Energy Metals Limited

2016 ANNUAL REPORT

A.B.N. 63 111 306 533

CORPORATE DETAILS

Directors
Cai, Yusheng (Non-executive Chairman)
Xiang, Weidong (Managing Director)
Lindsay George Dudfield (Non-executive Director)
Zhong, Yu (Non-executive Director)
Zhang, Zimin (Non-executive Director)
Xu, Junmei (Non-executive Director)
Jan Macpherson (Non-executive Director)

Company Secretary
Li, Xuekun

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
Tower 2, Brookfield Place
123 St Georges Terrace
PERTH WA 6000

Share Registry
Security Transfer Australia Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: 1300 992 916
Facsimile: 61 8 9315 2233

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	64
Auditor's Independence Declaration	65
Auditor's Report	66
Additional Information	70

CHAIRMAN'S STATEMENT

Dear Shareholders

It gives me great pleasure to welcome you to our annual report for 2016.

This is my first year as Chairman of Energy Metals. The Year 2016 was a tough year for all uranium miners and explorers. The past twelve months saw the uranium price tumble to below US$ 18 per pound in November 2016, a 12 year low.

The decline of the uranium price was a result of a number of factors, including oversupply in the spot market, safety concerns on nuclear power plant accidents and the slow progress of Japan's nuclear reactors getting back into operation. Despite these negative issues the outlook for the commodity is not entirely gloomy. With regards to the short-term future, the depressed uranium price is forcing miners to reduce production or close mines, progressively decreasing supplies in the market. Meanwhile, countries like China and India, who have had fast population growth and economic development, are rapidly increasing their energy demands. Added to this environment pollution has reached an unprecedented level and the situation looks serious. Governments and the public are keen to support clean energies. Apart from environmental considerations, affordable costs, security and reliability of supply are key criteria for a sustainable energy supply. Nuclear power ticks all the boxes.

Encouraging signs have been noticed recently. Uranium market conditions have continued to improve and the uranium spot price increased to around US$26 per pound in March 2017, nearly 40% higher than the low in December 2016.

Beyond subdued commodity prices, the volatile global economic environment has brought challenges to the exploration and mining industry as well. However, Energy Metals, as a junior explorer, confronts these challenges with great confidence. With a strong balance sheet, we are well positioned to progress our projects and capitalise on opportunities when they occur.

Your Board and management are committed to building shareholder's wealth. The past year was a positive year. Management continued to reduce administrative expenses and drive greater efficiencies. The Company surrendered and reduced certain tenements after a careful review. By holding only the most prospective tenements, the Company has not only maintained key assets in good standing but reduced tenement costs significantly. We are making good progress in executing our strategy, which positions the Company to advance with minimal spending.

Much has been done and more can be done. Challenges create opportunities. I am looking forward to seeing Energy Metals further advancing in the coming twelve months.

In closing, I wish to thank the shareholders for their patience and their 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.

Chairman
Cai, Yusheng

REVIEW OF ACTIVITIES

Energy Metals Ltd (EME) is a dedicated uranium company with eight projects located in the Northern Territory (NT) and Western Australia covering tenement areas over 3,400 km^2 in size (Figure 1). Most of the projects contain uranium mineralisation discovered by major companies in the 1970s, including the advanced Bigrlyi Project (NT), which is characterised by relatively high uranium grades (with vanadium credits) and excellent metallurgical recoveries.

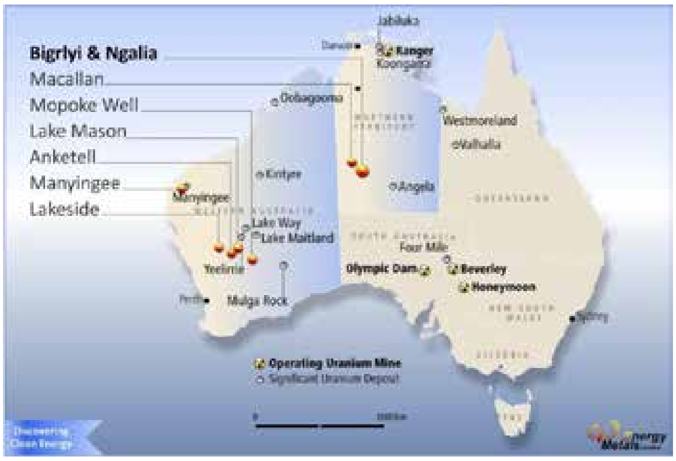

Figure 1 - Energy Metals Project Location Map

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

Furthermore Energy Metals' largest shareholder (with 66.45% of issued capital) is China Uranium Development Co., Limited, a wholly owned subsidiary of major Chinese utility China General Nuclear Power Group (CGN) (formerly known as China Guangdong Nuclear Power Holding Company). At 31 December 2016, the installed capacity of CGN's operating nuclear generating plants was 20,370 MWe from 19 nuclear power units with nine other power units of 11,356 MWe 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 53.3%)

The Bigrlyi Deposit is a tabular, sandstone-hosted uranium-vanadium deposit located on the northern margin of the Ngalia Basin, 350 km northwest of Alice Springs. It is comprised of three main sub-deposits over 11 km of strike length: Anomalies 2, 4 and 15 (Figure 2). The Bigrlyi Joint Venture (BJV) comprises 10 granted exploration licences in retention (ELRs), that cover the Bigrlyi Deposit, as well as one ELR application and two granted exploration licences (ELs) over various historical prospects, and several historical applications covering the Karins Deposit (Figures 3). During the year EL30145 covering the Sundberg Deposit was replaced by a retention licence (ELR31319). The BJV is a joint venture between Energy Metals Ltd (53.3%), Northern Territory Uranium Pty Ltd (NTU), who hold a 41.7% stake, and Southern Cross Exploration (SXX) who hold the remaining 5%.

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

REVIEW OF ACTIVITIES

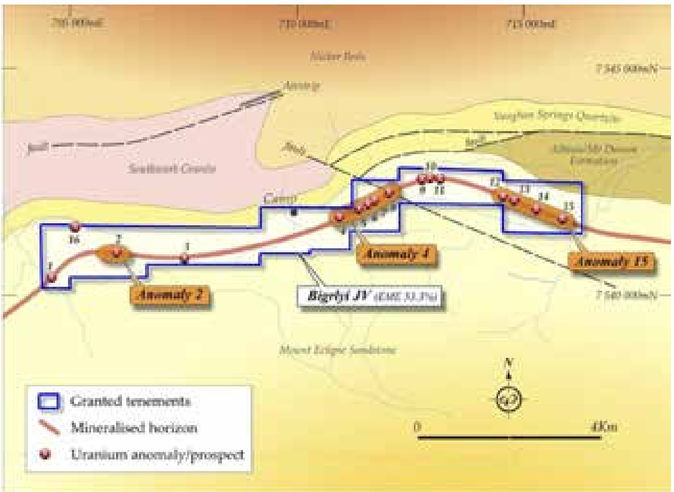

Figure 2 - Plan of the Bigrlyi Deposit and JV tenements

Work Completed 2005 to 2015

Energy Metals, as manager of the Bigrlyi Joint Venture (BJV), recommenced field activities in November 2005 after a 23 year hiatus and following a detailed environmental assessment of the project and implementation of a radiation management plan. Initial work included re-establishment of the exploration camp, validation of historic drilling and assay data and Aboriginal heritage surveys over the Bigrlyi tenements.

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 incorporating results from these drilling programs. The latest resource estimate (Table 1) under the JORC (2004) code was released in July 2011, with resources estimated by Hellman & Schofield Pty Ltd using the Multiple Indicator Kriging (MIK) method for uranium resources and Ordinary Kriging (OK) for vanadium resources.

Detailed metallurgical testwork has confirmed that the major uranium bearing minerals are uraninite and coffinite, and the major vanadium bearing mineral is montroseite. This work has also confirmed the excellent acid extraction characteristics of the Bigrlyi ore with acid leach of up to 98% uranium and 59% vanadium recorded from base-case tests. Physical grinding (comminution) testing and 'front-end' processing testwork has also produced encouraging results.

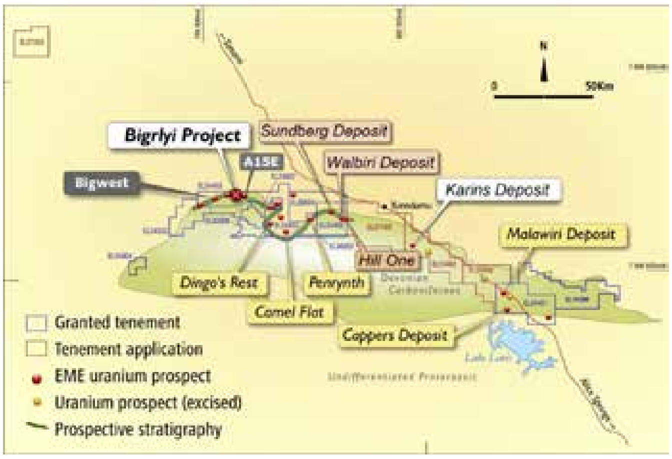

Figure 3 - EME's Ngalia Basin projects showing tenements, uranium deposits & prospects

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

A Pre-Feasibility Study (PFS) completed mid-2011 confirmed that mining the Anomaly 4, Anomaly 15 and Anomaly 2 deposits using a combination of open pit and underground mining and processing ore through a relatively simple acid leach circuit would produce around 10Mlb U_3O_8 and positive cash flow of around \$120M over a mine life of approximately 8 years. However, one key finding was that a substantial increase in the resource base that underpins the project would have a positive impact on the economics of the project, especially if those resources are amenable to open pit mining. To this end, since 2012 Energy Metals exploration activities have focussed on the discovery and definition of additional resources in satellite deposits located on 100% Energy Metals ground in proximity to the main Bigrlyi resource. 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.

