



 **Energy**
Metals Limited

2019 ANNUAL REPORT

A.B.N. 63 111 306 533

CORPORATE DETAILS

DIRECTORS

Fei He (Non-executive Chairman)
 Shuqing Xiao (Managing Director)
 Lindsay George Dudfield (Non-executive Director)
 Jan Macpherson (Non-executive Director)
 Zhe Xu (Non-executive Director)
 Junmei Xu (Non-executive Director)
 Zhe Gao (Non-executive Director)

COMPANY SECRETARY

Xuekun Li

REGISTERED OFFICE

Level 2
 28 Kings Park Road
 WEST PERTH WA 6005
 Telephone: +61 8 9322 6904
 Facsimile: +61 8 9321 5240
 Email: enquiry@energymetals.net
 Web: www.energymetals.net

AUDITOR

Deloitte Touche Tohmatsu
 Brookfield Place Tower 2
 123 St Georges Terrace
 Perth WA 6000 Australia

SHARE REGISTRY

Automic Pty Ltd
 Level 2
 267 St Georges Terrace
 PERTH WA 6000
 Telephone: +61 1300 288 664

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
 100 St Georges Terrace
 PERTH WA 6000

SOLICITORS

Minter Ellison
 Allendale Square
 77 St Georges Terrace
 PERTH WA 6000

CONTENTS

CHAIRMAN'S STATEMENT	1
REVIEW OF ACTIVITIES	2
DIRECTORS' REPORT	20
REMUNERATION REPORT	25
CONSOLIDATED FINANCIAL STATEMENTS	33
DIRECTORS' DECLARATION	66
AUDITOR'S INDEPENDENCE DECLARATION	67
AUDITOR'S REPORT	68
ADDITIONAL INFORMATION	72

CHAIRMAN'S STATEMENT

Dear Shareholders

It is my great pleasure to welcome you to our annual report for 2019.

The uranium market continued to be challenging during 2019, with spot price hovering around USD25 per pound for most of the year. The price has lifted from the lows of 2017 as large global producers cut their output, however, it is still relatively low and with the slowdown of the global economy and uncertainties from recent geopolitical tensions the price has remained stagnant. Nevertheless, this should change in coming years; interest in long-term contracts was higher in the last year compared with the previous year and transaction volumes under long-term contracts have reached the highest level seen for eight years. We believe overall price risk has shifted to the upside and the market will gradually rise due to constrained supply and rising demand .

Uranium production is set to remain tight as producers try to lift prices by lowering global supplies. Kazatomprom, the world's largest uranium supplier, has reaffirmed that output will be kept low until 2021, removing a further 20% from original production plans. In July 2018 Cameco announced the closure of its large, high grade McArthur River mine (and has since announced further closures as a result of the COVID-19 crisis) and Energy Resources of Australia has announced that its Ranger uranium mine will be closed at the start of 2021. Orano, a major French uranium player, has also stated that it will wind down the Cominak mine in March 2021. These cuts, together with fewer new mines entering operation and many remaining in hiatus, will see inventories run short and overall supply remain low.

Furthermore, the use of nuclear power continues to grow. Although some countries intend to scale down use of nuclear power, more countries increasingly view nuclear power as a clean source of energy and a means to reduce reliance on very limited energy sources. In addition to China, India and Russia, various new developing markets, like Pakistan, UAE, Bulgaria and South Africa, are continuing or even expanding their nuclear power capacities. As the largest reactor developer in the world, China currently has eleven reactors under construction. Several of these are progressing towards completion and are expected to commence commercial operations over the next few years. Together these factors will lead to a moderate overall growth in demand for nuclear power (and uranium).

With regards to Energy Metals, we initiated a program focusing on studies to enhance the value of vanadium as a by-product commodity in future mining operations at our flagship Bigirlyi project. A three-dimensional vanadium mineralisation modelling study was completed in December 2019 with positive results and further studies are expected to reinforce the potential for vanadium to improve the economics of the Bigirlyi project. In addition, we continued to implement cost savings where possible. Following a careful review, we further reduced the size of our tenements by surrendering areas of low prospectivity, thereby lowering holding costs. Last and most importantly, I would like to highlight that Energy Metals, despite being a junior explorer, has a strong balance sheet, holding over \$17 million cash at 31 December 2019. This solid financial position gives us an unparalleled advantage to capitalise on opportunities when they arise.

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

Fei He
Chairman

REVIEW OF ACTIVITIES

Energy Metals Ltd (EME) is a dedicated uranium company with seven projects located in the Northern Territory (NT) and Western Australia (Figure 1) covering tenement areas over 2,500 km² in size. 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 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 Holding Company). At 31 December 2019, the installed capacity of CGN's operating nuclear generating plants was 27,140MWe from 24 nuclear power units with five other power units of 5,780MWe capacity under construction in various locations across China. CGN is one of 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 72.39%)

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 various sub-deposits over 11 km of strike length including Anomalies 2, 4 and 15 (A2, A4 and A15 in 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 (Figure 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 wholly-owned subsidiary of ASX-listed Marenica Energy Ltd (MEY).

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

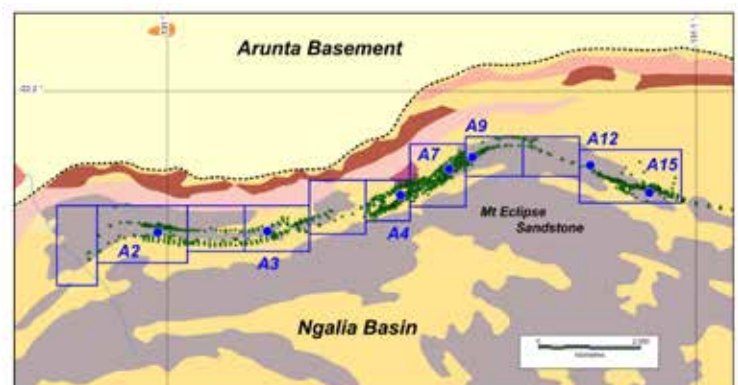


Figure 2 - Bigrlyi Joint Venture project area showing simplified geology (grey = Mt Eclipse Sandstone) with ELR tenement outlines (blue polygons); Anomaly-2 to Anomaly-15 (A2 to A15) sub-deposit locations (blue dots) and exploration drill-hole collars (green dots) are shown.

REVIEW OF ACTIVITIES

Work Completed 2005 to 2018

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 (now H&S Consultants) using the Multiple Indicator Kriging (MIK) method for uranium resources and Ordinary Kriging (OK) for vanadium resources.

Metallurgical and mineralogical studies have confirmed that the major uranium-bearing minerals are uraninite and coffinite, and the major vanadium-bearing minerals are vanadian illite and clays and various oxide-hydroxide minerals. This work also confirmed the excellent uranium extraction characteristics of Bigrlyi ore.

A Pre-Feasibility Study (PFS), completed in mid-2011, confirmed that mining of the A2, A4 and A15 deposits using a combination of open pit and underground mining, and processing ore through a conventional acid leach circuit could produce around 10Mlb U_3O_8 and positive cash flow over a mine life of approximately 8 years. The economic viability of the project is, however, contingent on a sustained uranium price of US\$60/lb for the current exchange rate. A key finding

of the PFS was that a substantial increase in the resource base that underpins the project would have a positive impact on project economics, especially if those resources are amenable to open pit mining. 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.



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

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

In the period 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 EME-owned deposits in the Ngalia Basin (refer to Mineral Resource Statement below). In 2018, a program to investigate the vanadium potential of EME's various deposits commenced.

Work Completed in the Twelve Months to 31 December 2019

Energy Metals is committed to improving the economics of its flagship Bigirlyi project and last year initiated a program to enhance the value of vanadium as a by-product commodity in a future Bigirlyi mining operation. Bigirlyi sandstone-hosted uranium-vanadium ores contain vanadium in various mineral forms that can be extracted by conventional acid leaching processes without the need for the extreme conditions required in the processing of more widely known magnetite-hosted vanadium ores. Bigirlyi uranium-vanadium ores are mineralogically identical to those of the Colorado Plateau district of the USA, which has a decades-long history of co-mining and co-recovery of uranium and vanadium; the extraction and recovery processes of uranium and vanadium from sandstone-hosted deposits are therefore well understood.

The predominant industrial use of vanadium, at present, is as a steel strengthening agent; however, the metal has growing future uses in energy storage technologies, particularly redox flow batteries, which is the technology of choice in medium-scale storage of photovoltaically-generated energy. Although the significant price rise in vanadium seen in the latter part of 2018 has not been sustained, demand is expected to grow in future years. The current vanadium price is approximately US\$ 6/lb V_2O_5 , which is close to the long-term average vanadium price and compares with the current uranium spot price of approximately US\$ 27/lb U_3O_8 .

