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ASX RELEASE

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PROPOSED PROPORTIONAL TAKEOVER BID BY CHINA URANIUM DEVELOPMENT
COMPANY LIMITED

Key Points

- **Energy Metals has entered into an Implementation Deed with CGNPC Uranium Resources Co., Ltd. ("URC"), under which China Uranium Development Company Limited ("CUD") will offer to acquire up to 70% of the outstanding ordinary shares of Energy Metals for \$1.02 cash per share, by means of a proportional takeover bid. Both URC and CUD are wholly owned subsidiaries of the state-owned China Guangdong Nuclear Power Holding Co., Ltd ("CGNPC").**
- **The offer price represents a 19% premium to the closing price on 26 August 2009, and a 60% premium to the 3 month volume weighted average price of Energy Metals shares up to 26 August 2009.**
- **As part of the above deed, CUD will underwrite a 1:9 rights issue by Energy Metals at \$0.90 per share which Energy Metals intends to implement on completion of the proportional takeover bid. The rights issue will raise approximately \$11.7m.**
- **The proposed transaction is unanimously supported by the Board of Energy Metals, subject to no superior offer being tabled.**

The Board of Energy Metals Limited (ASX: EME) ("Energy Metals") is pleased to announce that the company has today signed a binding Implementation Deed ("Deed") with URC, a subsidiary of CGNPC.

The Deed provides that, subject to the satisfaction of certain conditions, CUD will make a proportional off-market takeover bid ("Bid") for 70% of the shares held by each Energy Metals shareholder, for **\$1.02 cash per share**. The conditions of the Bid are contained in Annexure A.

The Energy Metals directors unanimously recommend that Energy Metals shareholders accept the Bid in the absence of a superior proposal being received. Each of the Energy Metals directors intends to accept the Bid in respect of the Energy Metals shares in which they have a relevant interest and in respect of which they have the power to accept or procure the acceptance of the Bid, in the absence of a superior proposal being received.

Jindalee Resources Limited, which owns 40% of the issued capital of Energy Metals, has stated that it intends to accept the Bid, in the absence of a superior proposal.

Following the successful completion of the Bid, Energy Metals intends to conduct a **1:9 rights issue at \$0.90 per share** to raise approximately \$11.7 million (“Rights Issue”). It is proposed that the Rights Issue will be fully underwritten by CUD and will be non-renounceable. The proceeds raised will be used, among other things, to accelerate the development of Energy Metals’ Bigrlyi project (Energy Metals 53.7%). Energy Metals will have cash of approximately \$14m following completion of the Rights Issue (depending upon the timing of the Rights Issue). Key terms of the Rights Issue are contained in Annexure B.

The maximum interest of CUD in Energy Metals following completion of the Bid and Rights Issue, if no other shareholders subscribe under the Rights Issue, will be 73% (undiluted for existing options).

URC is supportive of Energy Metals’ goal of becoming Australia’s next uranium producer. It has a proven ability to finance the development of resource projects, including through joint venture projects with large international companies including the Kazakhstan nuclear fuel producer Kazatampom.

The Bid

Under the Bid, CUD will offer to acquire 70% of the Energy Metals shares held by each Energy Metals shareholder, for a cash consideration of \$1.02 per share.

The Bid price represents a 19% premium to the closing price on 26 August 2009 (the last trading day before Energy Metals entered into trading halt/voluntary suspension), and a 60% premium to the 3 month volume weighted average price (to 26 August 2009), of Energy Metals shares.

Holders of Energy Metals options may exercise those options and participate in the Bid. There will be no separate offer for the options.

Bid conditions

The Bid will be subject to the conditions fully set out in Annexure A, summarised as follows:

- Approval by Australian Foreign Investment Review Board (FIRB) and Chinese regulatory authorities, being National Development and Reform Commission (NDRC), Ministry of Commerce (MOC) and State Administration of Foreign Exchange (SAFE).
- Minimum acceptance of 50.1%
- Absence of Material Adverse Change
- No material transactions, claims or changes
- Absence of regulatory intervention
- No third party consents required
- Absence of Prescribed Occurrences

Under the Deed, Energy Metals has undertaken to deal exclusively with URC, and has agreed to no shop, no talk and no due diligence provisions (subject only to fiduciary carve outs where a superior proposal is proposed or reasonably expected to be received by Energy Metals) and has undertaken to notify URC of any inquiries or proposals, detailing the information provided. Further details of these arrangements are contained in Annexure C.

Timetable

It is expected that a Bidder's Statement will be available in late September and that this will be accompanied by Energy Metals' Target Statement.