A JORC (2012) mineral resource was announced for the historical Karins deposit on 1st July 2015 (Table 2). The deposit is located approximately 260km northwest of Alice Springs on Joint Venture tenement applications (Figure 3). EME believes there is considerable scope for expansion of the deposit with mineralisation open both along strike and down-dip. Because resources are located at open pittable depths, this deposit is considered to have potential in any future regional mining development.

Work Completed in the Twelve Months to 31 December 2016

Due to the depressed uranium market and consequent budget constraints, only limited exploration activities were undertaken at Bigrlyi and the other joint venture tenements over the year. In addition to camp and site maintenance, rehabilitation works completed at Anomaly 15 in 2015 were monitored during the year and were found to be revegetating satisfactorily (Figure 4). A Departmental environmental audit was satisfactorily completed in June 2016.

Figure 4 - Rehabilitated drill pad A7 at Bigrlyi Anomaly-15 showing excellent vegetation regrowth, November 2016.

Table 2: Estimate of Mineral Resources for the Karins Deposit (200ppm U_3O_8 cut-off)*

Category	Type	Volume, '000 m³	Tonnes, '000 t	Grade		Mineral Resources	
				U_3O_8 ppm	U %	U_3O_8 tonnes	U_3O_8 M lb
Inferred	Oxidised	290	719	526	0.045	379	0.83
Inferred	Primary	211	524	597	0.051	312	0.69
Inferred	**Total**	**501**	**1,243**	**556**	**0.047**	**691**	**1.52**

****** Energy Metals' interest in the total resource is 53.3%.***

REVIEW OF ACTIVITIES

Future Activities

Exploration activities at Bigrlyi during the 2017 field season are dependent on approval of exploration and/or development budgets by the Joint Venture operating committee. Because of current market conditions, the Joint Venture is currently operating on a minimum budget.

Walbiri Joint Venture (EME 41.9%)

The Walbiri JV project, located on ELR45, is a joint venture with Northern Territory Uranium Pty Ltd (58.1%), with EME as the operator. ELR45 was granted in August 2014 and covers part of the historical Walbiri Deposit and part of the Hill One satellite deposit (Figure 3). In October 2015, an inferred resource was announced for the Walbiri Deposit, confirming Walbiri as the third largest sandstone-hosted uranium deposit in central Australia after Angela and Bigrlyi (refer to ASX announcement of 27th October 2015).

Malawiri Joint Venture (EME 52.1%)

The Malawiri JV project, located on ELR41, is a joint venture with Northern Territory Uranium Pty Ltd (47.9%), with EME as the operator. ELR41 was granted in August 2014 and covers the historical Malawiri prospect along strike to the west of the Minerva Deposit (owned by Northern Territory Uranium Pty Ltd). Previous exploration drilling at Malawiri took place in 1982.

In late August 2016 a rotary mud/diamond core hole, MARD004, was drilled at the Malawiri prospect as part of EME's Malawiri project drilling program on adjacent tenement EL24451 (see below). The purpose of the hole was to confirm the nature and continuity of previously identified uranium mineralisation. The results have confirmed the previous work and have resulted in the discovery of a new, deeper, high-grade mineralised lens (Figure 5).

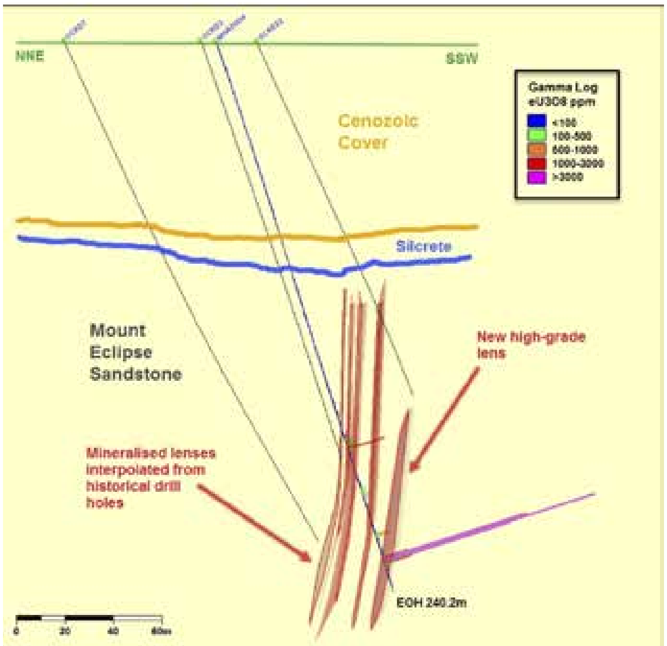

Figure 5 - Cross section (NNE to SSW) through the Malawiri prospect showing the trace of hole MARD004 with accompanying gamma downhole eU_3O_8 histogram, colour-coded for grade. Drill traces of the nearby historical holes GCRD7, 3 and 22 are also shown, together with the interpolated position of previously known mineralised lenses. A new, deeper, high-grade lens was discovered in MARD004. The unconformity between the Cenozoic cover and Mt Eclipse sandstone is shown in orange; the silcrete contact zone was probably an old land surface.

The significant intercepts in MARD004 included:

- 6.0m at 395 ppm eU_3O_8 from 173.1m
- 2.4m at 378 ppm $eU_3O_8$8 from 214.6m
- 8.1m at 1,789 ppm eU_3O_8 from 222.0m
- (incl. 2.0m at 0.62% eU_3O_8 from 225.5m

Together with recently compiled and verified historical data, EME believes it will be possible to advance the Malawiri prospect to JORC-compliant resource status in 2017.

REVIEW OF ACTIVITIES

Ngalia Regional Project (EME 100%)

The Ngalia Regional project comprises thirteen 100% owned exploration licences (total area approx. 3,400 km²) located in the Ngalia Basin, between 180 and 350 km northwest of Alice Springs (Figure 3). Twelve of these tenements are contiguous and enclose the Bigrlyi JV project as well as containing a number of historic uranium deposits including part of the historic Walbiri Deposit, located 55km SE of Bigrlyi. The remaining tenement is located southwest of Bigrlyi.

Ten of the 13 Ngalia Regional Exploration Licences have been granted by the Northern Territory Department of Primary Industry and Resources (DPIR). The remaining three applications (EL's 24450, 24462 & 27169) are located on Aboriginal freehold (ALRA) land and the consent of the Traditional Owners is required before the tenements can be granted.

A number of high priority targets have been identified on the Ngalia Regional tenements and Energy Metals is undertaking a program of systematic evaluation of these prospects The Ngalia Regional uranium prospects are of a similar style to the Bigrlyi Deposit and are hosted in the Carboniferous age Mt Eclipse Sandstone.

In early 2014 initial resource estimates were undertaken by consultants CSA Global for three satellite deposits located in proximity to the Bigrlyi Deposit: Anomaly 15 East, Bigwest and Camel Flat. Further details are provided in the ASX Announcement of 13th February 2014. Energy Metals believes these resources will make a valuable contribution to the overall uranium resources at the Bigrlyi project.

The exploration highlight for the year was the completion of drilling and geophysical programs in the Malawiri project area on EL24451. The program was co-funded under the NT Government's CORE Geophysics and Drilling initiative to which EME was a successful applicant in May 2016. The aim of the program was to better understand the undercover geology of the poorly explored eastern Ngalia Basin on EL24451 to assist EME in exploring for buried uranium deposits similar to the nearby Malawiri and Minerva prospects (Figures 6, 7). Collaborative funding covered 50% of direct program costs relating to drilling three stratigraphic holes and an associated passive seismic survey to test the depth of overburden and refine the placement of holes.

The seismic survey data acquisition was completed in late July and the drilling program, comprising four rotary mud/diamond core holes (MARD001-004) for a total of 840m, was completed in late August 2016. The additional drill hole, MARD004, was located on ELR41 (see above under Malawiri Joint Venture). Results of the program were released to the ASX on 27th September 2016. Significant mineralisation was intercepted in hole MARD001, including 3.3m at 198 ppm eU_3O_8 from 136.7m, in an area where no previous uranium was known.

The results of the program show that the potential for Malawiri and Minerva lookalike deposits as stratigraphic repeats in the eastern Ngalia Basin is a valid concept, and further verify EME's geological model for the area. In the vicinity of MARD001, some 3.5km to the north of previously known mineralisation, a large zone prospective for Malawiri-Minerva lookalike deposits has now been identified (Figure 7).