Vanadium Mineralisation Modelling. Modelling of uranium-vanadium mineralisation at the Bigirlyi deposit has previously been constrained by the uranium distribution resulting in vanadium resources being reported on the basis of uranium cut-off grades (Table 1). However, it has been recognised since the 1990s that a larger halo of vanadium mineralisation surrounds uranium mineralisation and that parts of the deposit are significantly vanadium-rich, yet uranium-poor; these parts of the deposit were not well modelled previously and are expected to contribute additional vanadium resources. A new vanadium mineralisation model together with an updated Exploration Target (ET)* for vanadium (see Table 2) was announced for the Bigirlyi deposit on 4 December 2019 (refer to ASX announcement of 4 December 2019 and the caveats mentioned therein). The models included construction of vanadium wireframe volumes for a 100 ppm V_2O_5 cut-off grade and implicit 3D modelling of the distribution of vanadium, uranium and calcium (calcium being a proxy for acid-consuming carbonate) using Leapfrog software.



REVIEW OF ACTIVITIES

Key results are:

- A significantly expanded scale of vanadium mineralisation at Bigirlyi has been identified, compared to previous uranium-focussed results (Figures 4 and 5);
- Modelled mineralised volumes show that, on average, the vanadium mineralised volume is more than 3 times larger than the previously estimated, uranium-constrained mineralisation volume at the 100 ppm U_3O_8 cut-off level (Table 2);
- An Exploration Target range* for vanadium of between 40.5 and 47.6 kilotonnes contained V_2O_5 has been estimated for the Bigirlyi deposit as a whole at the 100 ppm V_2O_5 cut-off level (Table 2);
- The Anomaly 7-to-9 corridor of sub-deposits has an estimated vanadium-mineralised volume of more than 8 times the size of the uranium-mineralised volume (Figure 4) and contains over 30% of the estimated Bigirlyi vanadium ET tonnage*;
- Significant vanadium mineralisation occurs within reduced, grey sandstone, known locally as Unit C, in addition to the vanadium hosted in uranium-mineralised zones on Unit C upper and lower stratigraphic contacts (Figures 6 and 7);
- A calcium halo extends stratigraphically above and below uranium-mineralised zones (Figure 7).

Table 2: Modelled Vanadium Mineralised Volumes and Exploration Target Ranges

Sub-Deposit Corridor	Vanadium Mineralised Volume* (Mm3)	Uranium Mineralised Volume** (Mm3)	Ratio V_2O_5 to U_3O_8 volumes	Estimated V_2O_5 Grade Range (ppm)	Contained V_2O_5 Exploration Target Range kilotonnes (kt) #
Anomaly 2-3	6.9	2.4	2.9	256 - 288	4.6 – 5.2
Anomaly 4	10.2	6.0	1.7	514 - 594	13.6 – 15.8
Anomaly 7-9	10.1	1.2	8.4	502 - 556	13.2 – 14.6
Anomaly 12-15	9.8	2.0	4.9	357 - 475	9.1 – 12.1
Total Bigirlyi	37.0	11.6	3.2	422 - 494	40.5 – 47.6

Figures may not calculate exactly due to rounding. *Current study for a 100ppm V_2O_5 cut-off grade.

**From June 2011 Bigirlyi Mineral Resource Estimate report at 100ppm U_3O_8 cut-off grade.

Determined for a 100ppm V_2O_5 cut-off grade; tonnages calculated using a density of 2.6 t/m³.

These results will form the basis of future resource estimation and economic model updates.

* Note: The modelling results discussed in the ASX announcement of 4 December 2019, and summarised here, have provided sufficient information for a vanadium Exploration Target to be outlined under JORC (2012), however, the potential quantities and grades so determined should be regarded as conceptual in nature and the figures mentioned are approximate. At this stage, there has not been sufficient assessment of the available data to determine whether estimation of a Mineral Resource for vanadium can proceed under JORC (2012), and it is uncertain whether further exploration work will result in a Mineral Resource. The Exploration Target information is provided to give context to the scale and distribution of Bigirlyi vanadium mineralisation in relation to uranium mineralisation, and to identify areas of the deposit having potential to host significant vanadium resources not previously considered because of the uranium-focus of past studies. Details regarding the methodology and basis on which the Exploration Target and grade ranges were determined are provided in the ASX announcement of 4 December 2019 and the commentary that accompanies that report.

REVIEW OF ACTIVITIES

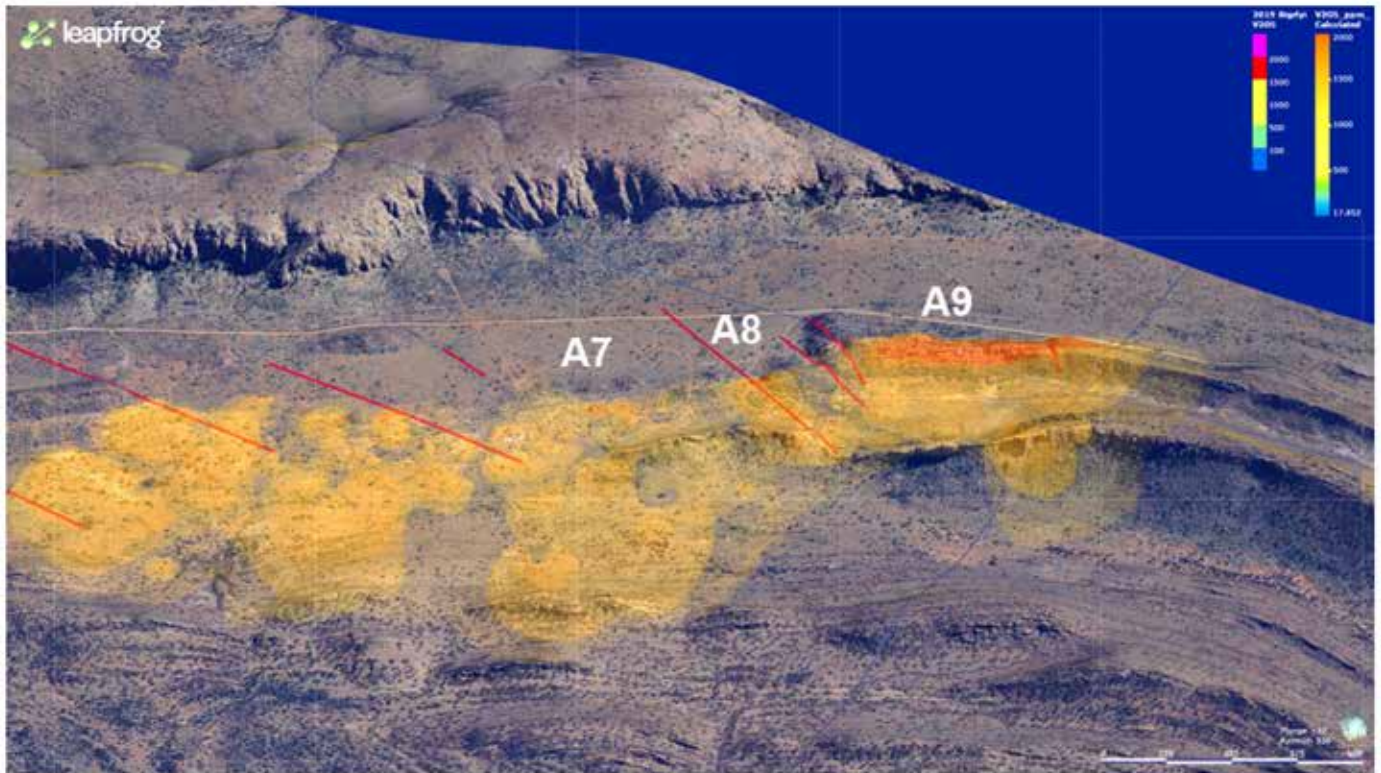


Figure 4. Spheroidal interpolated Leapfrog model showing V_2O_5 distribution in relation to the digital terrain model (semi-transparent). Oblique view looking north over the A7 to A9 corridor showing buried V_2O_5 mineralisation shells. Red lines = modelled fault traces. Hot colours indicate zones of high grade V_2O_5 mineralisation.