The Bid must remain open for a minimum period of one month following service of the Bidder's Statement.

About CGNPC, URC and CUD

CGNPC is a Chinese incorporated company with total assets of approximately USD 16 billion and net assets of over USD 5 billion. CGNPC is a State-owned Company supervised by the State-owned Assets Supervision and Administration Commission (SASAC) and is entitled to hold and operate its assets and business with full authority to make all decisions relating to its operation and investment.

Established in September 1994, CGNPC now has 4 operating nuclear power stations with existing generation capacity of 4,000 MWe. Further nuclear projects currently under construction will add in excess of 20,000 MWe of capacity across various locations around China.

CGNPC has also invested in a portfolio of wind, solar energy and hydro power units with total current generating capacity of approximately 1,650 MWe. Further clean energy generating capacity is under construction. CGNPC aims to become the world's leading clean energy producer.

URC is a wholly owned subsidiary of CGNPC whose stated aim is to establish stable channels of nuclear fuel supply for CGNPC. URC is authorized by CGNPC to manage all CGNPC's domestic and foreign uranium product trade and uranium resources investment. URC will nominate the board of directors of CUD and also provide management expertise for CUD.

CUD is another wholly owned subsidiary of CGNPC and is a Hong Kong registered company. CUD is an investment vehicle of CGNPC for its foreign uranium resources development business. Investment and operation decisions are made by the Board of Directors of CUD based on the corporate laws of Hong Kong.

Chairman's comment

Energy Metals' Chairman Mr Oscar Aamodt said:

"We are very pleased to have reached this agreement with a subsidiary of one of the world's leading clean energy enterprises.

The Energy Metals Board believes that CGNPC's financial resources, technical expertise and strategic intent to develop its uranium resource portfolio, will greatly assist Energy Metals in its transition from explorer to developer and producer."

Further information can be found at:

<http://www.cgnpc.com.cn/n2881959/n3075227/index.html>

Energy Metals is advised by Gresham Advisory Partners Limited and Steinepreis Paganin.

CGNPC, URC and CUD are advised by Clayton Utz.

Further information:

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Annexure A Conditions

The Offer will be subject to conditions substantially as set out below.

1. **50.1% minimum acceptance**

At the end of the Offer Period, Bidder has a Relevant Interest in at least 50.1% of the Target Securities on issue and all the Target Securities that would be issued if all the Options on issue were exercised.

2. **Foreign Investment Review Board**

Before the end of the Offer Period:

- (a) the Treasurer of the Commonwealth of Australia or a delegate of the Treasurer of the Commonwealth of Australia issues a notice stating that the Commonwealth Government does not object to the potential acquisition by Bidder of up to 70% of the shares in Target and such notice is not subject to any conditions;
- (b) the period provided under the FATA during which the Treasurer of the Commonwealth of Australia may make an order under section 18(2) of the FATA or an interim order under section 22 of the FATA in relation to the acquisition by Bidder of the shares in Target expires without such an order being made; or
- (c) if an interim order under section 22 of the FATA is made, the subsequent period for making a final order prohibiting the acquisition by Bidder of the shares in Target lapses without a final order being made.

3. **Chinese Regulatory Approvals**

Before the end of the Offer Period, Bidder (or any other applicable member of the CGNPC Group) obtains all approvals, authorisations and consents required and necessary to enable Bidder to acquire Target Securities under the Offer from each of the following in the People's Republic of China:

- (a) National Development and Reform Commission;
- (b) Ministry of Commerce; and
- (c) State Administration of Foreign Exchange.

4. **No action by a Public Authority adversely affecting the Offer**

Between the Announcement Date and the end of the Offer Period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by an Australian Public Authority; and
- (b) no application is made to any Australian Public Authority (other than by a member of the CGNPC Group), and no action or investigation is announced, threatened or commenced by an Australian Public Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which:

- (i) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Bidder in respect of Target and the Target Securities to be acquired under the Offer; or
- (ii) requires divestiture by Bidder of any Target Securities, or the divestiture of any assets of the Target Group, the CGNPC Group or otherwise.

5. **No Material Adverse Change**

Before the end of the Offer Period, no Target Material Adverse Change occurs, is discovered, announced or disclosed or otherwise becomes known to Bidder (whether or not becoming public).