REVIEW OF ACTIVITIES

Figure 6 – Drilling in progress at MARD003

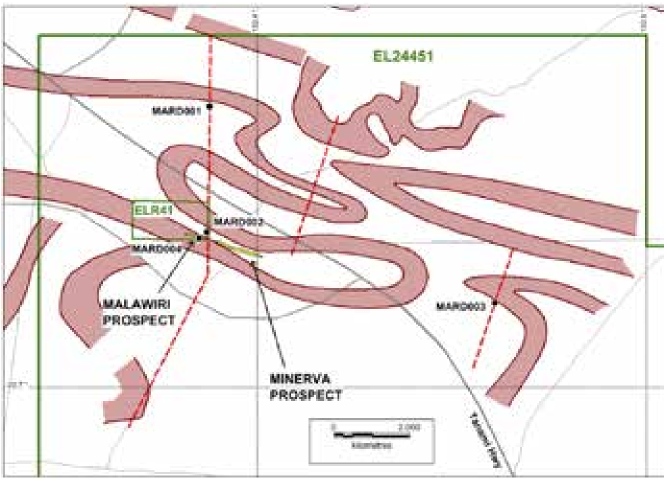

Figure 7 - Location map of the Malawiri project area showing drill holes MARD001-4 relative to the Malawiri and Minerva prospects (in yellow), tenement boundaries (EL24451, ELR41) and roads. Dashed red lines are passive seismic traverse lines. Interpreted, buried structure of pre-Mount Eclipse formations in the Ngalia Basin are shown in brown. Note the intensity of folding and likelihood for structural repetition of basin stratigraphy.

Walbiri Deposit

Walbiri and its satellite deposits are tabular, sandstone-hosted, uranium-vanadium deposits similar to the nearby Bigrlyi Deposit. Mineralisation is hosted in the Mt Eclipse Sandstone which was deposited in an ancient fluvial channel and alluvial fan system. Mineralisation occurs within a number of semi-continuous lenses confined by shale bands; the dominant lens occurs immediately above a shale marker band termed the 'C-shale'. The total combined strike length of the Walbiri Deposit and its two satellite deposits (Sundberg and Hill One) is 8.7 km. Stratigraphy and mineralisation dips between 10° and 18° to the SW and the width of the mineralised interval varies from 0.2m to 7.5m, averaging 1.3m thickness. Mineralisation extends from surface and plunges toward the SE with the deepest drill intercept being 230m below surface.

On 27th October 2015, EME announced inferred JORC (2012) resources of 7,037 tonnes U_3O_8 at 641ppm for the Walbiri Deposit, 260 tonnes U_3O_8 at 259ppm for the Sundberg Deposit, and 159 tonnes U_3O_8 at 321ppm for the Hill One Deposit (all at 200ppm cut-off); Table 3 shows a summary of results.

REVIEW OF ACTIVITIES

Table 3: Estimate of JORC Mineral Resources for Walbiri and Satellite Deposits*

Category	Deposit	Volume '000 m^3	Tonnes '000 t	Grade		Mineral Resources	
				U_3O_8 ppm	U %	U_3O_8 Mlb	U_3O_8 tonnes
Inferred	Hill One	192	494	321	0.027	0.350	159
Inferred	Walbiri	4,274	10,983	641	0.054	15.514	7,037
Inferred	Sundberg	391	1,005	259	0.022	0.574	260
Inferred	**Total**	**4,857**	**12,482**	**597**	**0.051**	**16.438**	**7,456**

* Energy Metals' interest in the total resource is 74.4%

Table 4: Mineral Resources of the three largest sandstone-hosted uranium deposits in the Alice Springs region

Deposit	Basin	Energy Metals' Interest (%)	No. Resource Drill Holes	Cut-Off U_3O_8 Grade (ppm)	Average U_3O_8 Grade (ppm)	U_3O_8 tonnes
Angela	**Amadeus**	**0**	**794**	**300**	**1,310**	**13,980**
Bigrlyi	**Ngalia**	**53.3**	**1,057**	**250**	**818**	**12,230**
Walbiri	**Ngalia**	**73.4**	**47**	**200**	**641**	**7,037**

With the mineral resources defined here, the Walbiri deposit is confirmed as the third largest sandstone-hosted uranium deposit in the southern Northern Territory after Angela and Bigrlyi, and is the second largest deposit in the Ngalia Basin (Table 4). These results affirm the standing of the Ngalia Basin as one of Australia's significant uranium provinces.

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

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

Tenement Matters

A review designed to ensure EME's exploration efforts are focussed on the most prospective ground was completed in late 2016. As a result, a relinquishment plan involving partial surrender of low prospectivity areas of ELs 30002, 30004, 30006 and full surrender of EL24804 was approved by the EME board and is due for implementation in early 2017. Tenement EL31098, located on pastoral lease land in the prospective eastern Ngalia Basin was granted in July 2016.

REVIEW OF ACTIVITIES

In September 2016, EME staff attended a section 42 meeting with Aboriginal traditional owners at Ten Mile Outcamp, northwest of Tilmouth Well (Figure 8). The meeting was part of access negotiations with the Central Land Council (CLC) over Aboriginal Land Rights Act (ALRA) tenements ELA24450 (Cassidy's Bore) and 24462 (Rinkabeena), which are located in the eastern Ngalia Basin (Figure 3). The outcome of the meeting was that Traditional Owners wish to pursue further negotiations for access to ELA24450 under ALRA; however, ELA24462 was refused and this tenement will return to a 5-year moratorium and will next be eligible for negotiation in 2021.

Figure 8 - EME staff attend a meeting with the CLC and Traditional Owners, September 2016

.

Macallan Project (EME 100%)

The Macallan project comprises a single exploration licence application (ELA27333), located 460 km NW of Alice Springs and 140 km from Bigrlyi. The tenement (area 225 km^2) was applied for to cover a strong 3km-wide bullseye radiometric anomaly, identified through the interpretation of regional airborne geophysical data. The anomaly, which lies within the Tanami Desert, occurs in an area dominated by extensive sand plain, dune and sheet wash cover. A recent interpretation of palaeovalley systems within central Australia by Geoscience Australia indicates that the Macallan anomaly lies within the Wildcat Palaeovalley, an ancient valley system that drains into Lake Mackay to the southwest. Energy Metals considers that the Macallan anomaly most likely represents a surficial accumulation of uranium minerals associated with the Wildcat palaeodrainage system though other explanations are possible.

ELA27333 lies on land under Aboriginal Freehold title and EME is currently in negotiations with the Central Land Council and Traditional Owners to gain access to the ground for exploration. A section 42 meeting under the Aboriginal Land Rights Act is planned in 2017.

REVIEW OF ACTIVITIES

WESTERN AUSTRALIA

Manyingee (EME 100%)

The Manyingee project comprises granted tenement E08/1480 and tenement application E08/2856, which are located 85 km south of Onslow in the West Pilbara. E08/1480 is adjacent to mining leases containing Paladin Energy's Manyingee resource, a stacked series of buried, palaeochannel-hosted, roll front uranium deposits of Cretaceous age (Figure 9).

Encouraging results were obtained from a small rotary mud drill program (18 holes for 1,790m) completed in late 2014 (Figure 9). The program affirmed the uranium potential of EME's Manyingee East prospect, located immediately up-channel of Paladin's Manyingee Deposit (refer to ASX release of 27th October 2014).

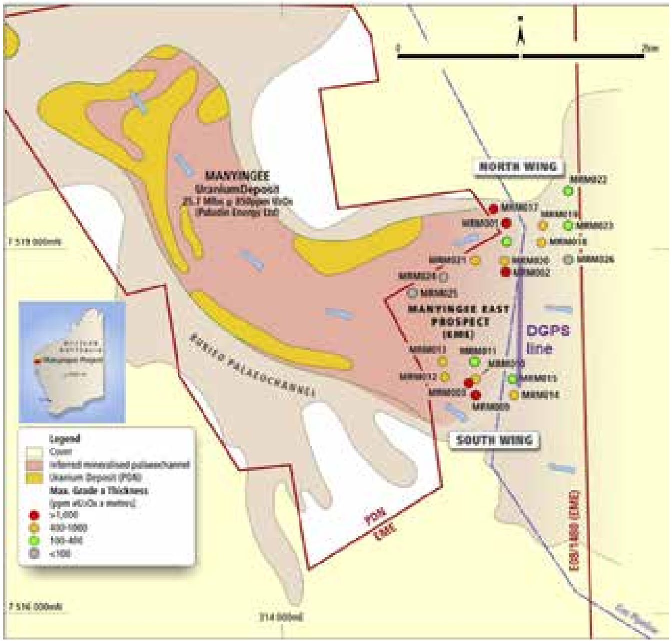

Figure 9 – Map showing Energy Metals' Manyingee East prospect, exploration drill holes (categorised by maximum grade-thickness interval), North Wing and South Wing domains, DGPS survey line and tenement boundaries in relation to the Manyingee palaeochannel and down-channel Manyingee Deposit of Paladin Energy Ltd (PDN).

During the year, a trial survey of new Deep Ground Penetrating Radar (DGPR) technology was undertaken by the technical team from Loza Radar Australia (Figures 9, 10). The technology significantly increases the depth from which geologically useful information, such as depth to channel base, can be obtained from radar methods and is considered to provide complimentary information to the Passive Seismic Survey (PSS) method, though at higher resolution. The DGPR method is sensitive to variations in rock physical properties as well as the presence of shallow groundwater, which can attenuate the radar signal, therefore it is useful to trial the method over ground where control is available from previous drill holes and geophysical surveys.

