

9 October 2009

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Via electronic lodgement

TARGET'S STATEMENT

We refer to the Bidder's Statement dated 28 September 2009 in respect of the offer by China Uranium Development Company Limited (**CUD**) to acquire 70% of the issued share capital of Energy Metals Limited (**Energy Metals**).

In accordance with Item 14 of Section 633(1) of the Corporations Act, we attach a copy of the Target's Statement prepared by Energy Metals in response to CUD's Bidder's Statement.

A copy of the Target's Statement has today been served on CUD and lodged with the Australian Securities and Investments Commission.

Yours faithfully

A handwritten signature in black ink that reads 'Lindsay Dudfield'.

Lindsay Dudfield
Executive Director



TARGET'S STATEMENT

The Directors of **Energy Metals Limited** unanimously recommend, in the absence of a superior proposal, that you **ACCEPT** the Offer by **China Uranium Development Company Limited** to acquire **70%** of your EME Shares for **\$1.02 cash per EME Share**.

Legal Advisers



Corporate Advisers



This is an important document. If you do not understand this document or you are in doubt as to how to act you should consult your lawyer, accountant, stockbroker or other professional adviser.

Important information

This Target's Statement is dated 9 October 2009 and is given by Energy Metals Ltd (EME) under section 638 of the Corporations Act in response to the Bidder's Statement served on EME by China Uranium Development Company Limited (CUD) on 28 September 2009. A copy of the Target's Statement has been lodged with the ASIC and ASX. Neither the ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

The Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Offer.

Proportional takeover bid

Shareholders should note that the Offer is a **proportional** takeover bid. CUD is offering to acquire **70%** of the EME Shares held by each Shareholder. If the proportional bid succeeds in full, CUD will hold approximately 70% of EME Shares.

EME Shareholder information

If you have any queries regarding the Offer, please contact EME on +61 8 9322 6904.

Your investment decision

The recommendations of the EME directors contained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each EME Shareholder. You may wish to seek independent professional advice before making a decision as to whether or not to accept the Offer.

Defined terms

Various defined terms are used in this Target's Statement. Their meanings are set out in Section 9.

Forward looking statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. EME considers it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. However, EME Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond EME's control. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of EME, its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any express or implied representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. EME Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Risk factors

EME Shareholders should note that there are a number of risk factors attached to their investment in EME. Please refer to Section 7 (Risk factors) of this Target's Statement for further information on those risks.

Key dates

Announcement of the Offer	8 September 2009
Date of the Offer and Offer Period opens	2 October 2009
Target's Statement lodged with ASIC and dated	9 October 2009
Date for CUD to give Notice of Status of Conditions ¹	28 October 2009
Offer Period closes (unless extended or withdrawn) ²	7:00pm (Sydney time) 4 November 2009

¹ This date is subject to variation in accordance with section 630(2) of the Corporations Act if the Offer Period is extended.

² This date is indicative only and may be extended as permitted by the Corporations Act.

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Chairman's letter



Dear EME Shareholder

We have previously written to you in relation to the proportional takeover offer by China Uranium Development Company (CUD) for EME Shares (**Offer**), which was announced on 8 September 2009. Under the Offer, EME Shareholders are being offered \$1.02 cash per EME Share for 70% of the EME Shares held by each Shareholder, by means of a proportional takeover. In addition, CUD has agreed to underwrite a 1:9 rights issue by EME at \$0.90 per EME Share.

Your Directors consider that the Offer is attractive and **unanimously recommend that you accept the Offer, in the absence of a superior proposal.**

You would by now have received CUD's formal offer document, called the **Bidder's Statement**, outlining the detailed terms of the Offer.

This Target's Statement is your Directors' formal response to the Offer, and sets out our reasons for unanimously recommending the acceptance of the Offer, in the absence of a superior proposal. In summary, these reasons are:

- CUD is paying a strong premium with the security of cash for 70% of EME Shares;
- Shareholders retain exposure to EME's assets through their remaining shareholding;
- EME's immediate funding requirements are met;
- Bigriyi Project development risks are reduced; and
- EME will have a strategic relationship with a nuclear power end-user.