6. **No material transactions, claims or changes**

Except as disclosed in any public announcement by Target delivered to ASX prior to the Announcement Date, no member of the Target Group has between the Announcement Date and the end of the Offer Period:

- (a) encumbered or otherwise disposed of, offered to dispose of, or agreed to dispose of, any interest in any exploration tenement or joint venture or surrendered, relinquished or otherwise ceased (or is reasonably likely to cease) to hold any interest in the whole or part of any exploration tenement or joint venture;
- (b) entered into or offered to enter into any joint venture, asset or profit sharing, partnership or merger of businesses (including through a multiple listed companies structure) or of corporate entities, or concentrate sale or off-take agreement, involving a material commitment in aggregate;
- (c) had any claim made or threatened against it, or litigation, arbitration proceedings, prosecution or other legal proceedings commenced against it which is material in nature or amount, other than a claim in respect of which the Target has obtained, and provided to Bidder within 5 Business Days of the relevant claim, a written opinion of Senior Counsel or Queens Counsel briefed by the Target (such opinion expressed to also be for the benefit of Bidder and on which Bidder can rely) that the relevant claim has no reasonable prospects of success if pursued in a Court of competent jurisdiction;
- (d) publicly disclosed the existence of any matter described in paragraphs (a) to (c) above;
- (e) entered into any contract, commitment, arrangement or agreement, passed any resolution or made any offer (which remains open for acceptance) with respect to, or publicly announced an intention to, or proposal to, do anything described in paragraphs (a) to (c) above; or

- (f) made any material correction or restatement to any documents lodged by the Target with ASX or ASIC under its periodic or continuous disclosure obligations under the ASX Listing Rules or the Corporations Act prior to the Announcement Date.

7. **Third party consents**

If any member of the Target Group is a party to, is bound by, or is subject to, a material agreement, arrangement or understanding which as a result of the acquisition of Target Securities by Bidder under the Offer or a change in control of Target as a result of the Offer entitles a Third Party to exercise any rights (including termination rights or pre-emptive rights), and the exercise of those rights would have a material adverse impact on the business, assets, liabilities, financial or trading position, profitability or prospects of Target Group then before the end of the Offer Period the Third Party:

- (a) does not exercise, purport to exercise, or state an intention or claim a right to exercise, those rights; and
- (b) gives its unconditional and irrevocable consent to the acquisition of Target Securities by Bidder or otherwise waives unconditionally and irrevocably its entitlement to exercise rights as referred to above.

8. **Prescribed Occurrences**

Before the end of the Offer Period, no Prescribed Occurrence occurs other than in respect of the exercise of a Target Option.

Annexure B Rights Issue

Target will conduct an underwritten non-renounceable rights issue seeking to raise approximately \$11 million, to be conducted on the basis of 1 new Target Security for every 9 Target Securities held, at an issue price of \$0.90 per new Target Security.

Bidder will act as sole underwriter to the rights issue, and agrees to subscribe for any new Target Securities for which valid acceptances are not received by Target in respect of the offer of new Target Securities to Target Securityholders under the rights issue ("**Shortfall Shares**").

The rights issue and the underwriting will be subject to Bidder (or any other applicable member of the CGNPC Group) obtaining all necessary Regulatory Approvals, both in Australia and China (in the nature of the approvals referred to in Conditions 2 and 3 for the purposes of Bidder acquiring securities pursuant to both taking up its rights under the rights issue and fulfilling its obligations under the underwriting). The underwriting agreement will contain customary provisions providing for indemnities in favour of the Bidder as underwriter and a termination right in favour of the underwriter in the event of failure to obtain necessary Regulatory Approvals or contravention of any laws (including contravention of Chapter 6 of the Corporations Act).

The rights issue will include, without limitation, a shortfall facility or dispersion strategy to enable Target Securityholders to subscribe for Shortfall Shares in priority to Bidder.

Target will issue target Securities and otherwise perform its obligations in accordance with this deed, the rights issue disclosure document or offer document and the rights issue timetable, which timetable will be consistent with the provisions of the ASX Listing Rules and include an offer period of no less than 15 Business Days. The Target will conduct the rights issue in a manner which will not require a shareholder vote. It is presently intended that Target will also conduct the rights issue in a manner which complies with section 708AA.

Bidder may at any time appoint sub-underwriters in respect of the rights issue.

The underwriting and rights issues (including the rights issue disclosure document or offer document and the rights issue timetable) will otherwise be made in compliance with all Australian laws including Takeovers Panel guidance notes and decisions. Target will obtain all waivers of ASX Listing Rules and modifications of the Corporations Act which are necessary to implement the rights issue and underwriting.

The proceeds of the rights issue will be utilised by Target to:

- advance the feasibility study work at the Biglyi Project;
- to pursue exploration activities on Target's 100% owned tenements; and
- for working capital.

