,400)
Proceeds from disposal of motor vehicles		-	67,663
Acquisition of term deposits		(17,894,841)	(19,272,283)
Withdrawal of term deposits		19,272,283	20,365,055
Net cash received from investing activities		681,150	537,424
Net increase/(decrease) in cash and cash equivalents		258,040	(66,744)
Cash and cash equivalents at the beginning of the year		111,639	178,383
Cash and cash equivalents at the end of the year	5	369,679	111,639

The above Consolidated Statement of Cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS"). The financial statements were authorised for issue by the directors on 18 February 2019.

Basis of Preparation

These financial statements have been prepared under the historical cost convention.

Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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 1(s).

(b) Principles of Consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

(ii) *Joint Operation*

The Company has an interest in a joint arrangement that is a jointly controlled operation. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Company recognises its interest in the joint operation by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint operation. Details of the joint operation are set out in note 23.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The Board is responsible for allocating resources and assessing performance of the operating segments.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is recognised for the major business activities as follows:

(i) *Management Fee*

Management fee from joint operation activities is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, rebates and amounts collected on behalf of third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) *Interest Income*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(e) *Income Tax*

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of Assets

Assets are tested 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 of which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and Other Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the consolidated profit or loss and other comprehensive income. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and Other Financial Assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(i) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) and in the consolidated statement of financial position.

(ii) *Held-to maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent Measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced, all other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the diminishing value and prime cost methods and is brought to account over the estimated economic lives of all property, plant and equipment. The rates used are based on the useful life of the assets and range from 10% to 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(l) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method. Under this method exploration and evaluation expenditure is carried forward on the following basis:

- i) Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs.
- ii) Exploration and evaluation expenditure related to an area of interest is carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
 - such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
 - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation costs accumulated in respect of each particular area of interest include only net direct expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the Group's policy in regards to the recognition and measurement of capitalised exploration and evaluation expenditure requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. The Group reviews the carrying value of exploration and evaluation expenditure at each reporting date. This requires judgement as to the status of the individual projects and their future economic value. The factors impacting on economic value include the size of the total available resource, the grade of the resource, expected costs of developing the project, technical feasibility of the project, expected costs of mining production and future commodity prices.

If, after having capitalised exploration and evaluation expenditure, the area of interest is disposed or surrendered or management concludes that the capitalised expenditure is unlikely to be recovered by future sale or successful development and exploitation of the area, then the relevant capitalised amount will be written off through the Consolidated Profit or Loss and Other Comprehensive Income. Expenditure that is not deemed fit for capitalisation is costed directly through the Consolidated Profit or Loss and Other Comprehensive Income.

At times, the Group may place an area of interest into retention tenement status. Where this occurs the costs accumulated in relation to the area of interest remain on the balance sheet, however, any subsequent expenditure related to that area is expensed as incurred while the tenement remains under retention.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Employee Benefits

(i) *Short-term and Long-term Employee Benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) *Share-based Payments*

Share-based compensation benefits are provided to employees via the Energy Metals Limited Employee Option Plan.

The fair value of options granted under the Energy Metals Limited Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(o) *Contributed Equity*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) *Earnings Per Share*

(i) *Basic Earnings Per Share*

Basic earnings per share is determined by dividing:

- the profit attributable to owners 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.

(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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(r) New Accounting Standards and Interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

AASB9 Financial Instruments and related amending Standards

The Group has applied AASB 9 Financial Instruments and the related consequential amendments to other Accounting Standards.

AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group has reviewed and assessed the Group's existing financial assets as at 1 January 2018 and concluded that the initial application of AASB 9 has had no impact on the Group's consolidated financial statements based on below:

- At the date of initial recognition, the Group's financial assets do not have cash flows that are solely payments of principal and interest (the SPPI criterion)
- The Group's financial assets are initially recognised at fair value plus transaction costs. Financial assets carried at fair value and transaction costs are expensed in profit or loss.
- The Group's financial assets mainly consist of Term Deposits. The Group have no investment in securities or stock.
- All deposits have low credit risk held with reputable banks in Australia.