The Offer is subject to a number of conditions which are outlined in this Target's Statement. Unless extended, the Offer is scheduled to close at 7:00pm (Sydney time) on 4 November 2009.

Your Directors have not made the decision to support the Offer lightly. We continue to believe Bigriyi is a very attractive uranium development project and that the Company's interests elsewhere in the Northern Territory and Western Australia represent further potential upside. Nevertheless, when the various financing and development risks are factored in, and taking into account the benefits that CUD and its associated entities bring to the development process, your Directors consider the Offer to be compelling and unanimously recommend it to EME Shareholders in the absence of a superior proposal. You will find further commentary in relation to these issues in the following pages of this Target's Statement.

You should note that EME's largest Shareholder, Jindalee Resources, has stated its intention to accept the Offer, in the absence of a superior proposal. Your Directors also intend to accept the Offer for their shareholdings, in the absence of a superior proposal.

If you do not wish to accept the Offer, then no action is required. Should you wish to accept the Offer, complete the acceptance form that was posted to you with the Bidder's Statement, and follow the instructions in the Bidder's Statement and the acceptance form.

We recommend that you seek professional advice in relation to your personal circumstances, however if you have any queries in relation to the Offer, you can call EME on +61 (0)8 9322 6904 during office hours of 9:00am to 5:00pm (Perth time), Monday to Friday.

Yours sincerely

Oscar Aamodt
Chairman

1 Why you should accept the Offer

You should **ACCEPT** the Offer, in the absence of a superior proposal, for the following reasons:

- ☑ Unanimous Directors' recommendation
- ☑ Strong premium with the security of cash for 70% of EME Shares
- ☑ Shareholders retain exposure to EME's assets through remaining shareholding
- ☑ EME's immediate funding requirements are met
- ☑ Bigrlyi Project development risks are reduced
- ☑ Strategic relationship with nuclear power end-user

These reasons are explained in greater detail in the following pages.

1.1 Unanimous Directors' recommendation

In recommending the Offer to all EME Shareholders, your Directors considered a number of alternatives as part of a strategic review process which was initiated in 2008. These included continuing as a standalone company, as well as other corporate transactions based on proposals received during that process. Your Directors also received valuation advice from its consultants and advisers.

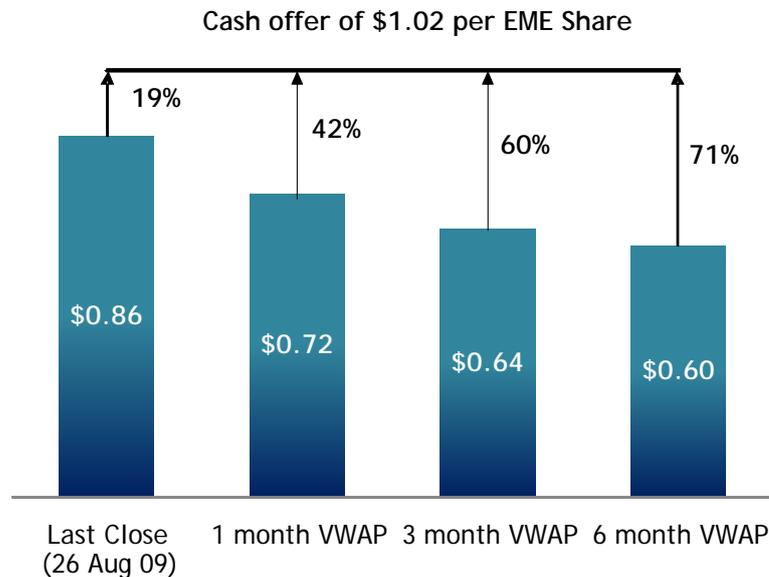
Your Directors consider that the Offer presents the best outcome for EME Shareholders, in the absence of a superior proposal. Since the public announcement of the Offer on 8 September 2009, no alternative offer has been received or announced.

Your Directors also took note of the statements by EME's largest shareholder, Jindalee Resources. Jindalee Resources, controlling 40% of EME, has for some time viewed its investment in EME as a non-core asset, and has indicated its intention to accept the Offer, in the absence of a superior proposal.

