

**ENERGY METALS LIMITED
AND ITS CONTROLLED ENTITY**

A.B.N. 63 111 306 533

FULL YEAR STATUTORY ACCOUNTS 2018

CORPORATE DETAILS

Directors

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

Company Secretary

Xuekun Li

Registered Office

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

Auditor

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

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +61 8 9315 2333
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 | PAGE |
|---|-------------|
| Directors' Report | 3 |
| Remuneration Report | 7 |
| Consolidated Financial Statements | 14 |
| Directors' Declaration | 39 |
| Auditor's Independence Declaration | 40 |
| Auditor's Report | 41 |

DIRECTORS' REPORT

DIRECTORS' REPORT

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

DIRECTORS

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

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

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

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Exploration

Northern Territory

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

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

Western Australia

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

Uranium Trading

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

DIRECTORS' REPORT

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

OPERATING RESULTS FOR THE YEAR

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

REVIEW OF FINANCIAL CONDITIONS

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

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

CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

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

ENVIRONMENTAL REGULATION

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

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

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

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

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

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

MEETINGS OF DIRECTORS

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

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

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

Retirement, election and continuation in office of directors

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

COMPANY SECRETARY INFORMATION

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

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

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

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

Directors and Key Management Personnel ("KMP")

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

Remuneration Policy

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

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

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

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

The policy, setting the terms and conditions for the executive directors and specified executives, was developed and approved by the Board and is considered appropriate for the current exploration phase of the Group's development. Emoluments of directors are set by reference to payments made by other companies of similar size and industry, and by

DIRECTORS' REPORT

Remuneration Policy (Continued)

reference to the skills and experience of directors. Fees paid to directors are not linked to the performance of the Group. This policy may change once the exploration phase is complete. At present the existing remuneration policy is not impacted by the Group's performance including earnings and changes in shareholder wealth (dividends, changes in share price or returns of capital to shareholders).

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

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

DIRECTORS' REPORT

Directors and Executives (Key Management Personnel) Emoluments

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

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

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

DIRECTORS' REPORT

Service Agreements

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

Deshao Chen

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

Shuqing Xiao

Mr Xiao was appointed as a Managing Director on 2

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

Lindsay Dudfield

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

Yu Zhong

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

Jan Macpherson

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

Zimin Zhang

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

Junmei Xu

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

Xuekun Li

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

DIRECTORS' REPORT

Options granted as part of remuneration

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

Share-based compensation

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

Securities Policy

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

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

Shares provided on exercise of options

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

End of Remuneration Report (Audited).

SHARES UNDER OPTION

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

SHARES ISSUED ON EXERCISE OF OPTIONS

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

DIRECTORS AND OFFICERS INSURANCE

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

DIRECTORS' REPORT

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 41 of this report.

NON-AUDIT SERVICES

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

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

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

- no non-audit services have been occurred during the year; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

19 February 2019, at Perth, Western Australia



Shuqing Xiao
Managing Director

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Contents

| | Page |
|---|------|
| Financial Statements | |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 14 |
| Consolidated Statement of Financial Position | 15 |
| Consolidated Statement of Changes in Equity | 16 |
| Consolidated Statement of Cash flows | 17 |
| Notes to the Consolidated Financial Statements | 18 |
| Directors' Declaration | 39 |
| Auditors' Independence Declaration | 40 |
| Independent Auditors' Report to the Members | 41 |

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 3 to 12 are not part of these financial statements.

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

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

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

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ("IFRS"). The financial statements were authorised for issue by the directors on 19 February 2019.

Basis of Preparation

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

Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(s).

(b) Principles of Consolidation

(i) Subsidiaries

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

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

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

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.

ENERGY METALS LIMITED

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

(b) Principles of Consolidation (continued)

(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.

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax (continued)

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.

(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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Trade and Other Receivables (Continued)

receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(j) Investments and Other Financial Assets

Classification

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

(i) Loans and Receivables

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

(ii) Held-to maturity Investments

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

Recognition and Derecognition

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

Subsequent Measurement

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

Impairment

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Plant and Equipment

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

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

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

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

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

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

(l) Exploration and Evaluation Expenditure

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

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

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Exploration and Evaluation Expenditure (Continued)

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

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

(m) Trade and Other Payables

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

(n) Employee Benefits

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

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

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

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

(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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Contributed Equity

Ordinary shares are classified as equity.