Results of the trial DGPR survey over a ~1 km section of the Manyingee East palaeochannel are shown in Figure 11, where a comparison from both drill holes and Energy Metals' 2015 passive seismic survey is displayed. An interpretation of the depth to channel base from the DGPR data is broadly compatible with PSS results but the DGPR has imaged what appears to be two deeper channel branches between drill holes MRM015 and MRM002. The margins of such channels, representing branches or meanders of an ancient river system, are priority targets for uranium mineralisation. The results of the trial depicted in Figure 11 are considered to be encouraging and the DGPR method is likely to be of value for accurate targeting and hole placement in future drill testing programs.

Figure 10 – Manual towing of the DGPR sensor array during the trial survey at Manyingee East.

REVIEW OF ACTIVITIES

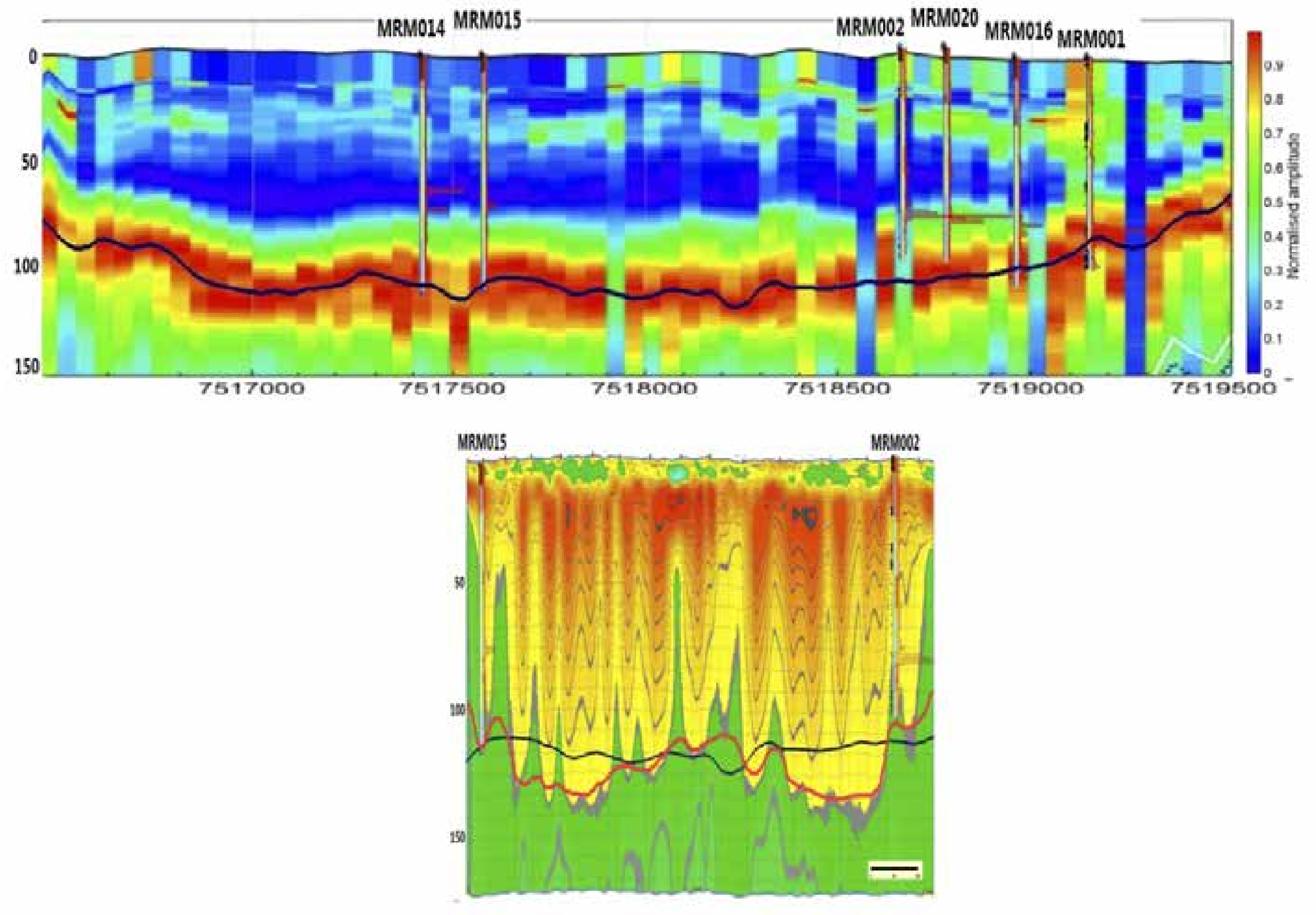

Figure 11 – Comparison of Passive Seismic Survey (top panel) and Deep GPR (bottom panel) results for south-to-north cross-sections through the main Manyingee palaeochannel, which is around 80 to 120m deep. The PSS results were obtained over the full channel width of 3km between 7,516,500N and 7,519,500N and show the maximum amplitude of the seismic signal, which is the interpreted base of the channel (black line), representing the strong seismic contrast between channel fill sediments and basement rocks. The DGPR survey was acquired over a 1 km sub-section of the channel between previous drill holes MRM015 and MRM002 and while in broad agreement with the PSS results, show sub-structure suggesting different channel branches within the ancient river system may be identifiable. An interpretation of the channel base from the DGPR data (red line bottom panel with PSS channel base shown in black for comparison) suggests there may be at least two deeper channel branches present, the margins of which are priority targets for uranium mineralisation and future drill testing.

During the year a review of Energy Metals previous drilling results at the Manyingee East prospect was undertaken. Following discussions with resource consultants at CSA Global it was determined that, given the known structure of the Manyingee East palaeochannel, sufficient continuity of mineralisation could be demonstrated from drilling results to enable Energy Metals to proceed with estimation of an initial mineral resource. Subsequently, consultants from CSA Gobal were appointed to undertake the resource estimation.

REVIEW OF ACTIVITIES

On 7th November 2016 EME announced an initial Mineral Resource Estimate of 1,291 tonnes U_3O_8 (250 m*ppm grade-thickness cut-off; Table 5).

Table 5: Manyingee East Resource Estimate at various grade-thickness (G*T) cut-off values

Tonnes (Million)*	Cut-off GT (m*ppm eU_3O_8)	Average Grade eU_3O_8 (ppm)	Average GT (m*ppm eU_3O_8)	Contained U_3O_8 (tonnes)	Contained U_3O_8 (Mlb)
2.84	250	455	993	1,291	2.85
2.06	500	524	1,224	1,079	2.38
0.86	1,000	756	1,996	650	1.43

Tonnes are metric (2204.62 pounds), figures may not total precisely due to round-off errors. Significant figures do not imply precision. *A bulk density value of 1.7 t/m^3 was used for the estimation.

The Mineral Resources have been classified in accordance with JORC (2012) requirements. Manyingee-style mineralisation is considered favourable for extraction of uranium by cost effective in-situ recovery (ISR) methods, and Energy Metals will continue to evaluate future resource upgrade and development options as market conditions improve. In the meantime, a Retention Licence application (R08/3) has been lodged with the DMP over resource areas of E08/1480 in order to maintain the project under Energy Metals tenure until economic conditions improve.

Anketell (EME 100%)

The Anketell project, located 50 km west of Sandstone, comprises one retention licence (R58/2). The project consists of shallow calcrete-style uranium mineralisation discovered by Western Mining (WMC) in 1972. Aircore drilling by Energy Metals in the period 2007 to 2009 confirmed the presence of uranium mineralisation in calcrete, opalised calcrete and calcareous clays with most traverses recording anomalous intercepts at shallow depths (typically within 10m of surface). In 2009, EME announced an initial JORC (2004) Inferred Mineral Resource (refer to ASX Announcement of 21 July 2009).

Because of market conditions the Anketell project is not currently an economically viable mining proposition. In 2014 EME elected to convert the original Anketell exploration licences into a retention licence to allow the Company to maintain tenure over the project area with minimal expenditure until such time as the economic viability of the project improves. Retention licence R58/2, which covers project resource areas, was granted in April 2015.

Lake Mason (EME 100%)

The Lake Mason project, located 25km NNE of Sandstone, comprises one retention licence (R57/2). Previous exploration by BP Minerals in the 1970's discovered shallow carnotite mineralisation in calcretised sediments associated with the Lake Mason drainage system. In 2010, Energy Metals announced a JORC (2004) resource at Lake Mason (refer to ASX announcement of 17 December 2010).

REVIEW OF ACTIVITIES

Because of market conditions the Lake Mason project is not currently an economically viable mining proposition. In 2014 EME elected to convert the original Lake Mason exploration licence into a retention licence to allow the Company to maintain tenure over the project area with minimal expenditure until such time as the economic viability of the project improves. Retention licence R57/2, which covers project resource areas, was granted in April 2015.

Lakeside (EME 100%)

The Lakeside project, located 20 km west of Cue, comprises one retention licence (R21/1). Previous exploration resulted in discovery of shallow-level carnotite mineralisation mainly hosted at depths of 1-5 metres within a palaeo-drainage system on the northwest margin of Lake Austin. Various drilling campaigns were undertaken by Energy Metals in the period 2007-2012 and mineralisation in three separate palaeochannels was identified. In 2014, Energy Metals announced a JORC (2012) Inferred resource at Lakeside (refer to ASX Announcement of 3 June 2014).