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition.

The Group has applied this new rule for the first time in the current year. The core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The application of AASB 15 has had no impact on the Group's consolidated financial statements as the Group currently generates no revenue from customers.

At the date of authorisation of the consolidated financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential effect of the revised Standards/Interpretations on the Group's financial statements is in progress but is not expected to have a significant impact on the Group's consolidated statement at profit or loss or balance sheet on adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

AASB 16 Leases, effective for annual reporting periods beginning on or after 1 January 2019;

AASB 2017-6 Amendments to Australian Accounting Standards- Prepayment Features with Negative Compensation, effective for annual reporting periods beginning on or after 1 January 2019;

AASB 2017-7 Amendments to Australian Accounting Standards-Long-term Interests in Associates and Joint Ventures, effective for annual reporting periods beginning on or after 1 January 2019;

AASB 2018-1 Amendments to Australian Accounting Standards- Annual Improvements 2015-2017 Cycle, effective for annual reporting periods beginning on or after 1 January 2019;

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement, effective for annual reporting periods beginning on or after 1 January 2019;

AASB 2018-3 Amendments to Australian Accounting Standards- Reduced Disclosure Requirements, effective for annual reporting periods beginning on or after 1 January 2019;

Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments, effective for annual reporting periods beginning on or after 1 January 2019;

(s) Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Accounting for capitalised exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that it is expected to be recouped through future successful development or alternatively sale of the Areas of Interest. If ultimately the area of interest is abandoned or is not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would be written down to its recoverable amount.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, cost of drilling and production, production rates and changes to commodity prices. As at 31 December 2018 the carrying value of capitalised exploration and evaluation expenditure is \$34,239,060 (2017: \$33,592,335).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. SEGMENT INFORMATION

(a) DESCRIPTION OF SEGMENTS

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on three reportable segments of its business, being exploration, trading and corporate segments. There has been no trading activity in the current and prior year.

(b) SEGMENT REVENUE AND RESULTS

	Consolidated			
	SEGMENT REVENUE		SEGMENT RESULT	
	2018	2017	2018	2017
CONTINUING OPERATIONS	\$	\$	\$	\$
Uranium exploration	8,292	16,205	(230,858)	(570,107)
Corporate	475,273	570,303	(321,945)	(304,375)
	483,565	586,508	(522,803)	(874,482)

Segment revenue of uranium exploration represents revenue generated from service provided to joint operations. There were no inter-segment sales in the current year (2017: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment result represents the profit/(loss) before tax earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(c) SEGMENT ASSETS AND LIABILITIES

	Consolidated	
	31 December 2018	31 December 2017
SEGMENT ASSETS	\$	\$
Uranium exploration	34,239,060	33,592,335
Corporate	18,711,490	19,937,037
TOTAL ASSETS	52,950,550	53,529,372
SEGMENT LIABILITIES		
Uranium exploration	49,113	60,249
Corporate	138,681	153,564
TOTAL LIABILITIES	187,794	213,813

(d) INFORMATION ABOUT MAJOR CUSTOMERS

The Group does not have any external revenue at this stage. The Group is not reliant on any of its major customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. REVENUES AND EXPENSES

	Consolidated	
	2018	2017
	\$	\$
(a) Other Revenue includes the following revenue items:		
Interest income	473,791	529,862
Management fee from Joint Operations	8,292	14,296
Fuel rebate	1,482	1,908
Gain on disposal of fixed asset	-	40,442
	<u>483,565</u>	<u>586,508</u>
(b) Loss includes the following specific expenses:		
Depreciation	<u>39,380</u>	<u>48,490</u>
(c) Employee benefit expenses:		
Wages & superannuation	407,521	458,064
- Including: Executive Director's fee	193,604	200,000
Non-executive Directors fees*	25,000	27,854
Others	<u>19,542</u>	<u>10,533</u>
	<u>452,063</u>	<u>496,451</u>