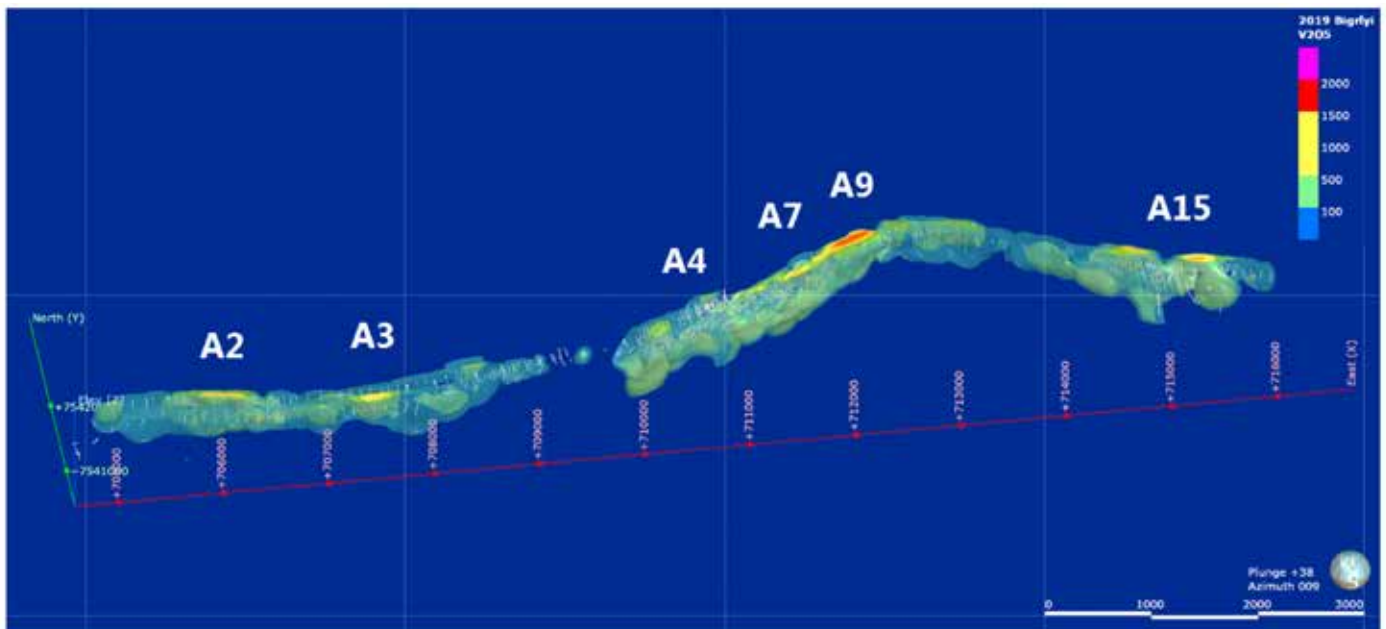


Figure 5. Spheroidal interpolated Leapfrog model showing V_2O_5 mineralised shells (colours indicate grade in ppm V_2O_5) for the entire Bigirlyi deposit, oblique view to north.

REVIEW OF ACTIVITIES

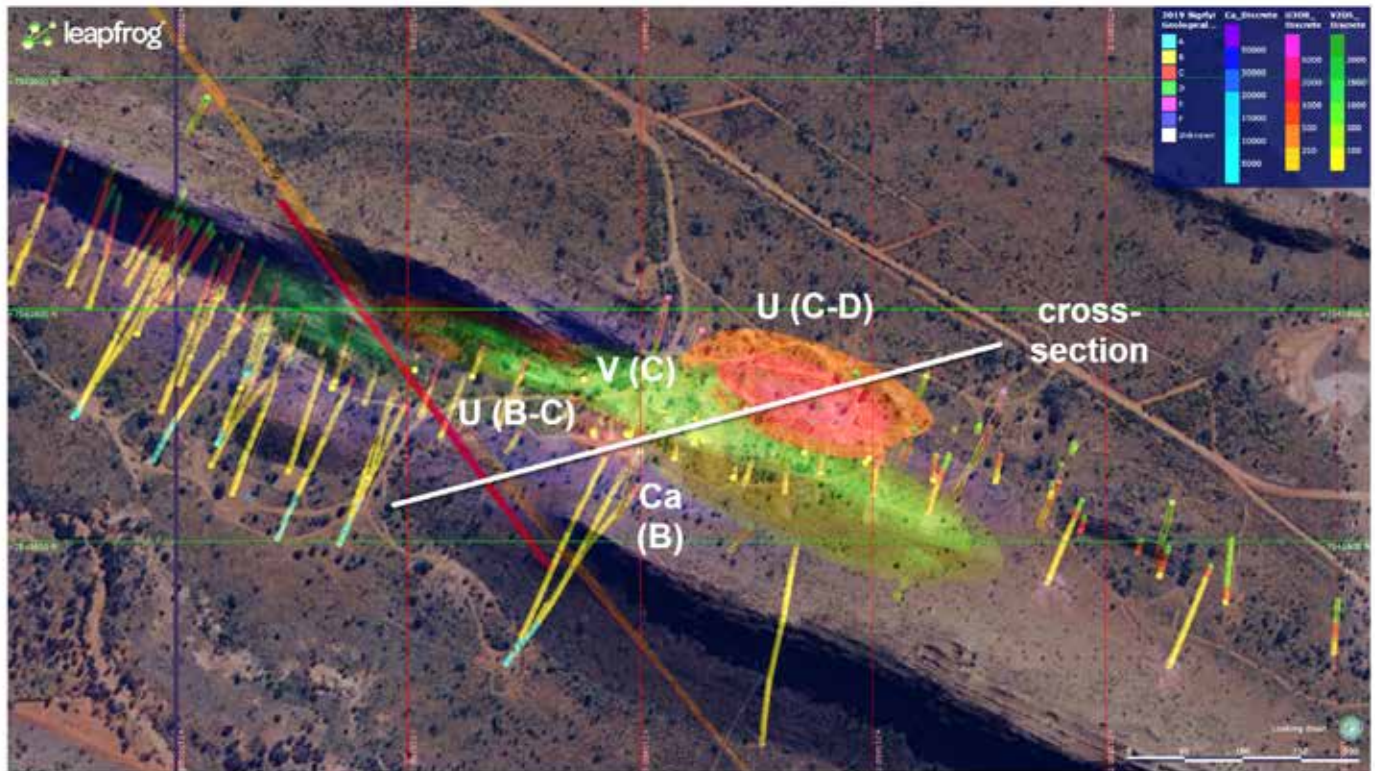


Figure 6. Spheroidal interpolated Leapfrog model showing Ca, V & U shells in plan view for Anomaly-15; modelled zones rich in Ca (blue-violet; within Unit B), U (red; Unit B-C contact), V (green; within Unit C) and U (red; Unit C-D contact) are shown.

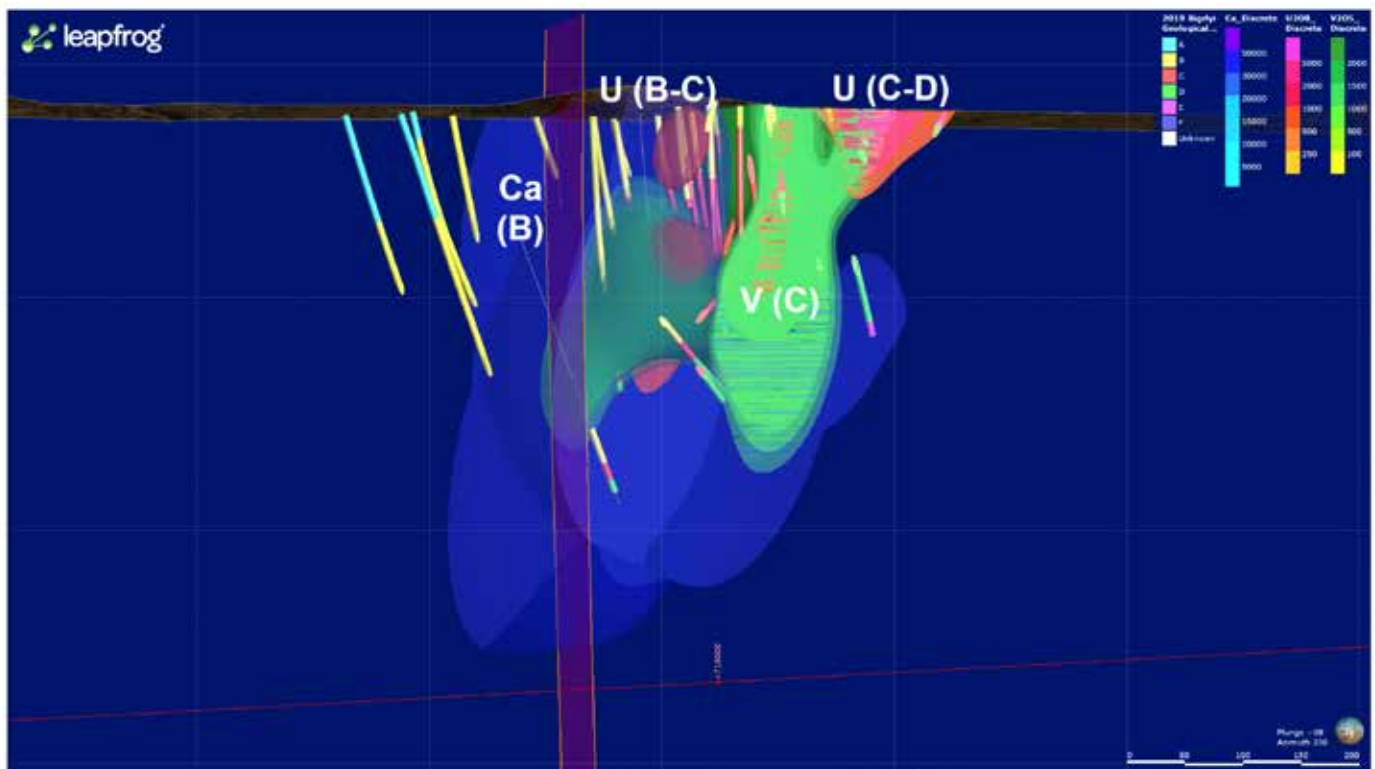


Figure 7. Spheroidal interpolated Leapfrog model showing distribution of Ca, V and U in a WSW to ENE cross-section through Anomaly-15 (see Figure 8 for location of the cross-section); modelled zones rich in Ca (blue-violet; within Unit B), U (red; Unit B-C contact), V (green; within Unit C) and U (red; Unit C-D contact) are shown. Red vertical line is a modelled fault plane.