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

(p) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(q) Goods and Services Tax (GST)

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

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

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

(r) New Accounting Standards and Interpretations

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

AASB9 Financial Instruments and related amending Standards

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

AASB 9 introduced new requirements for:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

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

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

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

AASB 15 Revenue from Contracts with Customers and related amending Standards

In the current year, the Group has applied AASB 15 *Revenue from Contracts with Customers* (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. The Group has applied this new rule for the first time in the current year. The core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) New Accounting Standards and Interpretations (Continued)

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

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

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

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

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

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

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

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

(s) Critical Accounting Estimates and Judgements

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

Accounting for capitalised exploration and evaluation expenditure

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

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

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

2. SEGMENT INFORMATION

(a) DESCRIPTION OF SEGMENTS

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

(b) SEGMENT REVENUE AND RESULTS

| | Consolidated | | | |
|------------------------------|-----------------|---------|----------------|-----------|
| | SEGMENT REVENUE | | SEGMENT RESULT | |
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| CONTINUING OPERATIONS | | | | |
| Uranium exploration | 8,292 | 16,205 | (230,858) | (570,107) |
| Corporate | 475,273 | 570,303 | (321,945) | (304,375) |
| | 483,565 | 586,508 | (552,803) | (874,482) |

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

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

(c) SEGMENT ASSETS AND LIABILITIES

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

(d) INFORMATION ABOUT MAJOR CUSTOMERS

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

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

3. REVENUES AND EXPENSES

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

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

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:

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Loss before income tax | (552,803) | (874,482) |
| Income tax expense/ (benefit) @ 30% | (165,841) | (262,345) |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| Non-deductible expenses | 328 | 156 |
| Deferred tax relating to temporary timing differences not recognised | (198,180) | (54,779) |
| Deferred tax assets relating to tax losses not recognised | (363,693) | 317,240 |
| Prior year true up | - | (272) |
| Income tax expenses/(benefit) reported in the income statement | <u>-</u> | <u>-</u> |

The franking account balance at period end was nil (2017: nil).

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

Deferred tax assets

| | | |
|--|------------|------------|
| Tax losses carried forward | 11,720,691 | 11,356,999 |
| Non-refundable R&D tax offsets carried forward | 1,386,721 | 1,386,721 |
| Other temporary differences | 16,345 | 20,882 |

Deferred tax liabilities

| | | |
|--|------------------|------------------|
| Prepayments | - | (377) |
| Exploration assets | (10,271,720) | (10,077,700) |
| Other temporary differences | (52,767) | (52,767) |
| Net deferred tax assets not recognised | <u>2,799,270</u> | <u>2,633,758</u> |

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

4. TAXATION (CONTINUED)

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

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

Tax Consolidation

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

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

| | Consolidated | |
|---|--------------|-----------|
| | 2018 | 2017 |
| | \$ | \$ |
| Loss after income tax | (552,803) | (874,482) |
| Depreciation | 39,380 | 48,490 |
| Write-off exploration expenditure | - | 416,677 |
| Annual leave provision | (14,201) | 8,265 |
| Gain on disposal of fixed asset | - | (40,442) |
| Change in operating assets and liabilities during the financial period: | | |
| Decrease/(Increase) in trade and other receivables | 105,198 | (232,323) |
| Decrease/(Increase) in trade and other payables | (684) | 69,647 |
| Net cash outflow from operating activities | (423,110) | (604,168) |
| Reconciliation of cash balance comprises: | | |
| Cash and cash equivalents | 369,679 | 111,639 |

There were no significant non-cash transactions during the year.