*The payments in exchange for Mr. Lindsay Dudfield and Ms Macpherson's services were included in the Corporate and Regulatory Expense in the profit or loss accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. TAXATION	2018 \$	2017
The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:		
Loss before income tax	(552,803)	(874,482)
Income tax expense/ (benefit) @ 30%	(165,841)	(262,345)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	328	156
Deferred tax relating to temporary timing differences not recognised	(198,180)	(54,779)
Deferred tax assets relating to tax losses not recognised	(363,693)	317,240
Prior year true up	-	(272)
Income tax expenses/(benefit) reported in the income statement	-	-
The franking account balance at period end was \$nil (2017: \$nil).		
Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Tax losses carried forward	11,720,691	11,356,999
Non-refundable R&D tax offsets carried forward	1,386,721	1,386,721
Other temporary differences	16,345	20,882
Deferred tax liabilities		
Prepayments	-	(377)
Exploration assets	(10,271,720)	(10,077,700)
Other temporary differences	(52,767)	(52,767)
Net deferred tax assets not recognised	2,799,270	2,633,758

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The use of losses is dependent on the Company satisfying the required criteria within the Income Tax Assessment Act 1936 & 1997 at the time the losses are incurred and used. The provisions of the Acts may change or the business may alter (past the change of ownership) and as a result the Company's loss may be lost in the future.

Tax Consolidation

Energy Metals Limited and its 100% owned Australian resident subsidiary, NT Energy Pty Ltd have implemented the tax consolidation legislation. Energy Metals Limited is the head entity within the tax-consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

5. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2018 \$	2017 \$
Loss after income tax	(552,803)	(874,482)
Depreciation	39,380	48,490
Write-off exploration expenditure	-	416,677
Annual leave provision	(14,201)	8,265
Gain on disposal of fixed asset	-	(40,442)
Change in operating assets and liabilities during the financial period:		
Decrease/(Increase) in trade and other receivables	105,198	(232,323)
Decrease/(Increase) in trade and other payables	(684)	69,647
Net cash outflow from operating activities	(423,110)	(604,168)
Reconciliation of cash balance comprises:		
Cash and cash equivalents	369,679	111,639
There were no significant non-cash transactions during the year.		

6. LOSS PER SHARE

The loss or earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows.

Reconciliation of loss used in calculation of loss per share:

	2018 \$	2017 \$
Loss attributable to owners of the Company	(552,803)	(874,482)

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	209,683,312	209,683,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. DIVIDENDS

There were no dividends paid or declared by the Company during the year.

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Cash and cash equivalents	151,570	34,045
Share of Joint Operations' cash	218,109	77,594
	<u>369,679</u>	<u>111,639</u>

Term deposits classified separate to cash on face of statement of Financial Position

17,894,842 19,272,383

As at 31 December 2018, the Company had approximately \$17.9 million term deposits (2017: \$19.3 million) with maturities from 6 months to 12 months in various financial institutions earning interest income at an average rate of 2.7% (2017: 2.6%).

The Company's exposure to interest rate risk is disclosed in Note 16.

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
CURRENT		
GST receivable	27,807	26,073
Other receivables	213,976	335,104
	<u>241,783</u>	<u>361,177</u>

Trade and other receivables are denominated in Australian dollars and are interest free. The settlement terms varies depending on business transactions. Other receivables are mainly interest receivables and receivables due from joint operations. Due to the short-term nature of receivables their carrying value is assumed to be their fair value. No trade and other receivables, including current and non-current, are impaired.

Trade and other receivables disclosed above included amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts were still considered recoverable.