1.2 Strong premium with the security of cash for 70% of EME Shares

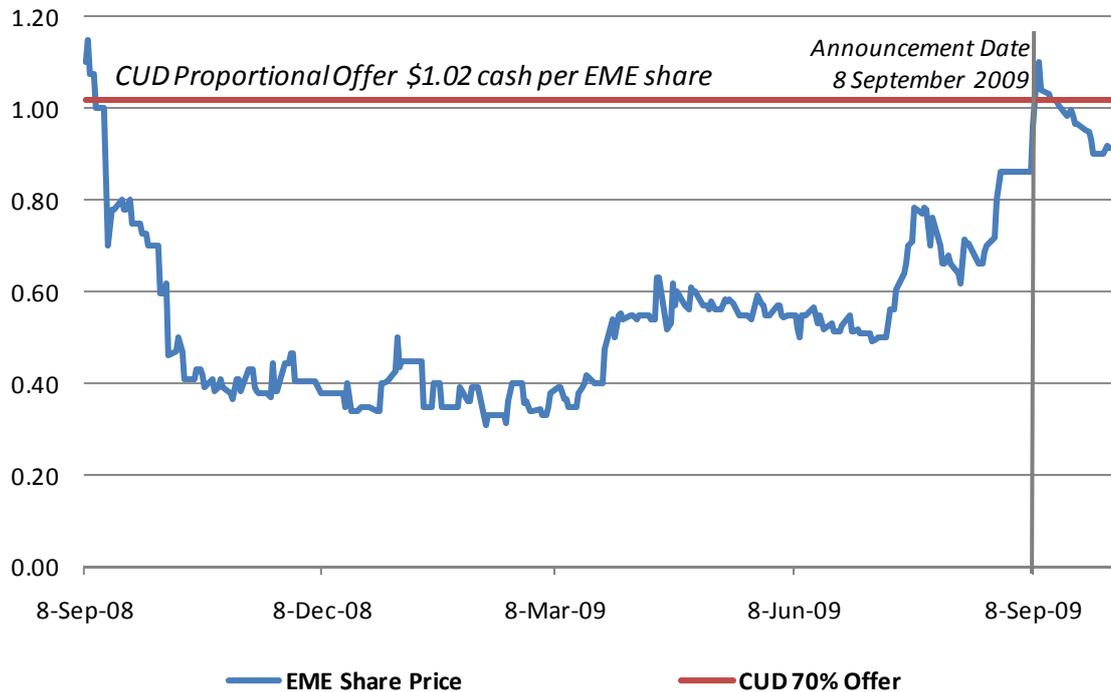
The Offer is priced at a substantial premium to the prevailing EME Share price prior to the announcement of the Offer. The relevant premiums under the Offer are:

- 19% to the closing price of \$0.86 per EME Share on 26 August 2009, the date EME Shares last traded on the ASX prior to the announcement of the Offer;
- 42% to the one-month VWAP to 26 August 2009;
- 60% to the 3-month VWAP of \$0.64 to 26 August 2009; and
- 71% to the six-month VWAP of \$0.60 to 26 August 2009.



Note that the Offer is for 70% of EME Shares only. Overall value depends on the value of 30% of EME Shares retained after close of the Offer. Based on the pre-EME announcement price of \$0.86, the overall value is \$0.97 and the premiums above are 13%, 35%, 52% and 62%.

The EME Share price has traded at a significant discount to the Offer price for the last 12 months.



The last time the EME Share price was above the Offer price was in September 2008, before the onset of the global financial crisis and at a time when the U₃O₈ spot price was trading at US\$64.50/lb (compared with US\$42.50/lb in September 2009 – a 34% reduction) (source: Bloomberg).

1.3 Shareholders retain exposure to EME's assets through remaining shareholding

Under the Offer, EME Shareholders who accept the Offer will retain 30% of their EME Shares. This provides continuing exposure to the Bigrlyi Project and EME's other uranium deposits and interests, in addition to the \$1.02 cash per EME Share received for 70% of your EME Shares under the Offer.