Because of market conditions the Lakeside project is not currently an economically viable mining proposition. In 2014 EME elected to convert the original Lakeside exploration licence into a retention licence to allow the Company to maintain tenure over the project area with minimal expenditure until such time as the economic viability of the project improves. Retention licence R21/1, which covers project resource areas, was granted in December 2015.

Mopoke Well (EME 100%)

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

Because of market conditions the Mopoke Well project is not currently an economically viable mining proposition. In 2014 EME elected to convert the original Mopoke Well exploration licence into a retention licence to allow the Company to maintain tenure over the project area with minimal expenditure until such time as the economic viability of the project improves. Retention licence R29/1, which covers project resource areas, was granted in May 2015.

REVIEW OF ACTIVITIES

CORPORATE

On 6 July 2016 the Company announced that Mr Cai, Yusheng and Ms Xu, Junmei had been appointed Non-executive Directors following the resignations of Mr He, Zuyuan and Mr Xing, Jianhua.

On 1 March 2017, the Company announced that Ms Jan Macpherson had been appointed Non executive Director following the resignation of Mr Geoffrey Michael Jones.

At 31 December 2016 Energy Metals had 209,683,312 shares on issue and held approximately $20.5 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 RMB390 billion and net assets of RMB 120 billion. At the end of 2016 CGN had 19 operating nuclear power stations with existing generation capacity of 20,370 MWe, and a further 9 nuclear projects currently under construction across various locations around China will add approximately 11,356 MWe of capacity. CGN is one of only two Chinese companies that has been granted the right to import and export uranium.

CGN has also invested in a portfolio of wind, solar energy and hydro power units with total current generating capacity of approximately 14,222 MWe 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 2016.

*MINERAL RESOURCE STATEMENT**

Bigrlyi Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2016

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)
Bigrlyi	**Indicated**	500	4.65	1,366	1,303	6,360	6,060	14.0	13.4
Bigrlyi	**Inferred**	500	2.81	1,144	1,022	3,210	2,870	7.1	6.3
Bigrlyi	**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 Bigrlyi 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.

Bigrlyi Satellite Deposits - Mineral Resource Estimate (JORC 2012) – as at 31 December 2016

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 Bigrlyi Satellite Deposits from the previous financial year.

REVIEW OF ACTIVITIES

Walbiri Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2016

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 2016

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.

Camel Flat Deposit - Mineral Resource Estimate (JORC 2012) – as at 31 December 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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.

REVIEW OF ACTIVITIES

Peninsula Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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.

Anketell Deposit - Mineral Resource Estimate (JORC 2004) – as at 31 December 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade eU_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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 2016

Deposit	Resource Category	Cut-off Grade	Tonnes (millions)	Grade U_3O_8 (ppm)	Contained U_3O_8 (tonnes)	Contained U_3O_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 2016

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

The mineral resources at the Manyingee East Deposit is a maiden resource announced in November 2016.

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

Note:

The information in this report relating to mineral resource estimates at 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 Helman & Schofield and takes responsibility for the resource estimation. Mr van der Heyden has sufficient experience relevant to the assessment of this style of mineralisation to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2004)". Mr van der Heyden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

REVIEW OF ACTIVITIES

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

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

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

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

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

Each of the above named consents to the inclusion of the information in the report in the form and context in which it appears. The Mineral Resource estimates for Anketell, Lake

REVIEW OF ACTIVITIES

Mason and Peninsula Deposits were originally compiled and announced utilising parameters from the 2004 JORC Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

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

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

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Energy Metals Limited and the entity it controlled at the end or during the year ended 31 December 2016.

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:

Cai, Yusheng (Non-executive Chairman, appointed 6 July 2016)
Xiang, Weidong (Managing Director)
Lindsay George Dudfield (Non-executive Director)
Geoffrey Michael Jones (Non-executive Director)
Zhong, Yu (Non-executive Director)
Zhang, Zimin (Non-executive Director)
Xu, Junmei (Non-executive Director, appointed 6 July 2016))
He, Zuyuan (Non-executive Director, resigned 6 July 2016)
Xing, Jianhua (Non-executive Director, resigned 6 July 2016)

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

The Company continued exploration targeting work on its tenements in the Ngalia Basin, with most activity centred on the Malawiri project area in the eastern Ngalia. A work program of reprocessing and compilation of historical data on uranium deposits and prospects located in the Ngalia Basin continued during the year.

Malawiri – A small drilling program of four rotary mud/diamond core holes for a total of 840m was completed in the Malawiri project area. Three of the four holes attracted collaborative funding under the NT Government's CORE Geophysics and Drilling initiative. Four zones of significant uranium mineralisation were encountered in hole MARD004, including a new high-grade discovery zone, and significant mineralisation was encountered in hole MARD001 in an area where no previous uranium mineralisation was known (refer ASX release of 27 September 2016).

Bigrlyi Joint Venture

A geological review of the Bigrlyi project was completed during the year with recommendations for project advancement contingent on a future turnaround in uranium market conditions. The Bigrlyi exploration camp remained on a care and maintenance footing in 2016.

DIRECTORS' REPORT

Western Australia

The Company announced an initial uranium resource estimate for the Manyingee East deposit (refer ASX release of 7 November 2016) located up-channel from Paladin Energy's Manyingee deposit.

Uranium Trading

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

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 2016 was $386,106 (31 December 2015: loss of $1,025,258).

REVIEW OF FINANCIAL CONDITIONS

The net assets of the Group were $54,190,041 at 31 December 2016 (2015: $54,576,147).

Use of cash and assets by the Company for the year ended 31 December 2016 was consistent with the Company's business objectives since listing on the Australian Securities Exchange on 9 September 2005.

CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has been no matter or circumstance which has arisen since 31 December 2016 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 in the Ngalia region (Northern Territory) and at the Manyingee project (Western Australia). Future exploration and development expenditure on the tenements is subject to market conditions and operational requirements.

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

DIRECTORS' REPORT

ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulation 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 clearing, including a prohibition on the use of mechanized equipment or 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 2016 to 31 December 2016 the Directors have assessed that there is no current reporting required, but there may be a requirement in the future.

INFORMATION ON DIRECTORS

Name	Director's Experience	Special Responsibilities
Mr Cai, Yusheng	Mr Cai is a senior engineer with over 15 years' experience in engineering industry. He holds a Master of Engineering degree in Civil Engineering from University of Tokyo, Japan. He has worked as a senior executive for CGNPC Uranium Resources Co., Ltd ("CGNPC URC") since 2006. He is currently the Deputy General Director of CGNPC URC.	Non-Executive Chairman
Dr Xiang, Weidong	Dr Xiang is a qualified geologist and has 21 years' experience in geology and uranium exploration. Dr Xiang holds a Doctor degree of Exploration and Prospecting for Mineral Resources. He worked for CNNC Beijing Research Institution of Uranium Geology for approximately twelve years before he joined CGNPC-Uranium Resources Co. Ltd, a subsidiary of China General Nuclear Power Corporation (formerly known as China Guangdong Nuclear Power Holding Co. Ltd.), as a senior executive. Dr Xiang is a member of Nuclear Geology and Mineral Committee, China Mining Association. Dr Xiang is a member of the AusIMM. Dr Xiang does not currently hold directorships of other Australian public companies.	Managing Director
Mr Lindsay Dudfield BSc	Mr Dudfield is a qualified geologist with over 35 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 the Managing Director of Jindalee Resources Ltd. 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

DIRECTORS' REPORT

Name	Director's Experience	Special Responsibilities
Mr Geoff Jones BEng FIEAust CPEng	Mr Jones is a Fellow of the Institution of Engineers, Australia, with a Bachelor of Engineering (Civil) degree. He has over 25 years' experience covering the areas of construction, engineering, mineral processing and project development. Mr Jones has been responsible for the preparation of feasibility studies for gold and base metals projects and has completed numerous project evaluations and due diligence reviews and has managed the successful development of projects both domestically and overseas. Mr Jones has operated his own project management and engineering consultancy, JMG Projects Pty Ltd, servicing the mining industry. In this capacity Mr Jones has completed works on gold and base metal projects for Australian and overseas based mining groups. Mr Jones is currently the Managing Director of GR Engineering Services Limited. Other public company directorships held by Mr Jones over the last three years are: GR Engineering Services Limited - current; Ausgold Limited - current; Marindi Metals Limited (formerly known as Brumby Resources Ltd) – current; and Azumah Resources Limited – current.	Non-Executive Director
Mr Zhong, Yu	Mr Zhong has over 30 years' experience in engineering and specialises in research and development of new engineering technology. Mr Zhong has a Master degree of Management and does not currently hold directorships of other public Australian companies.	Non-executive Director
Mr Zhang, Zimin	Mr Zhang is a senior engineer with over 25 years' experience in the uranium industry. He holds a Master degree from Beijing Research Institute of Uranium Geology and has worked as a senior manager for China General Nuclear Power Group since 2008. He is currently the Chief Engineer of the Department of Overseas Business Development of CGNPC-Uranium Resources Co. Ltd.	Non-executive Director
Ms Xu, Junmei	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.	Non-executive Director

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

	Ordinary Shares	Options
Cai, Yusheng	-	-
Xiang, Weidong	-	-
Lindsay G Dudfield	3,255,165	-
Geoff M Jones	-	-
Zhong, Yu*	26,553,722	-
Zhang, Zimin	-	-
Xu, Junmei	-	-

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

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 December 2016 and the numbers of meetings attended by each Director.