In determining the recoverability of trade and other receivables, the Group considers any change in the credit quality of the trade and other receivables from the date credit were initially granted up to the end of the reporting period. The concentration of credit risk is moderate due to the fact that the trading transactions are limited and the balance of the other receivable is due from Joint Venture partners representing 25% of the balance of other receivables and interest receivables representing 75% of the balance of other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Plant and equipment - at cost	929,677	891,245
Less accumulated depreciation	(752,824)	(716,417)
	176,853	174,828
Motor vehicle – at cost	66,838	66,838
Less accumulated depreciation	(53,956)	(50,984)
	12,882	15,854
Total	189,735	190,682

Reconciliation of the carrying amount of fixed assets:

	Plant & equipment \$	Motor vehicle \$	Total \$
Carrying amount at 1 January 2017	213,871	50,122	263,993
Additions	2,400	-	2,400
Disposals	(163)	(27,058)	(27,221)
Depreciation expense	(41,281)	(7,209)	(48,490)
Carrying amount at 31 December 2017	174,827	15,855	190,682
Carrying amount at 1 January 2018	174,827	15,855	190,682
Additions	38,433	-	38,433
Depreciation expense	(36,407)	(2,973)	(39,380)
Carrying amount at 31 December 2018	176,853	12,882	189,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Balance at beginning of the year	33,592,335	33,401,714
Additions of capitalised exploration expenditure	646,725	607,298
Written-off exploration expenditure	-	(416,677)
Balance at the end of the year	34,239,060	33,592,335

The balance carried forward represents projects in the exploration and evaluation phase. Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

The written-off exploration expenditure related to the tenements that the Group surrendered during the year.

Employee benefits expense capitalised during the year were:

	2018 \$	2017 \$
Wages and superannuation	274,133	283,147

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Trade payables	72,684	139,140
Other payables	73,520	18,882
	146,204	158,022

Trade payables are unsecured and are usually paid within 30 – 60 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

13. PROVISIONS

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Employee benefits	41,590	55,791

The provision relates to the Group's liability for employee's annual leave entitlements. Based on past experience, the Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months. The carrying amounts of provisions are assumed to be the same as their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14. CONTRIBUTED EQUITY

The Company had 209,683,312 ordinary shares, fully paid at 31 December 2018 (31 December 2017: 209,683,312). No movement in contributed equity during the year.

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Contributed equity	59,051,644	59,051,644

	Number of shares	Number of shares
Balance at 31 December 2017 and 31 December 2018	209,683,312	209,683,312

Ordinary Shares

Ordinary shares entitled the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Options

Information relating to the Energy Metals Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 15.

Capital Risk Management

The Group's objectives when managing capital is to safeguard the ability to continue as a going concern, so that the group can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. SHARE BASED PAYMENT TRANSACTIONS

Share based payments transactions are recognised at fair value in accordance with AASB 2. The expense in the year was nil (2017: nil).

Employee Option Plan

The establishment of the Energy Metals Employee Share Option Plan was approved by shareholders at the 2006 annual general meeting. The Employee Share Option Plan is designed to provide eligible employees, executive officers and directors of the Company an opportunity, in the form of Options to subscribe for Shares in the Company. An “eligible employee” is a person who is at the time of an offer under the plan, a full or part time employee or director of the Company or an associated body corporate of the Company. Any offer of options to Directors will be subject to shareholder approval.

Under the plan, the Board may offer to eligible persons the opportunity to subscribe for such number of Options in the Company as the Board may decide and on the terms set out in the rules of the plan. Options granted under the plan will be offered to participants in the plan on the basis of the Board’s view of the contribution of the eligible person to the Company. When exercisable, each option is convertible into one ordinary share. Options granted under the plan carry no dividend or voting rights.

No options were granted or exercised during the year ended 31 December 2018. (2017: nil)

There are no options on issue as at 31 December 2018 under the Employee Share Option Plan.

16. FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use any derivative financial instruments to hedge risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, and aging analysis for credit risk.