Your Directors remain of the view that Bigrlyi represents one of the most attractive uranium development projects in Australia, and have previously articulated its strengths, which include:

- its relatively high uranium grade;
- its valuable vanadium credits;
- its very strong metallurgical characteristics, with recoveries exceeding 90% achieved in trials to date; and
- its relatively straightforward processing flow sheet based on work completed by the Bigrlyi joint venture partners, with conventional mining and acid leaching.

A number of strong exploration targets have also been identified across EME's 100% owned Ngalia Basin tenements surrounding the Bigrlyi Project in the Northern Territory.

While EME's assets are viewed by your Directors as prospective, considerable additional funds are required in order to fully explore and exploit their potential value. In the absence of the Offer and the associated Rights Issue, the Company may face difficulty in raising funds for such exploration on attractive terms, particularly given the current volatility in global equity, commodity and currency markets. The underwriting of the Rights Issue provides a higher degree of certainty that funds will be available to pursue these opportunities, while the proportional

nature of the Offer means that EME Shareholders will retain meaningful exposure to success.

Further, shareholders seeking to retain or increase their exposure to EME beyond the close of the Offer can participate in the 1:9 non-renounceable Rights Issue, which will be conducted at a discount of 12% to the Offer Price (\$0.90 versus the Offer Price of \$1.02) following the successful completion of the Offer.

1.4 EME's immediate funding requirements are met

Following the successful completion of the Offer, CUD has undertaken, subject to the conditions described in the Bidder's Statement, to fully underwrite a 1:9 EME non-renounceable Rights Issue at \$0.90 per EME Share, in order to provide EME with significant cash reserves.

Your Directors have made the decision to preserve cash over the past 18 months, seeking to avoid the risk of a potentially highly dilutive capital raising at a low EME Share price. This has constrained the level of exploration which EME has undertaken during this time.

With cash reserves forecast to be approximately \$14 million following the completion of the Rights Issue, EME will be in a much stronger financial position to pursue the various exploration opportunities available in its existing tenement portfolio. Most significantly, a number of deposits at the Bigrlyi Project are open at depth and along strike. With the additional cash reserves, EME will have the flexibility to launch an accelerated drilling campaign to identify the quantum of the extension, and, if successful, increase the uranium resources at Bigrlyi.

Exploration on 100% EME controlled tenements can also be accelerated with the receipt of the additional funds from the Rights Issue, including EME's other Ngalia Basin tenements and its Western Australian projects, as noted above.

If this additional funding is successfully deployed, EME Shareholders will benefit through their remaining shareholding in EME.

1.5 Bigrlyi Project developments risks reduced

In addition to underwriting the Rights Issue, your Directors also took into account the significant technical and financial resources which the GCNPC Group possesses, and EME expects it will be able to draw on in the future, as the relationship between the two parties develops. In the view of your Directors, the existence of CUD as the major Shareholder in EME, has the potential to reduce the financial risk associated with any future project financing – a factor which is seen as a key benefit of the Offer over remaining an independent entity.

This benefit is particularly valuable in times of volatile financial markets. There are numerous examples of resource development companies which have been unable to access debt and equity markets in order to proceed with their project developments or to refinance maturing debt. In the view of the Directors, the financial strength of CUD's and its parent company, China Guangdong Nuclear Power Holding Co. Ltd. (**CGNPC**), and their relationships with other potential capital providers, such as Chinese banks, may provide options for future financing that would otherwise be unavailable to EME. If so, EME Shareholders will benefit through their remaining shareholding in EME.

1.6 Strategic relationship with nuclear power end-user

The Directors also believe CGNPC may be able to provide EME with access to additional technical expertise and industry relationships.

In recommending the Offer, in the absence of a superior proposal, your Directors were cognisant that greater development experience would be required within EME to effectively progress the Bigrlyi Project. Again, given the uncertainty relating to

global financial markets, and the material hurdles junior resource companies face in raising finance for their projects, attracting quality construction, engineering, mining and processing staff and contractors was viewed as a risk which may be mitigated by the Offer.