Target and Bidder will negotiate together in good faith using best endeavours to agree any other material terms of the rights issue and the underwriting, including such as are necessary in order to ensure that the rights issue and underwriting are conducted upon

terms and conditions necessary to give effect to this deed and otherwise made in compliance with all Australian laws including Takeovers Panel guidance notes and decisions.

Annexure C

Exclusivity and Break Fee

EXCLUSIVITY

Energy Metals and URC have agreed to the following exclusivity arrangements from the date of the Deed until the expiration of the offer period of the Bid (“Exclusivity Period”).

No shop

During the Exclusivity Period, Energy Metals must not, and must ensure that its Representatives do not, except with the prior written consent of URC, solicit or invite any “Competing Proposal” (defined below) or initiate discussions with any third party with a view to obtaining any expressions of interest, offer or proposal from any person in relation to a Competing Proposal.

No talk and no due diligence

Subject to the exceptions below, during the Exclusivity Period, Energy Metals must not, and must ensure that its representatives do not, except with the prior written consent of URC:

- (a) participate in any negotiations in relation to a Competing Proposal or which may reasonably be expected to lead to a Competing Proposal; or
- (b) provide any information to a third party for the purposes of enabling that party to make a Competing Proposal; or
- (c) communicate any intention to do any of the things listed in (a) or (b).

Exceptions to no talk and no due diligence obligations

The “no talk” and “no due diligence” obligations do not apply if the Energy Metals Board, acting in good faith, after having obtained written advice from its legal and, if appropriate, its financial advisers, determines that:

- (a) where there is a Competing Proposal, the Competing Proposal is a Superior Proposal (defined below) and Energy Metals has complied with its notice obligations (see below) or, where there is not yet a Competing Proposal, the steps which Energy Metals Board proposes to take may reasonably be expected to lead to a Competing Proposal which is a Superior Proposal; and
- (b) failing to respond to the Competing Proposal would be reasonably likely to constitute a breach by Energy Metals Board of its fiduciary or statutory duties or to expose Energy Metals Board to a material risk of liability at the suit of any shareholder or public authority.

No commitments

During the Exclusivity Period, Energy Metals must not, and must ensure that its representatives do not, except with the prior written consent of URC, enter into any deed, arrangement or understanding in relation to a Competing Proposal which would have the effect of requiring Energy Metals to abandon, or otherwise fail to proceed with, the Bid unless Energy Metals Board determines that the Competing Proposal is a Superior Proposal.

Notice of Competing Proposal

During the Exclusivity Period, Energy Metals must:

- (a) promptly notify URC if it or any of its representatives receive any inquiry or proposal which may reasonably be expected to lead to a Competing Proposal;

- (b) as soon as reasonably practicable provide written notice of the identity of the party or parties involved in the inquiry or proposal; and
- (c) provide URC with regular updates on the status of any such inquiry or proposal.

“Competing Proposal” means a proposed transaction or arrangement pursuant to which a person other than CUD or any of its related entities would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in, all or a substantial or material part of the assets or business of Energy Metals;
- (b) acquire a relevant interest in 20% or more of the ordinary shares of Energy Metals or otherwise acquire control of Energy Metals within the meaning of section 50AA of the Corporations Act; or
- (c) otherwise acquire or merge with Energy Metals whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy back, share purchase agreement, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction or arrangement.

“Superior Proposal” means a Competing Proposal which:

- (a) in the determination of the Energy Metals Board acting in good faith is reasonably capable of being completed, taking into account both the nature of the Competing Proposal and the person or persons making it; and
- (b) in the determination of the Energy Metals Board acting in good faith and in order to satisfy what the Energy Metals Board considers to be its fiduciary, statutory or other legal duties would, if completed substantially in accordance with its terms, result in a transaction more favourable (taking into account the benefits expected to result from the underwritten rights issue) to the shareholders of Energy Metals than the Bid.

BREAK FEE

Energy Metals and URC have also agreed to a mutual break fee of \$500,000 (“Break Fee”). The circumstances in which each party is obliged to pay the Break Fee to the other are set out below.