Risk management is carried out by the Board as a whole.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments:

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Financial Assets - Current		
Cash and cash equivalents	369,679	111,639
Term deposits	17,894,842	19,272,283
Trade and other receivables	241,783	361,177
	<u>18,506,304</u>	<u>19,745,099</u>
Financial Liabilities - Current		
Trade and other payables	<u>146,204</u>	<u>158,022</u>

(a) **Market Risk**

(i) *Foreign Exchange Risk*

The Group does not have significant foreign currency holding. No financial instruments have been entered into to manage this risk.

(ii) *Price Risk*

The Group is in the stage of a junior explorer and the commodity prices do not constitute a significant risk to the business. The Group may adjust its strategy on the progress of its projects to adapt to the change of the market environment.

(iii) *Cash flow and fair value interest rate risk*

The Group's exposure to interest rate risk arises from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings and term deposits was 2.7% at 31 December 2018 (31 December 2017: 2.6%). All other financial assets and liabilities are non-interest bearing.

(iv) *Group Sensitivity*

At 31 December 2018, if interest rates had increased by 70 or decreased by 100 basis points from the period end rates with all other variables held constant, post-tax profit for the period would have been \$125,264 higher/\$169,579 lower (31 December 2017: \$135,000 higher/\$193,000 lower), mainly as a result of higher/lower interest income from cash and term deposits.

(b) **Credit Risk**

Credit risk arises from cash and deposits with banks and financial institutions, as well as outstanding receivables. The Group invests its surplus funds mainly with large banking financial institutions, namely National Australia Bank and Westpac Banking Corporation. All these banks have an A rating or above with Standard & Poors. The maximum credit risk of the Group is the exposure of its term deposits and trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through the equity market to meet obligations when due. At the end of the reporting period the Group held deposits of \$17.9 million (2017: \$19.3 million) with maturities from 6 month to 12 months that are expected to readily generate cash inflows for managing liquidity risk and also fulfill the commitments disclosed in Note 18.

(d) Fair Value Measurements

The net fair value of the Group's financial assets and liabilities approximates their carrying value.

17. CONTINGENCIES

Contingent Liabilities

Claims of Native Title

To date the Company has been notified by the Native Title Tribunal of native title claims which cover some of the Company's licence holdings. Until further information arises in relation to the claims and its likelihood of success, the Company is unable to assess the likely effect, if any, of the claims.

18. COMMITMENTS

The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure in 2019. Under certain circumstances these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations, however, they are expected to be fulfilled in the normal course of operations. Estimated expenditure on mining, exploration and prospecting leases for 2019 is \$542,165.

Capital Commitments

There are no capital expenditure commitments for the Group as at 31 December 2018.

Lease Commitments: Group as lessee

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Within one year	97,033	20,726
Later than one year but not later than five years	129,378	-
	<u>226,411</u>	<u>20,726</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. KEY MANAGEMENT PERSONNEL

Key Management Personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company. The aggregate compensation made to directors and other key management personnel of the Company and the Group is set out below:

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Short-term benefits	297,981	306,024
Post-employment benefits	-	271
	297,981	306,295

Detailed remuneration disclosures are provided in the remuneration report on pages 25 to 29.

20. CONTROLLED ENTITIES

Controlled Entities	% held		Class	State of Incorporation	Date of Incorporation	Investment at Cost	
	31 December 2018	31 December 2017				31 December 2018	31 December 2017
NT Energy Pty Ltd	100%	100%	Ord	VIC	15/11/2006	100	100

The date of acquisition of the controlled entities was on the date of incorporation. The fair value of net assets acquired at the date of acquisition was nil. The principal activity of NT Energy Pty Ltd is uranium trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

21. RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Energy Metals Limited. The ultimate parent entity is China General Nuclear Power Corporation (formerly known as China Guangdong Nuclear Power Holding Co. Ltd.) (incorporated in the P.R. China) ("CGN") which at 31 December 2018 owned 66.45% (31 December 2017: 66.45%) of the issued ordinary shares of Energy Metals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 20.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 19.