REVIEW OF ACTIVITIES

Metallurgical Test-work Program. In 2019 Energy Metals commenced a study to consider the range of metallurgical processing options available for co-recovery of uranium and vanadium from Bigirlyi uranium-vanadium ores. Following discussions with metallurgists at the Australian Nuclear Science and Technology Organisation (ANSTO), Lucas Heights, Sydney, the parameters were established for a laboratory-based metallurgical test-work program. The main objective of the program was to optimise, with respect to acid concentration (pH) and other parameters such as redox potential and temperature, the extraction of vanadium from a representative Bigirlyi uranium-vanadium ore.

A new composite ore material (P_{80} -150 microns) was prepared using a 50:50 blend of Anomaly-4 and Anomaly-15 Unit C-D ores and containing 2,007 ppm U_3O_8 , 0.48% V_2O_5 and 4.3% CaO (the latter equivalent to about 7% calcium carbonate). Conventional acid leach tests at 50 wt% slurry density were conducted under varying conditions. As expected, uranium extraction was >98% under all conditions, whereas the extraction of vanadium varied as a function of the different pH and temperature targets. The test results confirmed that vanadium extraction is particularly pH-sensitive with conditions of pH 1.2, temperature 60°C, and 24 hours leach time providing optimal vanadium extraction of over 72%. Sulphuric acid consumption was 123 kg/t, representing a modest (approximately 20%) increase compared to acid consumption determined in previous base-case, uranium-only extraction tests. The economics of vanadium recovery is sensitive to reagent costs, and to acid consumption in particular; such costs will be a key factor in determining whether vanadium recovery is economically viable for the Bigirlyi project.

While these results represent a significant improvement in vanadium extraction, and have identified acidity (pH) as the key driver for vanadium extraction, a review of the literature indicates that some non-conventional acid leach processes may improve vanadium co-extraction; further test-work is in progress.

Future Activities

Exploration activities during 2020 will focus on resource studies, finalisation of metallurgical test-work and a revision of the Bigirlyi economic model. Field-work during the coming 2020 field season is expected to be limited due to current coronavirus-related travel and access restrictions.

Walbiri Joint Venture (EME 77.12%)

Approximately 46% of the historic Walbiri deposit and part of the Hill One satellite deposit are located on joint venture tenement ELR45 (the remainder is located on 100% EME ground, Figure 3). The project is a joint venture with NTU, with EME as the operator. Energy Metals holds a 77.12% interest in the JV and NTU holds a 22.88% interest. In December 2019, Marenica Energy Ltd (MEY) announced the acquisition of NTU from the previous owners.

A JORC (2012) Mineral Resource Estimate for the Walbiri deposit was announced in 2015, confirming Walbiri as the second largest sandstone-hosted deposit in the Ngalia Basin after Bigirlyi (refer to Mineral Resource Statement below). Due to the proximity of the Walbiri and Bigirlyi deposits, EME considers that a combined future mining development could have a positive impact on project economics through both shared capital costs and increased project mine life. Modern investigations of deposit metallurgy, hydrology, rock properties and uranium series equilibrium, in addition to further drill-test work, will be required to advance the project when market conditions improve.

No significant exploration works were conducted during the year.

REVIEW OF ACTIVITIES

Malawiri Joint Venture (EME 76.03%)

The historic Malawiri deposit is located on joint venture tenement ELR41. The project is a joint venture with NTU with EME as the operator. Energy Metals holds a 76.03% interest in the JV and NTU holds a 23.97% interest. In December 2019, MEY announced the acquisition of NTU from the previous owners. The Malawiri project was advanced to JORC-compliant resource status with release of a Mineral Resource Estimate on 14 December 2017 (refer to Mineral Resource Statement below).

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. 2,400 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 12 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 and 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 uranium targets have been identified on the Ngalia Regional tenements. Most of these 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. Drill-testing and resource evaluation of these prospects is dependent on improvement in uranium market conditions, which is expected in the medium term.

The 2019 exploration program focused on undercover target areas in the eastern Ngalia Basin building on previous work. A program of targeting and geological interpretive work utilising aerial electromagnetic (AEM) survey imagery was completed during the year.

REVIEW OF ACTIVITIES

Eastern Ngalia Electromagnetic Survey. In mid-2017 an 800 line-kilometre (48 lines of 16.7 km length) 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* (Figure 8). 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 in 2019.

The eastern Ngalia Basin is extensively covered by poorly consolidated Cenozoic sediments of the Whitcherry Basin. Energy Metals believes this area has potential for undercover uranium hosted in buried Mt Eclipse Sandstone similar to the known Malawiri and Minerva deposits (Figure 8). There is also potential for uranium mineralisation in the Cenozoic cover sequence including surficial style uranium deposits, such as the Cappers deposit, and deeper palaeochannel deposits of which a number of untested targets have been identified on EL24451 (see the 2018 Annual Report).

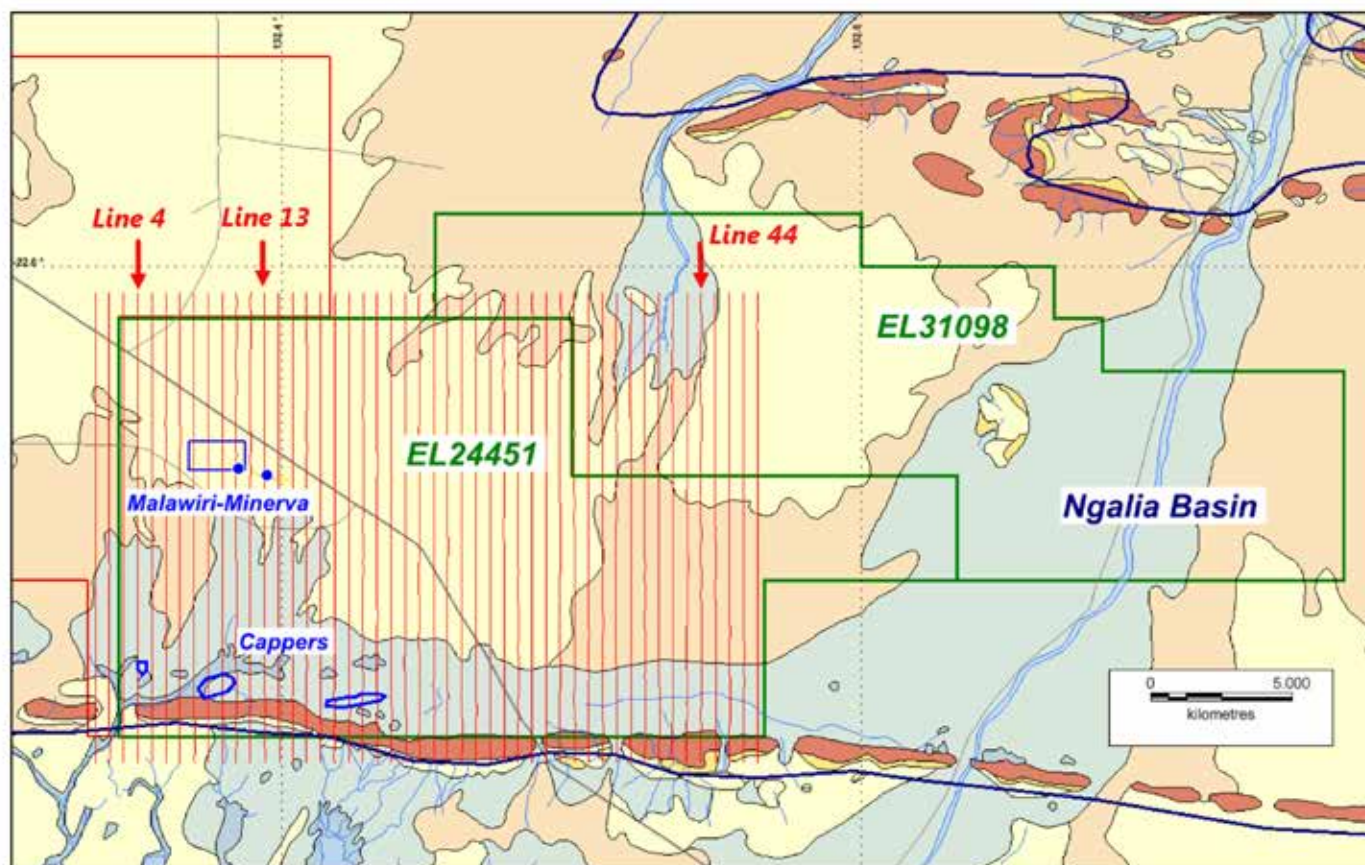


Figure 8. Location of the AEM survey lines on ELs 24451 & 31098 (Lines 4, 13 & 44 identified). The location of the Malawiri-Minerva and Cappers deposits are shown. Geological map background.