	Number Held Whilst in Office	Number Attended
Cai, Yusheng	2	2
Xiang, Weidong	3	3
Lindsay G Dudfield	3	3
Geoff M Jones	3	3
Zhong, Yu	3	2
Zhang, Zimi	3	2
Xu, Junmei	2	1

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

Retirement, election and continuation in office of directors

Mr Zhong, Yu and Mr Zhang, Zimin are the directors retiring by rotation who, being eligible, may offer themselves for re-election at Annual General Meeting.

DIRECTORS' REPORT

COMPANY SECRETARY INFORMATION

Ms Li, Xuekun, 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.

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 2016. 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
- Key Management Personnel ("KMP")

C. Yusheng	Non-Executive Chairman
X. Weidong	Managing Director
L. Dudfield	Non-Executive Director
G. Jones	Non-Executive Director
Z. Yu	Non-Executive Director
Zh. Zimin	Non-Executive Director
X. Junmei	Non-Executive Director
L. Xuekun	Company Secretary and CFO

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.

DIRECTORS' REPORT

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 2012	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 31 December 2016
Share Price	$0.25	$0.24	$0.13	$0.065	$0.08
Market Capitalisation	$37.7M	$36.9M	$27.3M	$13.6M	$16.7M
Dividend	-	-	-	-	-

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.

DIRECTORS' REPORT

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
Non-Executive Directors		Directors Fees $	Cash Salary, Consulting Fees $	Super-annuation $	Options $	Total $	of options %
C. Yusheng	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
L. Dudfield	2016	-	24,000	-	-	24,000	-
	2015	-	24,000	-	-	24,000	-
G. Jones	2016	22,831	-	2,169	-	25,000	-
	2015	22,831	-	2,169	-	25,000	-
Zh. Yu	2016	25,000	-	-	-	25,000	-
	2015	25,000	-	-	-	25,000	-
X. Junmei	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Zh. Zimin	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
H. Zuyuan	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
X. Jianhua	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Executive Directors							
X. Weidong	2016	200,000	-	-	-	200,000	-
	2015	200,000	-	-	-	200,000	-
Key Management							
S. Xiaohua	2016	-	-	-	-	-	-
	2015	70,047	-	-	-	70,047	-
L. Xuekun	2016	-	59,115	-	-	59,115	-
	2015	-	65,310	-	-	65,310	-
Total	2016	247,831	83,115	2,169	-	333,115	-
	2015	317,878	89,310	2,169	-	409,357	-

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.

DIRECTORS' REPORT

Cai, Yusheng

On 6 July 2016, Mr Cai was appointed as a Non-Executive Director. According to a letter of appointment, Mr Cai, Yusheng is entitled to a director's fee of $25,000 per annum. Mr Cai consented to forgive his remuneration since his appointment to 31 December 2016 as his service had been considered and compensated by other related corporate bodies.

Xiang Weidong

Dr Xiang was appointed a director on 8 December 2010 pursuant to the terms and conditions of his employment contract with the Company. Dr Xiang has been the Managing Director since 1 January 2011. His salary is $200,000 per annum (2015: $200,000 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 (2015: $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.

Zhong, Yu

On 8 December 2010, the Company entered into an agreement (via a letter of appointment), appointing Mr Zhong, Yu as a Non-Executive Director. Mr Zhong is entitled to a director's fees of $25,000 (2015: $25,000) per annum.

Geoff Jones

On 29 August 2008, the Company entered into an agreement (via a letter of appointment), appointing Mr Geoff Jones as a Non-Executive Director. Mr Jones is entitled to a director's fees of $25,000 (2015: $25,000) per annum.

Zhang, Zimin

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 from 1 Jan 2015 to 31 December 2016 as his service had been considered and compensated by other related corporate bodies.

Xu, Junmei

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 since her appointment to 31 December 2016 as her service had been considered and compensated by other related corporate bodies.

Li, Xuekun

Ms Li is the Company Secretary of Energy Metals Limited and has been the Chief Finance Officer since Mr Song, Xiaohua resigned. 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 KMP.

Share-based compensation

No shares in the Company were provided as remuneration to directors of Energy Metals Limited and senior managers of the Company during the year (2015: Nil). No options were vested during the year (2015: 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 senior managers of the Company during the year (2015: Nil).

End of Remuneration Report (Audited).

SHARES UNDER OPTION

At 31 December 2016, there were no shares under option (2015: 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 30/06/2016 to 30/06/2017 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.

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 65 of this report.

DIRECTORS' 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:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; 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.

14 February 2017, at Perth, Western Australia

XIANG, WEIDONG
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	64
Auditors' Independence Declaration	65
Independent Auditors' Report to the Members	66

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 20 to 31 are not part of these financial statements.

The financial statements were authorised for issue by the directors on 14 February 2017. 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 2016

	Notes	Year ended 31 December 2016 $	Year ended 31 December 2015 $
Other revenue	3a	711,733	707,123
Depreciation expense	3b	(66,114)	(87,855)
Exploration expense		(155,258)	(512,018)
Employee benefits expense	3c	(437,386)	(549,994)
Corporate and regulatory expenses		(35,839)	(38,844)
Office rental		(131,682)	(216,977)
Legal advisory expense		(7,770)	(536)
Other administrative expense		(263,790)	(326,157)
Loss before income tax		(386,106)	(1,025,258)
Income tax expense	4	-	-
Loss for the year		(386,106)	(1,025,258)
Total comprehensive expense for the year		(386,106)	(1,025,258)
Loss attributable to owners of Energy Metals Limited		(386,106)	(1,025,258)
Total comprehensive expense attributable to owners of Energy Metals Limited		(386,106)	(1,025,258)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	6	(0.18)	(0.49)
Diluted earnings per share (cents per share)	6	NA	NA

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 2016

	Notes	31 December 2016 $	31 December 2015 $
CURRENT ASSETS			
Cash and cash equivalents	8	178,383	190,491
Term deposits	8	20,365,055	21,571,236
Trade and other receivables	9	130,110	264,241
Total Current Assets		20,673,548	22,025,968
NON-CURRENT ASSETS			
Plant and equipment	10	263,993	319,542
Exploration and evaluation expenditure	11	33,401,714	32,656,336
Total Non-Current Assets		33,665,707	32,975,878
TOTAL ASSETS		54,339,255	55,001,846
CURRENT LIABILITIES			
Trade and other payables	12	101,688	343,547
Provisions	13	47,526	82,152
Total Current Liabilities		149,214	425,699
TOTAL LIABILITIES		149,214	425,699
NET ASSETS		**54,190,041**	**54,576,147**
EQUITY			
Contributed equity	14	59,051,644	59,051,644
Accumulated losses		(4,861,603)	(4,475,497)
Capital and reserves attributable to owners of Energy Metals Limited		***54,190,041***	54,576,147
TOTAL EQUITY		**54,190,041**	**54,576,147**

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 2016

	Attributable to owners of Energy Metals Limited		
	Contributed equity $	Accumulated losses $	Total $
Balance at 1 January 2015	59,051,644	(3,450,239)	55,601,405
Total comprehensive expense for the year	-	(1,025,258)	(1,025,258)
Balance at 31 December 2015	59,051,644	(4,475,497)	54,576,147
Total comprehensive expense for the year	-	(386,106)	(386,106)
Balance at 31 December 2016	59,051,644	(4,861,603)	54,190,041

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 2016

	Notes	Year ended 31 December 2016 $ Inflows (Outflows)	Year ended 31 December 2015 $ Inflows (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		(1,028,164)	(1,317,271)
Payments for exploration operation		(155,258)	(137,017)
Income received from joint operations		23,705	14,289
Interest received		694,065	809,189
Grant and rebate received		52,361	1,921
Gain on foreign exchange		8,778	-
Net cash used in operating activities	5	(404,513)	(628,889)
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		(803,211)	(1,106,710)
Payments for property, plant and equipment		(10,565)	(1,615)
Acquisition of term deposits		(20,365,055)	(20,989,199)
Withdrawal of term deposits		21,571,236	11,088,477
Receipt of environmental guarantee bond		-	219,063
Net cash received from/(used in) investing activities		392,405	(10,789,984)
Net decrease in cash and cash equivalents		(12,108)	(11,418,873)
Cash and cash equivalents at the beginning of the year		190,491	11,609,364
Cash and cash equivalents at the end of the year	5	178,383	190,491

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 2016

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 14 February 2017.

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 2016

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 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue Recognition n (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 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases

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

(g) Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels of which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and Cash Equivalents

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

(i) Trade and Other Receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and Other Receivables (Continued)

the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(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 2016

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.

(l) Exploration and Evaluation Expenditure

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

i) Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration and evaluation costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Exploration and Evaluation Expenditure (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 2014-3 "Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operation"

The Group has applied these amendments for the first time in the current year. The amendments provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in AASB 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in AASB 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by AASB 3 and other standards for business combinations.

The application of these amendments has had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

AASB 2014-4 "Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation"

The Group has applied these amendments for the first time in the current year. The amendments to AASB 116 Property, Plant and Equipment prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. As the Group already uses diminishing value and prime cost methods for depreciation for its property, plant and equipment, respectively, the application of these amendments has had no impact on the Group's consolidated financial statements.