(d) Transactions with related parties

The Company earned \$8,292 (2017: \$14,296) in management and facility administration fees from the joint operations during the year.

(f) Loans to/from related parties

At 31 December 2018, the Company had other receivable of \$78,905 (2017: \$78,542) from NT Energy Pty Limited. The other receivable was unsecured, interest free and repayable on demand. The receivable was eliminated in the consolidated financial statements.

(g) Guarantees

There were no guarantees provided to the related parties during the year.

22. REMUNERATION OF AUDITORS

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Audit and review of the financial reports	32,000	32,000
Other services	-	-
	<u>32,000</u>	<u>32,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. INTEREST IN JOINT OPERATIONS

The Company has the following interest in unincorporated joint operations:

Joint Operation	Principal Activity	% Interest	
		31 December 2018	31 December 2017
Bigirlyi Joint Operation	Uranium Exploration	72.39	53.29
Malawiri Joint Operation	Uranium Exploration	52.08	52.08
Walbiri Joint Operation	Uranium Exploration	41.9	41.9

The joint operation is a contractual arrangement between participants for the sharing of costs and outputs and did not generate revenue and profit. The joint operation does not hold any assets and the Group's share of exploration and evaluation expenditure is accounted for in accordance with the policy set out in Note 1.

Northern Territory Uranium Pty Ltd ("NTU"), one of the Bigirlyi Joint Operation Arrangement partners, did not pay its full share of cash calls for the year 2017 approved budget and expenses within the required time frame. The default amounts have been paid by the Company and the other joint venture party, proportionally on behalf of NTU. Pursuant to a dilution clause in the Bigirlyi Joint Operation agreement, the Company has acquired NTU's relevant interest in proportion as per its respective contribution. The Company's interest in Bigirlyi project has increased from 53.29% to 72.39%.

The Group's share of assets employed in the joint operation is:

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Current Assets		
Cash and cash equivalents	218,109	77,594
Term deposit	133,863	95,953
Total Current Assets	351,972	173,547
Non-Current Assets		
Exploration and evaluation expenditure	14,632,488	14,332,607
Total Non-Current Assets	14,632,488	14,332,607
Total Assets	14,984,460	14,506,154

a) Commitments

There are no capital expenditure commitments for the Joint Operation as at 31 December 2018.

The Group's share of estimated Year 2019 minimum expenditure commitments for the Joint Operation tenements is \$45,770 which is included in the commitment disclosed in Note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. INTEREST IN JOINT OPERATIONS

b) Contingent liabilities

Claims of Native Title

There are no claims of Native Title that affect the Joint Operation licence holdings.

24. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Energy Metals Limited, at 31 December 2018. The information presented here has been prepared using consistent accounting policies as the Group.

	31 December 2018 \$	31 December 2017 \$
Current assets	18,600,431	19,824,768
Non-current assets	34,428,795	33,783,017
Total assets	53,029,226	53,607,785
Current liabilities	187,794	213,813
Total liabilities	187,794	213,813
Contributed equity	59,051,644	59,051,644
Accumulated losses	(6,201,212)	(5,657,672)
Total equity	52,841,432	53,393,972
Income for the year	483,565	586,508
Total comprehensive expense for the year	(552,540)	(874,228)

The principal activity of Energy Metals Limited subsidiary NT Energy Pty Ltd is uranium trading. There has been no trading activity for NT Energy Pty Ltd during the year.

25. EVENTS OCCURRING AFTER REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Company in future financial years.

D E C L A R A T I O N B Y D I R E C T O R S

ENERGY METALS LIMITED AND ITS CONTROLLED ENTITIES

ACN 111 306 533

DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, Consolidated Statement of Changes in Equity and accompanying notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the Chief Executive Officer and Financial manager as required by section 295A of the *Corporations Act 2001*.
4. The consolidated entity has included in the notes to the financial statements an unreserved and explicit statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Shuqing Xiao

Managing Director

Perth, Western Australia

19 February 2019



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Energy Metals Limited
Level 2, 28 Kings Park Road
West Perth WA 6005

19 February 2019

Dear Board Members

Energy Metals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Energy Metals Limited.