REVIEW OF ACTIVITIES

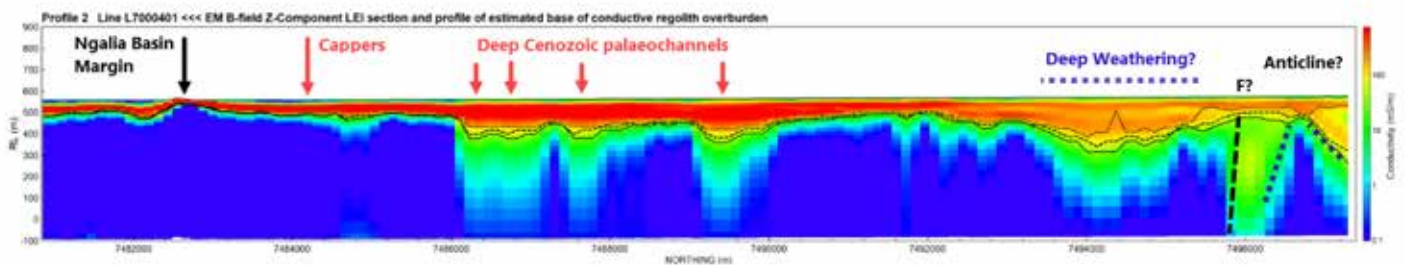


Figure 9. South to north cross-section along AEM Line 13 showing the conductive cover horizon with some incised deeper features interpreted as palaeochannels, location of the Cappers (surficial) deposit is shown and in the north a basement conductive horizon, possibly affected by deep weathering, and steeply dipping conductors that may represent a faulted anticline is identified.

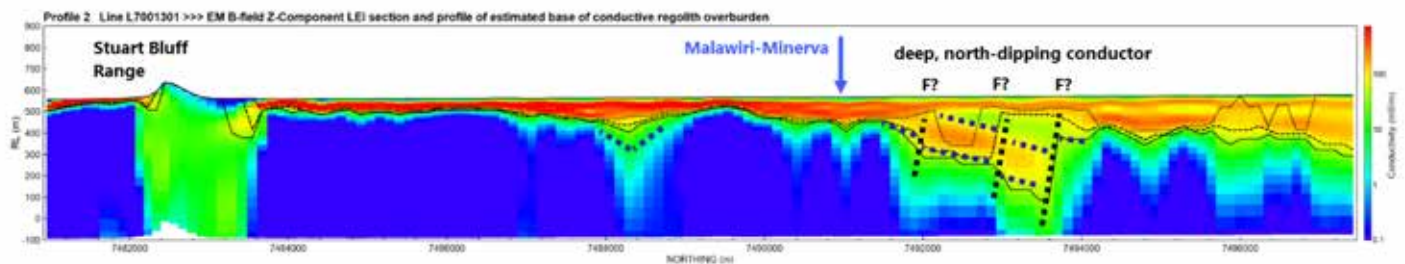


Figure 10. South to north cross-section along AEM Line 13 showing the location of the Malawiri-Minerva deposits, and to the north, an apparently faulted, deep, north-dipping conductor in a complex structural zone in the sub-surface. The conductor extends more than 400m below surface and is likely a pyritic shale unit. F? = inferred fault.

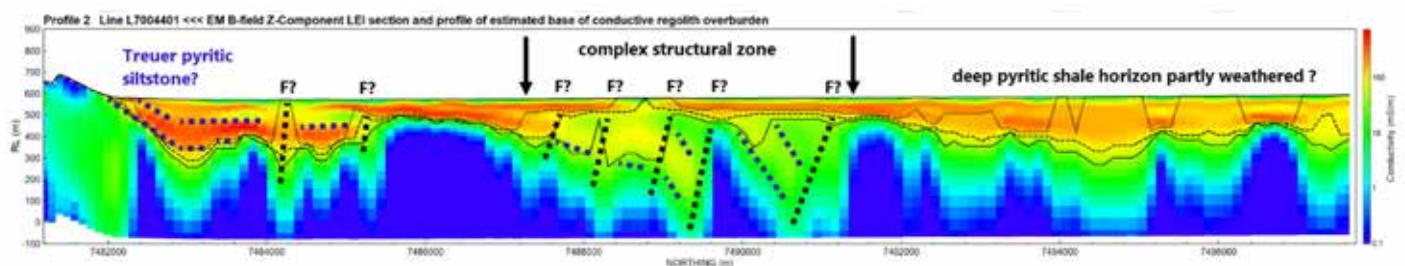


Figure 11. South to north cross-section along AEM Line 44 showing inferred Treuer member pyritic siltstone conductor turned up on the basin southern margin, and to the north, a complexly faulted structural zone and an inferred partly weathered, deep pyritic shale horizon. F? = inferred fault.

REVIEW OF ACTIVITIES

Following receipt of the final survey data, Energy Metals' consultants prepared a number of imagery products to assist with targeting and prospectivity analysis including conductivity depth sections known as LEIs or 'layered earth inversions'. The LEIs reveal useful details of the sub-surface geology and allow mapping of the conductive Cenozoic cover sequences as well as highlighting some deeper conductive units of the underlying Ngalia Basin (likely pyritic shales) and zones of apparent weathering, possibly fault-related, which extend to variable depths below the Cenozoic cover.

The Cenozoic cover sequence is recognisable as a highly conductive horizon, presumably due to the presence of saline groundwaters, and it generally occurs at <150m depth although deeper palaeochannels are recognised in some sections (Figure 9). Knowledge of the depth of Cenozoic cover

is valuable in targeting sites where mineralisation may occur under thinner cover. Other deeper conductive horizons, which have not been tested by historic drill-holes, are present at >150m depth; some of these occur in structurally complex zones away from the basin margins and comprise apparently faulted, north-dipping conductive units (pyritic shales), which extend for 300-400m metres below surface (Figures 10, 11); an apparent anticlinal structure is present at the northern end of Line 4 (Figure 9). A deep conductive unit is found along the southern margin of the basin and it is believed to represent basal Treuer Member pyritic siltstone, partly upturned on the basin margin (Figure 11), which is not prospective for uranium mineralisation. The buried Malawiri-Minerva deposit trend has a subtle, but recognisable deep EM conductive signature. The surficial Cappers deposit does not have a depth signature.



REVIEW OF ACTIVITIES

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 some low prospectivity areas was approved by the EME board and the plan was progressively implemented during 2019. A new amalgamated title EL32113, comprising former EL24463 and adjacent parts of EL31821, was granted in May 2019.

Macallan Project (EME 100%)

The Macallan project comprises a single exploration licence application (ELA27333) located 130 km northwest of the Bigriyi Project. The tenement covers a radiometric anomaly that most likely represents a surficial accumulation of uranium minerals associated with calcrete within a known palaeodrainage system (the Wildcat palaeovalley). ELA27333 lies on land under Aboriginal Freehold title and negotiations with the Central Land Council and Traditional Owners to gain access to the ground for exploration are on-going.

WESTERN AUSTRALIA

Under current uranium market conditions, Energy Metals' Western Australian (WA) projects cannot be developed economically and the Western Australian Government instituted an indefinite ban on uranium mining in 2017. As a result of these circumstances, EME placed its WA projects on hold and undertook a program to convert its WA tenure to retention licences; this has allowed the Company to retain project areas with minimum expenditure while awaiting improved market and political conditions.

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; EME's Manyingee East deposit on R08/2 is the up-channel extension of this deposit. 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), and EME believes there is considerable potential to expand the resource with further exploration.

Law firm Gilbert+Tobin were appointed last year to assist Energy Metals with landholder objections to grant of the Manyingee title applications. During 2019 Energy Metals' lawyers prepared written submissions to the Wardens Court regarding evidence previously submitted by the objector. The objections are expected to proceed to a Warden's Court hearing in 2020.

Other WA Projects - Mopoke Well, Lakeside, Anketell, Lake Mason (all EME 100%)

These four projects are surficial uranium deposits associated with calcrete or calcretised sediments related to ancient drainage and/or lacustrine systems. All projects are located on granted retention licences and mineral resource estimates under the JORC 2004 or 2012 codes have previously been announced for each deposit. While the projects are currently on hold, EME will continue to monitor the situation with a view to re-starting exploration and development activities in line with market improvements.