6. LOSS PER SHARE

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

Reconciliation of loss used in calculation of loss per share:

| | 2018 | 2017 |
|---|-------------|-------------|
| | \$ | \$ |
| Loss attributable to owners of the Company | (552,803) | (874,482) |
| | 2018 | 2017 |
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share. | 209,683,312 | 209,683,312 |

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

7. DIVIDENDS

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

8. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|--|------------------|------------------|
| | 31 December 2018 | 31 December 2017 |
| | \$ | \$ |
| Cash and cash equivalents | 151,570 | 34,045 |
| Share of Joint Operations' cash | 218,109 | 77,594 |
| | 369,679 | 111,639 |
| Term deposits classified separate to cash on face of statement of Financial Position | 17,894,842 | 19,272,383 |

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

10. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

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

Reconciliation of the carrying amount of fixed assets:

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

11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

| | | |
|---|---------|---------|
| Employee benefits expense capitalised during the year were: | 2018 | 2017 |
| | \$ | \$ |
| Wages and superannuation | 274,133 | 283,147 |

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

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

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

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

13. PROVISIONS

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

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

14. CONTRIBUTED EQUITY

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

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

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

Ordinary Shares

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

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

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

Options

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

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

14. CONTRIBUTED EQUITY (CONTINUED)

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.

15. SHARE BASED PAYMENT TRANSACTIONS

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

Employee Option Plan

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

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

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

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

16. FINANCIAL RISK MANAGEMENT

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

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

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

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments:

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

(a) Market Risk

(i) Foreign Exchange Risk

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

(ii) Price Risk

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

(iii) Cash flow and fair value interest rate risk

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

(iv) Group Sensitivity

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

(b) Credit Risk

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

(c) Liquidity Risk

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

(d) Fair Value Measurements

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

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

17. CONTINGENCIES

Contingent Liabilities

Claims of Native Title

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

18. COMMITMENTS

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

Capital Commitments

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

Lease Commitments: Group as lessee

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

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

19. KEY MANAGEMENT PERSONNEL

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

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

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 10.

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

20. CONTROLLED ENTITIES

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

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

21. RELATED PARTY TRANSACTIONS

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 20.

(c) Key Management Personnel

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

(d) Transactions with related parties

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

(f) Loans to/from related parties

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

(g) Guarantees

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

22. REMUNERATION OF AUDITORS

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

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

23. INTEREST IN JOINT OPERATIONS

The Company has the following interest in unincorporated joint operations:

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

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

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

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

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

a) Commitments

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

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

b) Contingent liabilities

Claims of Native Title

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

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

24. PARENT ENTITY INFORMATION

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

| | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| Current assets | 18,600,431 | 19,824,768 |
| Non-current assets | 34,428,795 | 33,783,017 |
| Total assets | 53,029,226 | 53,607,785 |
| Current liabilities | 187,794 | 213,813 |
| Total liabilities | 187,794 | 213,813 |
| Contributed equity | 59,051,644 | 59,051,644 |
| Accumulated losses | (6,201,212) | (5,657,672) |
| Total equity | 52,850,432 | 53,393,972 |
| Income for the year | 483,565 | 586,508 |
| Total comprehensive expense for the year | (552,540) | (874,228) |

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

25. EVENTS OCCURRING AFTER REPORTING DATE

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

DIRECTORS' DECLARATION

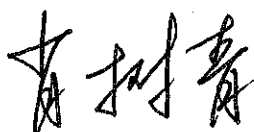
ENERGY METALS LIMITED AND ITS CONTROLLED ENTITIES ACN 111 306 533

DECLARATION BY DIRECTORS

The directors of the Company declare that:

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

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



Shuqing Xiao
Managing Director

Perth, Western Australia
19 February 2019

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

19 February 2019

Dear Board Members

Energy Metals Limited

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

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

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

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

Key Audit Matters

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

| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| <p><i>Accounting for Exploration and Evaluation Assets</i></p> <p>As at 31 December 2018 the Groups capitalised exploration and evaluation expenditure totalled \$34,239,093 as disclosed in Note 11.</p> <p>Judgement is applied in determining the treatment of exploration and evaluation expenditure including:</p> <ul style="list-style-type: none"> ➤ 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. | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ➤ Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; ➤ Holding discussions with management as to the status of ongoing exploration programmes in the respective areas of interest; ➤ Assessing whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; ➤ Verifying on a sample basis, evaluation expenditure capitalised during the year for compliance with the applicable accounting standards, and ➤ Assessing whether any facts or circumstances existed to suggest impairment may be required. <p>We also assessed the appropriateness of the disclosures in Note 11 to the financial statements.</p> |

Other Information

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

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

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

Responsibilities

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



DELOITTE TOUCHE TOHMATSU



D K Andrews

Partner

Chartered Accountants

Perth, 19 February 2019