As lead audit partner for the audit of the financial statements of Energy Metals Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, consisting of a stylized initial "D" followed by a horizontal line.

D K Andrews
Partner
Chartered Accountants



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Energy Metals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Energy Metals Limited (the "Entity"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the directors.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<i>Accounting for Exploration and Evaluation Assets</i> As at 31 December 2018 the Groups capitalised exploration and evaluation expenditure totalled \$34,239,093 as disclosed in Note 11. Judgement is applied in determining the treatment of exploration and evaluation expenditure including: ➤ whether the conditions for capitalisation are satisfied; ➤ which elements of exploration and evaluation expenditures qualify for recognition; and ➤ whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: ➤ Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; ➤ Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; ➤ Assessing whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; ➤ Verifying on a sample basis, evaluation expenditure capitalised during the year for compliance with the applicable accounting standards, and ➤ Assessing whether any facts or circumstances existed to suggest impairment may be required. We also assessed the appropriateness of the disclosures in Note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year then ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report***Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 10 of the Director's Report for the year ended 31 December 2018 .

In our opinion, the Remuneration Report of Energy Metals Limited, for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The director's of Energy Metals Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to be "D K Andrews", followed by a horizontal line.

D K Andrews

Partner

Chartered Accountants

Perth, 19 February 2019

ADDITIONAL INFORMATION

The following additional information not shown elsewhere in this report is required by the Australian Stock Exchange Ltd in respect of listed public companies only. This information is current as at 25 March 2019.

SUBSTANTIAL SHAREHOLDERS

There were three substantial shareholders as at 25 March 2019:

- i. China Uranium Development Company Ltd holds 139,339,978 ordinary shares, or 66.45% of the voting rights in the Company;
- ii. KangDe Investment Group holds 26,553,722 ordinary shares, or 12.66% of the voting rights in the Company;
- iii. Jindalee Resources Limited holds 14,038,282 ordinary shares, or 6.69% of the voting rights in the Company.

ISSUED SECURITIES**Quoted Securities**

ASX Code	Number of Holders	Security Description	Total Securities
EME	635	Ordinary Fully Paid	209,683,312

VOTING RIGHTS

The voting rights of each class of share are as follows:

Ordinary Fully Paid Shares – one vote per share held.

DISTRIBUTION SCHEDULE

Spread of Holdings			Ordinary Shares (EME)		units	%
1	-	1,000	135	60,261	0.03	
1,001	-	5,000	194	521,850	0.25	
5,001	-	10,000	106	848,627	0.40	
10,001	-	100,000	171	5,331,750	2.54	
100,001	-	and over	29	202,920,824	96.77	
TOTAL HOLDERS			635	209,683,312	100%	

UNMARKETABLE PARCELS

As at 25 March 2019 there were 312 shareholders holding less than a marketable parcel of shares.

BUY-BACK

There is no current on-market buy-back.

ADDITIONAL INFORMATION

20 LARGEST SHAREHOLDERS

The names of the twenty largest shareholders (ASX Code: EME) are listed below:

Name	% of Issued Securities	Number of Ordinary Shares
1. China Uranium Development Company Ltd	66.45	139,339,978
2. KangDe Investment Group	12.66	26,553,722
3. Jindalee Resources Limited	6.69	14,038,282
4. Mr. Bin Cui	3.58	7,506,084
5. Kale Capital Corporation Ltd	2.79	5,851,745
6. Mr Lindsay George Dudfield	1.22	2,556,540
7. Central Pacific Minerals NL	0.57	1,200,000
8. Pilling & Co Stockbrokers Ltd	0.48	1,015,000
9. Lindsay George Dudfield and Yvonne Sheila Doling	0.33	698,625
10. M & K Korkidas Pty Ltd	0.30	633,622
11. Yandal Investments Pty Ltd	0.24	511,718
12. Redross Consultants Pty Ltd	0.22	468,900
13. Teck Australia Pty Ltd	0.21	438,141
14. Mr. Philip William Saunders	0.14	300,000
15. CITICORP Nominees Pty Limited	0.13	274,895
16. Mr. Zhongqing Zhang	0.13	267,255
17. HSBC Custody Nominees	0.12	248,058
18. Mr. Dezong Yuan	0.10	200,657
19. Canie Pty Ltd	0.10	200,000
20. Mr. Desmond Chung Seng Chiong	0.07	150,000

ADDITIONAL INFORMATION

INTERESTS IN MINING TENEMENTS as at 25 March 2019.**Western Australia**

E08/1480	Manyingee	Granted	E08/2856	Manyingee	Application
R21/1	Lakeside	Granted	R08/3	Manyingee	Application
R29/1	Mopoke Well	Granted			
R57/2	Lake Mason	Granted			
R58/2	Anketell	Granted			

Northern Territory

ELR46* ¹	Bigirlyi Project	Granted	MCSA318* ¹	Ngalia Regional	Application
ELR47* ¹	Bigirlyi Project	Granted	MCSA319* ¹	Ngalia Regional	Application
ELR48* ¹	Bigirlyi Project	Granted	MCSA320* ¹	Ngalia Regional	Application
ELR49* ¹	Bigirlyi Project	Granted	MCSA321* ¹	Ngalia Regional	Application
ELR50* ¹	Bigirlyi Project	Granted	MCSA322* ¹	Ngalia Regional	Application
ELR51* ¹	Bigirlyi Project	Granted	MCSA323* ¹	Ngalia Regional	Application
ELR52* ¹	Bigirlyi Project	Granted	MCSA324* ¹	Ngalia Regional	Application
ELR53* ¹	Bigirlyi Project	Granted	MCSA325* ¹	Ngalia Regional	Application
ELR54* ¹	Bigirlyi Project	Granted	MCSA326* ¹	Ngalia Regional	Application
ELR55* ¹	Bigirlyi Project	Granted	MCSA327* ¹	Ngalia Regional	Application
EL30144* ¹	Bigirlyi Project	Granted	MCSA328* ¹	Ngalia Regional	Application
ELR31319* ¹	Bigirlyi Project	Granted	MLNA1952* ¹	Ngalia Regional	Application
EL24451	Ngalia Regional	Granted	ELA24450	Ngalia Regional	Application
EL24463	Ngalia Regional	Granted	ELA24462	Ngalia Regional	Application
EL30004	Ngalia Regional	Granted	ELA27169	Ngalia Regional	Application
EL31098	Ngalia Regional	Granted	ELA27333	Macallan	Application
EL31820	Ngalia Regional	Granted			
EL31821	Ngalia Regional	Granted			
ELR31754	Ngalia Regional	Granted			
ELR31755	Ngalia Regional	Granted			
ELR31756	Ngalia Regional	Granted			
ELR41* ²	Malawiri Project	Granted			
ELR45* ³	Walbiri Project	Granted			

ADDITIONAL INFORMATION

All of the above tenements are beneficially owned by Energy Metals Limited and percentage interest is 100% unless otherwise stated.

ABBREVIATIONS

*1	=	72.39% interest	E	=	Exploration Licence (WA)
*2	=	52.1% interest	R	=	Retention Licence (WA)
*3	=	41.9% interest	EL	=	Exploration Licence (NT)
			ELA	=	Exploration Licence Application (NT)
			ELR	=	Exploration Licence in Retention (NT)
			ELRA	=	Exploration Licence in Retention Application (NT)
			MCSA	=	Mineral Claim (Southern) Application (NT)
			MLNA	=	Mineral Lease (Northern) Application (NT)