AASB 2014-9 "Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements"

The amendments to AASB 127 Separate Financial Statements, allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: (a) at cost (b) in accordance with AASB 9 Financial Instruments (or, where AASB 9 is not applied, AASB 139 Financial Instruments: Recognition and Measurement), or (c) using the equity method as described in AASB 128 Investments in Associates and Joint Ventures.

The company has continued to account for its investments in subsidiaries, joint ventures and associates at cost in its separate financial statements.

AASB 2015-1 "Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle".

The Group has applied these amendments for the first time in the current year. The Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012- 2014 Cycle include a number of amendments to various Accounting Standards, which are summarised below:

- The amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations introduce specific guidance in AASB 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in AASB 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

- The amendments to AASB 7 Financial Instruments: Disclosures remove the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports and provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

- The amendments to AASB 119 Employee Benefits clarify that the rate used to discount post employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead

- The amendments to AASB 134 Interim Financial Reporting make provision for disclosures required by the Standard to be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The application of these amendments has had no effect on the Group's consolidated financial statements.

AASB 2015-2 "Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101".

The Group has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an AASB if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in AASB is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance. In addition, the amendments clarify that an entity's share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other Accounting Standards: (a) Will not be reclassified subsequently to profit or loss (b) Will be reclassified subsequently to profit or loss when specific conditions are met. As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The application of these amendments has not had a material presentation impact on the financial performance or financial position of the Group.

At the date of authorisation of the consolidated financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

AASB 9 "Financial Instruments" and the relevant amending standards, effective for annual reporting periods beginning on or after 1 January 2018;

AASB 1056 'Superannuation Entities', effective for annual reporting periods beginning on or after 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2016 the carrying value of capitalised exploration and evaluation expenditure is $33,401,714 (2015: $32,656,336).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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	
	2016	2015	2016	2015
CONTINUING OPERATIONS	$	$	$	$
Uranium exploration	24,727	14,289	(189,315)	(552,003)
Corporate	687,006	692,834	(196,791)	(473,255)
	711,733	707,123	(386,106)	(1,025,258)

Segment revenue of uranium exploration represents revenue generated from service provided to joint operations. There were no inter-segment sales in the current year (2015: 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 2016	31 December 2015
SEGMENT ASSETS	$	$
Uranium exploration	33,401,714	32,967,053
Corporate	20,937,541	22,034,793
TOTAL ASSETS	54,339,255	55,001,846
TOTAL ASSETS INCLUDES ADDITIONS TO NON-CURRENT ASSETS	755,943	442,298
SEGMENT LIABILITIES		
Uranium exploration	(73,562)	(131,394)
Corporate	(75,652)	(294,305)
TOTAL LIABILITIES	(149,214)	(425,699)

(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 2016

3. REVENUES AND EXPENSES

	Consolidated	
	2015 $	2014 $
(a) Other Revenue includes the following revenue items:		
Interest income	626,889	692,834
Management fee from Joint Operations	23,706	12,368
Fuel rebate & government grant	52,361	1,921
Gain on foreign exchange	8,777	-
	711,733	707,123
(b) Loss includes the following specific expenses:		
Depreciation	66,114	87,855
(c) Employee benefit expenses:		
Wages & superannuation	381,316	484,205
- Including: Executive Director's fee	200,000	200,000
Non-executive Directors fees*	47,289	487,383
Others	8,781	17,416
	437,386	549,994

*The payment in exchange for Mr. Lindsay Dudfield's service was 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 2016

4. TAXATION

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	(386,106)	(1,025,258)
Income tax expense (benefit) @ 30%	(115, 832)	(307,577)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	407	128
Timing differences not recognised	(234,573)	(157,506)
Deferred tax assets relating to tax losses not recognised	349,998	519,987
Prior year true up	-	(55,032)
Income tax expenses/benefit reported in the income statement	-	-

The franking account balance at period end was $nil (2015: $nil).

Deferred tax assets and liabilities not recognised relate to the following:

Deferred tax assets		
Tax losses	11,039,759	10,689,762
Non-refundable R&D tax offsets	1,386,721	1,386,721
Other temporary differences	18,097	29,057
Deferred tax liabilities		
Exploration assets	(10,020,513)	(9,796,901)
Other temporary differences	(52,715)	(52,715)
Net deferred tax assets not recognised	2,371,349	2,255,925

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 losses 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 2016

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

	Consolidated	
	2016 $	2015 $
Loss after income tax	(386,106)	(1,025,258)
Depreciation	66,114	87,855
Non-cash exploration expense	-	375,001
Annual leave provision	(34,626)	(11,159)
Change in operating assets and liabilities during the financial period:		
(Increase)/Decrease in trade and other receivables	134,131	(31,662)
Increase in trade and other payables	(184,026)	113,351
Net cash outflow from operating activities	(404,513)	(491,872)
Reconciliation of cash balance comprises:		
Cash and cash equivalents	178,383	190,491

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)/earnings per share are as follows.

Reconciliation of loss used in calculation of loss per share:

Loss attributable to owners of the Company	(386,106)	(1,025,258)

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	206,313,060	206,313,060

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

7. DIVIDENDS

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

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2016 $	**31 December 2015 $**
Cash and cash equivalents	142,668	128,174
Share of Joint Operations' cash	35,715	62,317
	178,383	190,491
Term deposits classified separate to cash on face of statement of Financial Position	20,365,055	21,571,236

As at 31 December 2016, the Company had approximately $20.4 million term deposits (2015: $21.6 million) with maturities from 3 months to 12 months in various financial institutions earning interest income at an average rate of 2.7% (2015: 3.03%).

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

9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2016 $	**31 December 2015 $**
CURRENT		
GST receivable	23,143	17,791
Trade receivables	31,031	20,119
Other receivables	75,936	226,331
	130,110	264,241

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

Trade 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 a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was 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 trade receivable is mainly due from Northern Territory Government Grant who represents 80% of the total balance of trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Consolidated	
	31 December 2016 $	31 December 2015 $
Plant and equipment - at cost	889,305	893,269
Less accumulated depreciation	(675,434)	(638,071)
	213,871	255,198
Motor vehicle – at cost	200,806	200,806
Less accumulated depreciation	(150,684)	(136,462)
	50,122	64,344
Total	263,993	319,542

Reconciliation of the carrying amount of fixed assets:

	Plant & equipment $	Motor vehicle $	Total $
Carrying amounts at 1 January 2015	323,117	82,666	405,783
Additions	1,615	-	1,615
Depreciation expenses	(69,534)	(18,322)	(87,856)
Carrying amount at 31 December 2015	255,198	64,344	319,542
Carrying amount at 1 January 2016	255,198	64,344	319,542
Additions	13,171	-	13,171
Disposals	(2,606)	-	(2,606)
Depreciation expenses	(51,892)	(14,222)	(66,114)
Carrying amount at 31 December 2016	213,871	50,122	263,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2016 $	31 December 2015 $
Balance at beginning of the year	32,656,336	32,127,774
Additions of capitalised exploration expenditure	745,378	903,563
Written-off exploration expenditure	-	(375,001)
Balance at the end of the year	33,401,714	32,656,336

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:

Wages and superannuation	323,129	675,027

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2016 $	31 December 2015 $
Trade payables	82,873	230,405
Other payables	18,815	113,142
	101,688	343,547

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 2016 $	31 December 2015 $
Employee benefits	47,526	82,152

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. CONTRIBUTED EQUITY

The Company had 209,683,312 ordinary shares, fully paid at 31 December 2016 (31 December 2015: 209,683,312). No movement in contributed equity during the year.

	Consolidated	
	31 December 2016 $	31 December 2015 $
Contributed equity	59,051,644	59,051,644

	Number of shares	Number of shares
Balance at 31 December 2015 and 31 December 2016	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 2016

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 (2015: 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 2016. (2015: nil)

There are no options on issue as at 31 December 2016 under the Employee Share Option Plan.

16. FINANCIAL RISK MANAGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments:

	Consolidated	
	31 December 2016 $	31 December 2015 $
Financial Assets - *Current*		
Cash and cash equivalents	178,383	190,491
Term deposits	20,365,055	21,571,236
Trade and other receivables	130,110	264,241
	20,673,548	22,025,968
Financial Liabilities - *Current*		
Trade and other payables	101,688	343,547

(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 price of commodity does not constitute a significant risk to the business. The Group may adjust its strategy on the progress of its projects to adapt to the change of the market environment.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings and term deposits was 2.7% at 31 December 2016 (31 December 2015: 3.03%). All other financial assets and liabilities are non interest bearing.

(iv) Group Sensitivity

At 31 December 2016, 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 $144,000 higher/$204,000 lower (31 December 2015: 156,000 higher/$223,000 lower), mainly as a result of higher/lower interest income from cash and term deposits.

(b) Credit Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through the equity market to meet obligations when due. At the end of the reporting period the Group held deposits of $20.4 million (2015: $21.6 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.

18. COMMITMENTS

The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure in 2016. 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 2016.