There was no activity during the period.

REVIEW OF ACTIVITIES

CORPORATE

At 31 December 2019 Energy Metals had 209,683,312 shares on issue and held approximately \$17.39 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 Holding Co., Ltd) is a large clean energy corporation with current total assets of approximately RMB750 billion at the end of 2019.

At the end of 2019 CGN had 24 operating nuclear power units with a generation capacity of 27,140 MWe and 5,780 MWe of capacity under construction in five 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 over 20,260MWe and with further clean energy generating capacity under construction. CGN aims to become the world's leading clean energy producer.

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 2019.

REVIEW OF ACTIVITIES

MINERAL RESOURCE STATEMENT*

Bigirlyi Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Grade V_2O_5 (ppm)	Contained U_3O_8 (tonnes)	Contained V_2O_5 (tonnes)	Contained U_3O_8 (Mlb)	Contained V_2O_5 (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_8 (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.

Walbiri Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_8 (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_8 (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.

REVIEW OF ACTIVITIES

Camel Flat Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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.

Lakeside Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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.

REVIEW OF ACTIVITIES

Anketell Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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 2019

Deposit	Resource Category	Cut-off Grade (m*ppm eU ₃ O ₈)	Tonnes (millions)	Grade eU ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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 2019

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU ₃ O ₈ (ppm)	Contained U ₃ O ₈ (tonnes)	Contained U ₃ O ₈ (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.

REVIEW OF ACTIVITIES

Note: The information in this report relating to mineral resource estimates at Bigrlyi 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 H&S Consultants 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 H&S Consultants 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.

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.

REVIEW OF ACTIVITIES

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

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 2019.

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)
 Shuqing Xiao (Managing Director)
 Lindsay George Dudfield (Non-executive Director)
 Jan Macpherson (Non-executive Director)
 Zimin Zhang (Non-executive Director)
 Junmei Xu (Non-executive Director)
 Zhe Gao (Non-executive Director, appointed 27 August 2019)
 Yu Zhong (Non-executive Director, resigned 27 August 2019)

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 – During the year final aerial electromagnetic survey interpretive results were received for the eastern Ngalia Basin projects, an update of the exploration database was completed, and a tenement reorganisation program was finalised to enable Energy Metals to focus its efforts on the most prospective ground.

Bigrlyi Joint Venture (BJV) – The Bigrlyi exploration camp remained on a care and maintenance footing in 2019 with minor exploration works conducted on adjacent tenements. Energy Metals' focus this period has been on studies of the vanadium resource, including spatial modelling of vanadium mineralisation, studies of vanadium mineralogy, and a small metallurgical test-work program aimed at improving vanadium extraction. A new Exploration Target for vanadium was announced in December 2019 and an update of the Company's exploration database was completed.

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

REVIEW OF OPERATIONS (Continued)

Malawiri Joint Venture (MJV) – Minimum exploration activities were undertaken in 2019. The Company's interest in the project increased from 52.1% to 76.03% during the year.

Walbiri Joint Venture (WJV) – Minimum exploration activities were undertaken in 2019. The Company's interest in the project increased from 41.9% to 77.12% during the year.

Western Australia

The Company's strategy is to maintain tenure over its Western Australian uranium deposits with minimum expenditure until economic conditions improve. Four projects are covered by granted Retention Licences and one, the Manyingee East project, by a Retention Licence application. Legal firm Gilbert and Tobin was appointed to assist Energy Metals with landholder objections to the grant of the Manyingee East application and actions to resolve the objection progressed during the year.

Uranium Trading

The Company did not conduct any uranium trading activities during the year.

Full details of the Company's operations during the year are 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 2019 was \$440,389 (31 December 2018: loss of \$552,803).

REVIEW OF FINANCIAL CONDITIONS

The net assets of the Group were \$52,322,367 at 31 December 2019 (2018: \$52,762,756).

Use of cash and assets by the Company for the year ended 31 December 2019 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.

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since 31 December 2019 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.

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 on the Ngalia Regional Project (Northern Territory). Future exploration and development expenditure on the tenements are 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 2019 to 31 December 2019 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 directorships 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 directorships 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
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 had been the Legal and Commercial Manager for Duro Felguera Australia Pty Ltd until 31 December 2019. 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 deputy manager of Resources Business Department of CGNPC-Uranium Resources Co. Ltd. Mr Zhang does not currently hold directorships 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 directorships of other public Australian companies.	Non-executive Director
Mr Zhe Gao	Mr Gao is a senior corporate manager with over 20 years' experience in finance and investment. He graduated from the University of New South Wales and holds a Master degree of Commerce. Before he joined the KangDe Group (the second largest shareholder of EME) in 2015, Mr Gao had worked for a number of large corporations, such as CITIC Logistics Co Ltd and HINA Investment Group & Maple Valley Investment CITIC Co, participating in various projects of capital raising, management consulting and fund management. In his early career, he worked as an auditor in a Big-Four international accounting firm. He has extensive experience in finance, fund raising, commercial negotiation and corporate management. Mr Gao is currently the Executive Assistant to the CEO of KangDe Group.	Non-executive Director

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

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	-	-
Zhe Gao	-	-
Zimin Zhang	-	-
Junmei Xu	-	-

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 December 2019 and the numbers of meetings attended by each Director.

	Number Held Whilst in Office	Number Attended
Deshao Chen	1	1
Shuqing Xiao	1	1
Lindsay G Dudfield	1	1
Jan Macpherson	1	1
Yu Zhong	1	0
Zimin Zhang	1	1
Junmei Xu	1	0
Zhe Gao	0	0

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 Junmei Xu and Mr Lindsay Dudfield 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 2019. 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
Z. Zhang	Non-Executive Director
J. Xu	Non-Executive Director
Z. Gao	Non-Executive Director
X. Li	Company Secretary

DIRECTORS' REPORT

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:

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 2015	At 31 December 2016	At 31 December 2017	At 31 December 2018	At 31 December 2019
Share Price	\$0.065	\$0.08	\$0.09	\$0.10	\$0.087
Market Capitalisation	\$13.6M	\$16.7M	\$18.6M	\$20.9M	\$18.2M
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	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
L. Dudfield	2019	-	24,000	-	-	24,000	-
	2018	-	24,000	-	-	24,000	-
Y. Zhong	2019	16,442	-	-	-	16,442	-
	2018	25,000	-	-	-	25,000	-
J. Macpherson	2019	-	25,000	-	-	25,000	-
	2018	-	25,000	-	-	25,000	-
J. Xu	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
Z. Zhang	2019	-	-	-	-	-	-
	2018	-	-	-	-	-	-
Z.Gao	2019	2,404	-	-	-	2,404	-
	2018	-	-	-	-	-	-
Executive Directors							
S. Xiao	2019	-	180,000	-	-	180,000	-
	2018	-	33,231	-	-	33,231	-
W. Xiang	2019	-	-	-	-	-	-
	2018	-	160,374	-	-	160,374	-
Key Management							
X. Li	2019	-	46,410	-	-	46,410	-
	2018	-	30,376	-	-	30,376	-
Total	2019	18,846	275,410	-	-	294,256	-
	2018	25,000	272,981	-	-	297,981	-

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 (2018: \$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.

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 Macpherson'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.

Zhe Gao

On 27 August 2019, the Company entered into an agreement (via a letter of appointment), appointing Mr Zhe Gao as a Non-Executive Director. Mr Gao is entitled to a director's fee of \$25,000 per annum.

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.

DIRECTORS' REPORT

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 Key Management Personnel.

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 (2018: nil). No options were vested during the year (2018: 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 (2018: nil). No related party transaction occurred during the year (2018: nil)

End of Remuneration Report (Audited).**SHARES UNDER OPTION**

At 31 December 2019, there were no shares under option (2018: 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' 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 2019 to 31 December 2019 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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 67 of this report.

NON-AUDIT SERVICES

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.

26 February 2020, at Perth, Western Australia



Shuqing Xiao

Managing Director

CONTENTS

	Page
Financial Statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	35
Consolidated Statement of Cash flows	36
Notes to the Consolidated Financial Statements	37
Directors' Declaration	66
Auditors' Independence Declaration	67
Independent Auditors' Report to the Members	68

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 1 to 21 are not part of these financial statements.