Energy Metals

Energy Metals must pay URC the Break Fee (plus any GST and without set-off or withholding) within 5 Business Days after receiving a written demand from URC stating the circumstances which give rise to the payment:

- (a) if any Energy Metals Director does not maintain until the end of the Offer Period his or her recommendation to Energy Metals Securityholders to accept the Offers made under the Bid, or withdraws or adversely modifies his or her recommendation or otherwise announces he or she no longer supports the Bid, except in circumstances where the Energy Metals Director publicly recommends a Superior Proposal; or
- (b) if after the date of this announcement a Competing Proposal is announced or open for acceptance and within 6 months of the date of this announcement that

Competing Proposal or a transaction substantially similar to that Competing Proposal is:

- (i) completed; or
- (ii) in the case of such an Competing Proposal that involves a takeover bid made under Chapter 6 of the Corporations Act, the proponent of the Competing Proposal acquires a relevant interest in at least 50% of the Energy Metals Securities and the bid becomes free from any defeating conditions as that term is defined in the Corporations Act.

URC

URC must pay the Break Fee (plus any GST and without set-off or withholding) within 5 Business Days after receiving a written demand from Target if:

- (a) there is a breach of the Chinese Approval Warranty (defined below) given by URC in the Deed; or
- (b) the Bid does not proceed due to the non-satisfaction of Condition 2 (Chinese Regulatory Approvals) (set out in Annexure A of this Announcement).

The “Chinese Approval Warranty” given by URC under the Deed is that it:

- (a) has lodged a Project Information Report complying with the requirements of the NDRC’s “Circular on Improving the Administration of Offshore Investment” dated 8 June 2009; and
- (b) is not aware of any regulatory authority in China which is required to approve the execution of this deed or the making of the Offer other than the National Development and Reform Commission, the Ministry of Commerce and the State Administration of Foreign Exchange of the People’s Republic of China;

DICTIONARY FOR ANNEXURES

Announcement Date means 8 September 2009.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the securities market operated by ASX Limited ABN 98 008 624 691, as the context requires.

Bid means an off-market takeover offer to be made by Bidder for the Specified Proportion of all Target Securities under Chapter 6 of the Corporations Act for cash consideration of \$1.02 per Target Security subject to the defeating conditions set out in the Conditions (and no other defeating conditions) and otherwise in accordance with the terms of this document.

Bidder means China Uranium Development Company Limited (**CUD**), a wholly owned Subsidiary of CGNPC, or a wholly owned Subsidiary of CGNPC nominated by URC prior to the date on which the Bidder's Statement is lodged with ASIC.

CGNPC means China Guangdong Nuclear Power Holding Co., Ltd.

CGNPC Group means CGNPC and its Subsidiaries.

Conditions means the conditions set out in Annexure A of this Announcement.

Corporations Act means the Corporations Act 2001 (Cth).

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

Offer means the offer to be made by Bidder to acquire Target Securities under the Bid.

Offer Period means the period during which the Offer will remain open for acceptance.

Options means options to subscribe for Target Securities.

Prescribed Occurrence means any of the following events:

- (a) Target converts all or any of its shares into a larger or smaller number of shares;
- (b) Target or a Subsidiary of Target resolves to reduce its capital in any way;
- (c) Target or a Subsidiary of Target:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- (d) Target or a Subsidiary of Target issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Target or a Subsidiary of Target issues, or agrees to issue, convertible notes;
- (f) Target or a Subsidiary of Target disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Target or a Subsidiary of Target charges, or agrees to charge the whole, or a substantial part, of its business or property;
- (h) Target or a Subsidiary of Target resolves to be wound up;

- (i) a liquidator or provisional liquidator of Target or of a Subsidiary of Target is appointed;
- (j) a court makes an order for the winding up of Target or of a Subsidiary of Target;
- (k) an administrator of Target or of a Subsidiary of Target is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Target or a Subsidiary of Target executes a deed of company arrangement;
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Target or of a Subsidiary of Target.

Public Authority means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority tribunal, agency or entity and includes ASIC and ASX.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Specified Proportion means 70%.

Subsidiary has the meaning given to that term in section 9 of the Corporations Act.

Target or **Energy Metals** means Energy Metals Limited ABN 63 111 306 533.

Target Group means Target and its Subsidiaries.

Target Material Adverse Change means any event, matter, change, thing or condition (which individually or when aggregated with all such events, matters, changes, things or conditions) which has occurred or has been disclosed to the market or of which Bidder has otherwise become aware since the day before the Announcement Date and which had, or could reasonably be expected to have (whether now or in the future), a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Target Group (taken as a whole), other than:

- (a) as a result of the announcement of the Offer; or
- (b) an event, occurrence or matter required to be undertaken or procured pursuant to the Implementation Deed.

Target Security means a fully paid ordinary share in Target.

Third Party means a person other than a member of the CGNPC Group or the Target Group.

URC means CGNPC Uranium Resources Co., Ltd.