	Consolidated	
	31 December 2016 $	31 December 2015 $
Tenement Expenditure Commitments:	604,290	1,070,746

Capital Commitments

There are no capital expenditure commitments for the Group as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. COMMITMENTS (CONTINUED)

Lease Commitments: Group as lessee

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

	Consolidated	
	31 December 2016 $	31 December 2015 $
Within one year	60,400	35,345
Later than one year but not later than five years	20,133	-
	80,533	35,345

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 2016 $	31 December 2015 $
Short-term benefits	330,946	407,188
Post-employment benefits	2,169	2,169
	333,115	409,357

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. CONTROLLED ENTITIES

	% held					Investment at Cost	
Controlled Entities	31December 2016	31December 2015	Class	State of Incorporation	Date of Incorporation	31December 2016	31December 2015
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.

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 2016 owned 66.45% (31 December 2015: 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 $23,706 (2015: $12,368) in management and facility administration fees from the joint operations during the year.

(f) Loans to/from related parties

At 31 December 2016, the Company had other receivable of $78,388 (2015: $78,139) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. REMUNERATION OF AUDITORS

	Consolidated	
	31 December 2016 $	31 December 2015 $
Audit and review of the financial reports	50,000	52,750
Other services	-	-
	50,000	52,750

23. INTEREST IN JOINT OPERATIONS

The Company has the following interest in unincorporated joint operations:

		% Interest	
Joint Operation	**Principal Activity**	**31 December 2016**	**31 December 2015**
Bigrlyi Joint Operation	Uranium Exploration	53.29	53.29
Malawiri Joint Operation	Uranium Exploration	52.08	-
Walbiri Joint Operation	Uranium Exploration	41.9	-

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

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

	Consolidated	
	31 December 2016 $	31 December 2015 $
CURRENT ASSETS		
Cash and cash equivalents	35,715	62,317
Term deposit	93,138	91,765
TOTAL CURRENT ASSETS	128,853	154,082
NON CURRENT ASSETS		
Receivable	-	-
Exploration and evaluation expenditure	14,213,436	14,046,382
TOTAL NON CURRENT ASSETS	14,213,436	14,046,382
TOTAL ASSETS	14,342,289	14,200,464

a) Commitments

There are no capital expenditure commitments for the Joint Operation as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. INTEREST IN JOINT OPERATIONS (CONTINUED)

The Group's share of estimated Year 2016 minimum expenditure commitments for the Joint Operation tenements is $604,290 which is included in the commitment disclosed in Note 18.

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 2016. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	31 December 2016 $	31 December 2015 $
Current assets	20,751,221	22,103,641
Non-current assets	33,665,707	32,975,878
Total assets	54,416,928	55,079,519
Current liabilities	149,214	425,699
Total liabilities	149,214	425,699
Contributed equity	59,051,644	59,051,644
Accumulated losses	(4,783,930)	(4,397,824)
Total equity	54,267,714	54,653,820
Income for the year	711,733	707,123
Total comprehensive expense for the year	(385,857)	(1,050,261)

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 2016 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 Chief Financial Officer 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:

WEIDONG XIANG
Managing Director

Perth, Western Australia
14 February 2017

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

Phone: +61 8 9365 7000
www.deloitte.com.au

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

14 February 2017

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 2016, 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

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Brookfield Place, Tower 2
123 St Georges Terrace
Perth, WA, 6000
Australia

Phone: +61 8 9365 7000
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Energy Metals Limited (the "Entity"), which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by the directors.

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

(i) giving a true and fair view of the Entity's financial position as at 31 December 2016 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 Entity 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.

Deloitte.

Key Audit Matter and why it was considered to be a matter of most significance in the audit	How the Key Audit Matter was addressed in the audit
Accounting for Exploration and Evaluation Assets As at December 2016 the Entity has \$33,401,715 (2015: \$32,656,336) of capitalised exploration and evaluation expenditure as disclosed in Note 11. Judgement is applied in determining the treatment of exploration expenditure in accordance with Australian Accounting Standard AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6). In particular: ➢ whether the conditions for capitalisation are satisfied; ➢ which elements of exploration and evaluation expenditures qualify for recognition; and ➢ whether facts and circumstances indicate that the exploration and expenditure assets should be tested for impairment.	Our procedures included, but were not limited to: ➢ Obtaining a schedule of the areas of interest held by the Entity 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; ➢ Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; ➢ Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6; and ➢ Considering whether any facts or circumstances existed to suggest impairment testing was required. We also assessed the adequacy of the related 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, 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.

Directors' Responsibilities 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.

Deloitte.

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 Entity 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 Entity'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 Entity'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 Entity 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.

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.

Deloitte.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the director's report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Energy Metals Limited, for the year ended 31 December 2016, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants
Perth, 14th February 2017

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 28 March 2017.

SUBSTANTIAL SHAREHOLDERS

There were three substantial shareholders as at 28 March 2017:

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	675	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	143	68,183	0.03
1,001	-	5,000	213	578,493	0.28
5,001	-	10,000	103	817,888	0.39
10,001	-	100,000	186	5,707,979	2.72
100,001	-	and over	30	202,510,769	96.58
	TOTAL HOLDERS		**675**	**209,683,312**	**100%**

UNMARKETABLE PARCELS

As at 28 March 2017 there were 331 shareholders holding less than a marketable parcel of shares.

BUY-BACK

There is no current on-market buy-back.

ADDITIONAL INFORMATION

20 LARGEST SHAREHOLDERS

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

Name	% of Issued Securities	Number of Ordinary Shares
1. China Uranium Development Company Ltd	66.45	139,339,978
2. KangDe Investment Group	12.66	26,553,722
3. Jindalee Resources Limited	6.69	14,038,282
4. Mr. Bin Cui	3.58	7,506,084
5. Kale Capital Corporation Ltd	2.79	5,851,745
6. Mr Lindsay George Dudfield	1.22	2,556,540
7. Central Pacific Minerals NL	0.57	1,200,000
8. Bell Potter Nominees Ltd	0.48	1,015,000
9. Lindsay George Dudfield and Yvonne Sheila Doling	0.33	698,625
10. M & K Korkidas Pty Ltd	0.30	633,622
11. Yandal Investments Pty Ltd	0.24	511,718
12. Redross Consultants Pty Ltd	0.22	468,900
13. Teck Australia Pty Ltd	0.21	438,141
14. Mr. Philip William Saunders	0.14	300,000
15. Mr. Zhongqing Zhang	0.13	267,255
16. Mr. Dezong Yuan	0.10	200,000
17. Canie Pty Ltd	0.10	200,000
18. HSBC Custody Nominees	0.08	176,759
19. Mr. Desmond Chung Seng Chiong	0.07	150,000
20. Beelong Pty Ltd	0.07	150,000

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

ADDITIONAL INFORMATION

INTERESTS IN MINING TENEMENTS as at 28 March 2017.

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]	Bigrlyi Project	Granted	MCSA318*[1]	Ngalia Regional	Application
ELR47*[1]	Bigrlyi Project	Granted	MCSA319*[1]	Ngalia Regional	Application
ELR48*[1]	Bigrlyi Project	Granted	MCSA320*[1]	Ngalia Regional	Application
ELR49*[1]	Bigrlyi Project	Granted	MCSA321*[1]	Ngalia Regional	Application
ELR50*[1]	Bigrlyi Project	Granted	MCSA322*[1]	Ngalia Regional	Application
ELR51*[1]	Bigrlyi Project	Granted	MCSA323*[1]	Ngalia Regional	Application
ELR52*[1]	Bigrlyi Project	Granted	MCSA324*[1]	Ngalia Regional	Application
ELR53*[1]	Bigrlyi Project	Granted	MCSA325*[1]	Ngalia Regional	Application
ELR54*[1]	Bigrlyi Project	Granted	MCSA326*[1]	Ngalia Regional	Application
ELR55*[1]	Bigrlyi Project	Granted	MCSA327*[1]	Ngalia Regional	Application
EL30689*[1]	Bigrlyi Project	Granted	MCSA328*[1]	Ngalia Regional	Application
ELRA31319*[1]	Ngalia Regional	Application	MLNA1952*[1]	Ngalia Regional	Application
EL24451	Ngalia Regional	Granted			
EL24453	Ngalia Regional	Granted			
EL24463	Ngalia Regional	Granted			
EL24533	Ngalia Regional	Granted			
ELR41*[2]	Ngalia Regional	Granted			
ELR45*[3]	Ngalia Regional	Granted			
EL30002	Ngalia Regional	Granted			
EL30004	Ngalia Regional	Granted			
EL30006	Ngalia Regional	Granted			
EL30144*[1]	Ngalia Regional	Granted			
EL31098	Ngalia Regional	Granted			
ELA24462	Ngalia Regional	Application			
ELA24450	Ngalia Regional	Application			
EL24807	Ngalia Regional	Granted			
ELA27169	Ngalia Regional	Application			
ELA27333	Macallan	Application			

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

ADDITIONAL INFORMATION

ABBREVIATIONS

*1	=	53.3% interest
*2	=	52.1% interest
*3	=	41.9% interest

E	=	Exploration Licence (WA)
R	=	Retention License (WA)
EL	=	Exploration Licence (NT)
ELA	=	Exploration Licence Application (NT)
ELR	=	Exploration Licence in Retention (NT)
ELRA	=	Exploration License in Retention Application(NT)
MCSA	=	Mineral Claim (Southern) Application (NT)
MLNA	=	Mineral Lease (Northern) Application (NT)

Energy Metals Limited

Level 2, 28 Kings Park Road
WEST PERTH WA 6005