The financial statements were authorised for issue by the directors on 26 February 2020. 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 2019

	Notes	31 December 2019 \$	31 December 2018 \$
Other revenue	3a	460,122	483,565
Depreciation expense	3b	(84,896)	(39,380)
Exploration expense		(49,502)	(204,829)
Employee benefits expense	3c	(423,163)	(452,063)
Corporate and regulatory expenses		(222,834)	(170,925)
Office rental		-	(87,365)
Other administrative expense		(111,720)	(81,806)
Finance costs	3b	(8,396)	-
Loss before income tax		(440,389)	(552,803)
Income tax expense	4	-	-
Loss for the year		(440,389)	(552,803)
Total comprehensive expense for the year		(440,389)	(552,803)
Loss attributable to owners of Energy Metals Limited		(440,389)	(552,803)
Total comprehensive expense attributable to owners of Energy Metals Limited		(440,389)	(552,803)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	6	(0.21)	(0.26)
Diluted earnings per share (cents per share)	6	(0.21)	(0.26)

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 2019

	Notes	31 December 2019 \$	31 December 2018 \$
Current Assets			
Cash and cash equivalents	8	454,549	369,679
Term deposits	8	16,775,821	17,894,842
Trade and other receivables	9	161,867	241,783
Prepayment		-	15,451
Other financial asset		156,085	-
Total Current Assets		17,548,322	18,521,755
Non-Current Assets			
Plant and equipment	10	338,565	189,735
Exploration and evaluation expenditure	11	34,751,061	34,239,060
Total Non-Current Assets		35,089,626	34,428,795
Total Assets		52,637,948	52,950,550
Current Liabilities			
Trade and other payables	12	66,432	146,204
Lease payable due within one year	18	52,008	-
Provisions	13	66,481	41,590
Total Current Liabilities		184,921	187,794
Non-current Liabilities			
Lease payable	18	130,660	-
Total Non-current Liabilities		130,660	-
Total Liabilities		315,581	187,794
Net Assets		52,322,367	52,762,756
Equity			
Contributed equity	14	59,051,644	59,051,644
Accumulated losses		(6,729,277)	(6,288,888)
Capital and reserves attributable to owners of Energy Metals Limited		52,322,367	52,762,756
Total Equity		52,322,367	52,762,756

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 2019

	Attributable to owners of Energy Metals Limited		
	Contributed equity \$	Accumulated losses \$	Total \$
Balance at 1 January 2018	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
Total comprehensive expense for the year	-	(440,389)	(440,389)
Balance at 31 December 2019	59,051,644	(6,729,277)	52,322,367

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 2019

	Notes	31 December 2019 \$ Inflows (Outflows)	31 December 2018 \$ Inflows (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		(758,278)	(740,877)
Payments for exploration operation		(49,502)	(204,829)
Income received from joint operations		9,409	8,292
Interest income received		518,352	514,304
Net cash used in operating activities	5	(280,019)	(423,110)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(546,990)	(657,860)
Payments for acquisition of plant and equipment		(1,085)	(38,432)
Acquisition of term deposits		(16,931,906)	(17,894,841)
Withdrawal of term deposits		17,894,842	19,272,283
Net cash received from investing activities		414,861	681,150
Cash flows from financing activities			
Lease payments for right of use assets		(49,972)	-
Net cash received from financing activities		(49,972)	-
Net increase/(decrease) in cash and cash equivalents		84,870	258,040
Cash and cash equivalents at the beginning of the year		369,679	111,639
Cash and cash equivalents at the end of the year	5	454,549	369,679

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 2019

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 26 February 2020.

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 2019

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 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue Recognition (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 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Right of use asset

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments are split into a principal and interest portion which will be presented as financing and operating cashflows respectively.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and Other Receivables (continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and Other Financial Assets (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

AASB 16 Leases

In the current year, the Group has applied AASB 16 *Leases*, which is effective for an annual period that begins on or after 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value of assets. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below.

Impact on lease accounting

Former operating leases

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), The Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities where under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction for rental expenses generally on a straight-line basis.

Other pronouncements adopted for the first time in the current period

In the current year, the Group has applied a number of amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

AASB 2017-7 Amendments to Australian Accounting Standards-Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to AASB 128 *Investments in Associates and Joint Ventures* for the first time in the current year. The amendment clarifies that AASB 9 *Financial Instruments*, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

AASB 2018-1 Amendments to Australian Accounting Standards- Annual Improvements 2015-2017 Cycle

The Group has adopted the amendments included in AASB 2008-1 for the first time in the current year. The Standard include amendments to four Standards:

- AASB 112 Income Taxes – The amendments clarify that the Group should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits
- AASB 123 Borrowing Cost – The amendments clarify that if any specific borrowing remains outstanding after the related assets is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings
- AASB 3 Business Combinations – The amendments clarify that when the Group obtains control of a business that is a joint operation,
- AASB 11 Joint Arrangements – The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its previously held interest in the joint operation.

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments to AASB 119 Employee Benefits for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). AASB 119 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under AASB 119:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

Interpretation 23 Uncertainty over Income Tax Treatments AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group:
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
 - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
 - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method

At the date of authorization of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, interpretations and amendments that have been issued but are not yet effective:

AASB 2014-10 Amendments to Australian Accounting standards – Sale or Contribution of Assets between an investor and its Associates or Joint Venture [AASB 10 & AASB 128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections, effective for annual reporting periods beginning on or after 1 January 2021;

AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business, effective for annual reporting periods beginning on or after 1 January 2020;

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material, effective for annual reporting periods beginning on or after 1 January 2020;

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, effective for annual reporting periods beginning on or after 1 January 2020;

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform, effective for annual reporting periods beginning on or after 1 January 2020;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia, effective for annual reporting periods beginning on or after 1 January 2020;

(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 2019 the carrying value of capitalised exploration and evaluation expenditure is \$34,751,061 (2018: \$34,239,060).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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	
	2019	2018	2019	2018
	\$	\$	\$	\$
CONTINUING OPERATIONS				
Uranium exploration	9,409	8,292	(63,433)	(230,858)
Corporate	450,713	475,273	(376,956)	(321,945)
	<u>460,122</u>	<u>483,565</u>	<u>(440,389)</u>	<u>(552,803)</u>

Segment revenue of uranium exploration represents revenue generated from service provided to joint operations. There were no inter-segment sales in the current year (2018: 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 2019	31 December 2018
	\$	\$
SEGMENT ASSETS		
Uranium exploration	34,938,302	34,239,060
Corporate	17,699,646	18,711,490
TOTAL ASSETS	<u>52,637,948</u>	<u>52,950,550</u>
SEGMENT LIABILITIES		
Uranium exploration	29,484	49,113
Corporate	286,097	138,681
TOTAL LIABILITIES	<u>315,581</u>	<u>187,794</u>

(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 2019

3. REVENUES AND EXPENSES

	Consolidated	
	2019	2018
	\$	\$
(a) Other Revenue includes the following revenue items:		
Interest income	449,596	473,791
Management fee from Joint Operations	9,409	8,292
Fuel rebate	1,117	1,482
	460,122	483,565
(b) Loss includes the following specific expenses:		
Depreciation	84,896	39,380
Finance cost	8,396	-
	93,292	39,380
(c) Employee benefit expenses:		
Wages & superannuation	403,752	407,521
- Including: Executive Director's fee	180,000	193,604
Non-executive Directors fees*	18,846	25,000
Others	565	19,542
	423,163	452,063

*The payments in exchange for Mr. Lindsay Dudfield and Ms Jan 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 2019

4. TAXATION

	2019 \$	2018 \$
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	(440,389)	(552,803)
Income tax expense/ (benefit) @ 30%	(132,117)	(165,841)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	14,758	328
Deferred tax relating to temporary timing differences not recognised	(153,509)	(198,180)
Deferred tax assets relating to tax losses not recognised	270,868	363,693
Prior year true up	-	-
Income tax expenses/(benefit) reported in the income statement	-	-
The franking account balance at period end was nil (2018: nil).		
Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Tax losses carried forward	11,884,413	11,720,691
Non-refundable R&D tax offsets carried forward	1,386,721	1,386,721
Other temporary differences	21,017	16,345
Deferred tax liabilities		
Prepayments	-	-
Exploration assets	(10,384,372)	(10,271,720)
Other temporary differences	-	(52,767)
Net deferred tax assets not recognised	2,907,779	2,799,270

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 2019

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

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax	(440,389)	(552,803)
Depreciation	84,896	39,380
Write-off exploration expenditure	-	-
Annual leave provision	24,891	(14,201)
Gain on disposal of fixed asset	-	-
Change in operating assets and liabilities during the financial period:		
Decrease/(Increase) in trade and other receivables	95,367	105,198
(Decrease)/Increase in trade and other payables	(44,784)	(684)
Net cash outflow from operating activities	(280,019)	(423,110)
Reconciliation of cash balance comprises:		
Cash and cash equivalents	280,019	369,679
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:

	2019	2018
	\$	\$
Loss attributable to owners of the Company	(440,389)	(552,803)

	2019	2018
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	209,683,312	209,683,312

7. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Cash and cash equivalents	373,027	151,570
Share of Joint Operations' cash	81,522	218,109
	<u>454,549</u>	<u>369,679</u>
Term deposits classified separate to cash on face of statement of Financial Position	16,775,821	17,894,842

As at 31 December 2019, the Company had approximately \$16.8 million term deposits (2018: \$17.9 million) with maturities from 3 months to 12 months in various financial institutions earning interest income at an average rate of 1.78% (2018: 2.7%).

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

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
CURRENT		
GST receivable	16,469	27,807
Other receivables	145,398	213,976
	<u>161,867</u>	<u>241,783</u>

Trade and other receivables are denominated in Australian dollars and are interest free. The settlement terms vary 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 35% of the balance of other receivables and interest receivables representing 65% of the balance of other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Plant and equipment - at cost	930,827	929,677
Less accumulated depreciation	(781,340)	(752,824)
	149,487	176,853
Motor vehicle – at cost	66,839	66,838
Less accumulated depreciation	(56,372)	(53,956)
	10,467	12,882
Right-of-use asset – at cost	232,640	-
Less accumulated depreciation	(54,029)	-
	178,611	-
Total	338,565	189,735

Reconciliation of the carrying amount of fixed assets:

	Plant and equipment	Motor vehicle	Right-of- use Asset	Total
	\$	\$	\$	\$
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
Carrying amount at 1 January 2019	176,853	12,882	-	189,735
Additions	1,150	-	232,640	233,790
Depreciation expense	(28,516)	(2,415)	(54,029)	(84,960)
Carrying amount at 31 December 2019	149,487	10,467	178,611	338,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Balance at beginning of the year	34,239,060	33,592,335
Additions of capitalised exploration expenditure	561,194	646,725
Written-off exploration expenditure	(49,193)	-
Balance at the end of the year	34,751,061	34,239,060

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:

	2019	2018
	\$	\$
Wages and superannuation	268,617	274,133

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Trade payables	75,092	72,684
Other payables	(8,660)	73,520
	66,432	146,204

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 2019	31 December 2018
	\$	\$
Employee benefits	66,481	41,590

The provision relates to the Group's liability for employee's annual leave and long service 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 and all employees to take the full amount of accrued long service leave as soon as they are entitled. 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 2019

14. CONTRIBUTED EQUITY

The Company had 209,683,312 ordinary shares, fully paid at 31 December 2019 (31 December 2018: 209,683,312). No movement in contributed equity during the year.

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Contributed equity	59,051,644	59,051,644

	Number of shares	Number of shares
Balance at 31 December 2018 and 31 December 2019	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 2019

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 (2018: 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 2019 (2018: nil).

There are no options on issue as at 31 December 2019 under the Employee Share Option Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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.

The Group holds the following financial instruments:

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Financial Assets - Current		
Cash and cash equivalents	454,549	369,679
Term deposits	16,775,821	17,894,842
Trade and other receivables	161,867	241,783
Other financial assets	156,085	-
	<u>17,548,322</u>	<u>18,506,304</u>
Financial Liabilities - Current		
Trade and other payables	66,432	146,204
Lease payable due within one year	52,008	-
	<u>118,440</u>	<u>146,204</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 1.78% at 31 December 2019 (31 December 2018: 2.7%). All other financial assets and liabilities are non-interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iv) *Group Sensitivity*

At 31 December 2019, 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 \$121,705 higher/\$173,865 lower (31 December 2018: \$125,264 higher/\$169,579 lower), mainly as a result of higher/lower interest income from cash, term deposits and other financial assets.

(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.

(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 \$16.8 million (2018: \$17.9 million) with maturities from 3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. COMMITMENTS AND LEASE PAYABLE

The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure in 2020. 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 2020 is \$393,927.

Capital Commitments

There are no capital expenditure commitments for the Group as at 31 December 2019.

Lease Commitments: Group as lessee

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

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Within one year	-	97,033
Later than one year but not later than five years	-	129,378
	-	226,411

Lease Payable

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Current	52,008	-
Non-current	130,660	-
	182,668	-

Lease payable related to the Group's lease of its office premises. During the 2018 financial year, lease of office was recognised as an operating expense and charged to profit or loss accounts. From 1 January 2019, under the new accounting standard, for the operating lease, the Group recognises a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019	31 December 2018
	\$	\$
Short-term benefits	294,256	297,981
Post-employment benefits	-	-
	<u>294,256</u>	<u>297,981</u>

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 2019	31 December 2018				31 December 2019	31 December 2018
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 2019

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 2019 owned 66.45% (31 December 2018: 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 \$9,409 (2018: \$8,292) in management and facility administration fees from the joint operations during the year.

(f) Loans to/from related parties

At 31 December 2019, the Company had other receivable of \$78,676 (2018: \$78,905) 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 2019	31 December 2018
	\$	\$
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 2019

23. INTEREST IN JOINT OPERATIONS

The Company has the following interest in unincorporated joint operations:

Joint Operation	Principal Activity	% Interest	
		31 December 2019	31 December 2018
Bigirlyi Joint Operation	Uranium Exploration	72.39	72.39
Malawiri Joint Operation	Uranium Exploration	76.03	52.08
Walbiri Joint Operation	Uranium Exploration	77.12	41.90

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"), EME's partner in the Walbiri and Malawiri joint ventures, defaulted on payment of the July 2017 cash calls relating to the approved joint venture budgets. The default amounts were paid by the Company, and pursuant to a dilution clause in the Joint Venture Operation agreements, NTU's relevant interest in the projects was diluted. As of May 2019, the Company's beneficial interest in Malawiri project increased from 52.08% to 76.03% and the Company's beneficial interest in the Walbiri project has increased from 41.90% to 77.12%.

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

	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
Current Assets		
Cash and cash equivalents	81,522	218,109
Term deposit	-	133,863
Other financial asset	137,223	-
Total Current Assets	218,745	351,972
Non-Current Assets		
Exploration and evaluation expenditure	14,820,050	14,632,488
Total Non-Current Assets	14,820,050	14,632,488
Total Assets	15,038,795	14,984,460

a) Commitments

There are no capital expenditure commitments for the Joint Operation as at 31 December 2019.

The Group's share of estimated Year 2020 minimum expenditure commitments for the Joint Operation tenements is \$45,577 which is included in the commitment disclosed in Note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

23. INTEREST IN JOINT OPERATIONS (CONTINUED)

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 2019. The information presented here has been prepared using consistent accounting policies as the Group.

	31 December 2019	31 December 2018
	\$	\$
Current assets	17,588,949	18,600,431
Non-current assets	35,089,626	34,428,795
Total assets	52,678,575	53,029,226
Current liabilities	184,921	187,794
Non-current liabilities	130,660	-
Total liabilities	315,581	187,794
Contributed equity	59,051,644	59,051,644
Accumulated losses	(6,688,650)	(6,201,212)
Total equity	52,362,994	52,850,432
Income for the year	460,122	483,565
Total comprehensive expense for the year	(440,389)	(552,540)

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.

DECLARATION BY DIRECTORS

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 2019 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

26 February 2020



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

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

26 February 2020

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 2019, 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

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.



Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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 2019, 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 directors' declaration.

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 2019 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 2019 the Group has recognised capitalised exploration and evaluation assets totalling \$34,751,061 as disclosed in Note 11. Judgement is applied in determining the treatment of capitalised exploration and evaluation expenditure including: ➤ whether the conditions for capitalisation are satisfied; ➤ which elements of exploration and evaluation expenditures qualify for recognition as an asset; 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 could be made; ➤ 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 2019, 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 6 to 10 of the Director's Report for the year ended 31 December 2019 .

In our opinion, the Remuneration Report of Energy Metals Limited, for the year ended 31 December 2019, 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, consisting of a stylized initial "D" followed by a horizontal line.

D K Andrews

Partner

Chartered Accountants

Perth, 26 February 2020

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 6 April 2020.

SUBSTANTIAL SHAREHOLDERS

There were three substantial shareholders as at 6 April 2020:

- 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	619	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	134		58,676	0.03
1,001	-	5,000	180		490,795	0.23
5,001	-	10,000	98		784,698	0.37
10,001	-	100,000	177		5,617,559	2.68
100,001	-	and over	30		202,731,584	96.69
TOTAL HOLDERS			619		209,683,312	100%

UNMARKETABLE PARCELS

As at 6 April 2020 there were 350 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. Kang De 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	0.32	675,622
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. HSBC Custody Nominees	0.14	298,730
16. Mr. Zhongqing Zhang	0.13	267,255
17. Mr. Dezong Yuan	0.10	200,657
18. Canie Pty Ltd	0.10	200,000
19. Mr. Richard Gauci	0.08	175,442
20. Paso Holdings Pty Ltd	0.08	174,579

ADDITIONAL INFORMATION

INTERESTS IN MINING TENEMENTS as at 6 April 2020.**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			

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

A D D I T I O N A L I N F O R M A T I O N

A B B R E V I A T I O N S

*1 = 72.39% interest

*2 = 76.03% interest

*3 = 77.12% interest

E = Exploration Licence (WA)

R = Retention Licence (WA)

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)

This page is blank intentionally