China is currently the largest investor globally in the construction of additional nuclear power generating capacity, and the Offer will facilitate access by EME to this critical market. While there is an established spot market for yellowcake (the likely dominant saleable product from Bigrlyi), the majority of global production is sold under long and shorter term contracts. While no offtake arrangements have been agreed as part of the Offer, your Directors consider that EME may have the opportunity to avoid the establishment of a costly uranium marketing department by supplying CGNPC with product at a price to be negotiated between the parties in the future. CGNPC is one of only two Chinese state-owned enterprises that are licensed to import uranium into China. China is a long-term signatory to the Nuclear Non-Proliferation Treaty.

1.7 Other matters

In considering whether to accept the Offer, your Directors encourage you to:

- (a) read both this Target's Statement and the Bidder's Statement in their entirety;
- (b) consider the future prospects of EME post completion of the Offer compared to the future prospects of EME as an independent entity;
- (c) have regard to your individual risk profile, portfolio strategy, tax considerations and financial circumstances; and
- (d) obtain financial advice from your own broker or financial advisor regarding the Offer and obtain taxation advice on the effect of accepting the Offer.

If you choose not to accept the Offer, there are certain potential consequences of which you should be aware:

- (e) if the Offer ends, EME Shares may revert towards pre-Offer price levels in the absence of another bidder making an offer. The emergence of another bidder may be unlikely, particularly if CUD acquires sufficient EME Shares to prevent another bidder from proceeding to compulsory acquisition or achieving effective control (refer to Section 7);
- (f) depending on the level of acceptances under the Offer, the liquidity of EME Shares may be substantially reduced, making it harder for you to dispose of your EME Shares in the future. CUD intends to maintain EME's listing on the ASX. Your Directors consider that the reduction in "free float" which will occur if CUD becomes the major shareholder in EME is likely to lead to a substantial reduction in the liquidity of EME Shares. This has been the case in other ASX listed entities where a major shareholder has taken control of the company (refer to Section 7); and
- (g) as discussed in Section 5 if the Offer (and Rights Issue) does not proceed, EME will need to seek debt and/or equity funding for the development of its Bigrlyi Project and other projects, and for ongoing corporate, operational and working capital purposes. If such funding is sourced from equity capital markets there may be significant dilutive effects for existing EME Shareholders.

2 Overview of the Offer

2.1 Directors' Recommendation – ACCEPT the Offer

EME directors unanimously recommend that, in the absence of a superior proposal, you **ACCEPT** the Offer by CUD to acquire 70% of your EME Shares at \$1.02 cash per EME Share held.

Each of the directors of EME intends, in the absence of a superior proposal, to accept the Offer for 70% of the EME Shares in which they have a relevant interest. The interests of each EME Director in EME Shares are set out in Section 8 of this Statement.

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

In making this recommendation, the directors have considered the merits of the Offer and weighed up the factors for and against acceptance.

2.2 Summary of the Offer

Offer Price

CUD is making a proportional offer of \$1.02 cash for every one (1) EME Share you own up to a maximum of 70% of your EME Shares.

Conditions

The Offer is subject to a number of conditions, including:

- a 50.1% minimum acceptance condition;
- FIRB and Chinese Regulatory Approvals;
- no material adverse changes;
- no prescribed occurrences;
- no material transactions, claims or charges;
- absence of regulatory intervention; and
- no third party consents required.

As at the date of this Target's Statement, EME is not aware of the occurrence of any material adverse changes, prescribed occurrences or the existence of any third party consents required, and accordingly has no reason to believe the conditions relating to these matters will not be satisfied. Further information in relation to the conditions is contained in section 6 of the Bidder's Statement and Section 3 of this Target's Statement.

FIRB Condition

Section 8.7 of the Bidder's Statement states that the condition set out in section 8.6(g) of the Bidder's Statement (the **FIRB Condition**) is a condition precedent, and accordingly no contract to sell EME Shares arises from any acceptance of the Offer until the FIRB Condition has been satisfied or the Offer has been declared free from the FIRB Condition.

Shareholders should be aware that unless and until the FIRB Condition has been fulfilled or waived:

- (a) no contract of sale for your EME Shares will come into force or be binding on you or CUD;
- (b) CUD will have no rights (conditional or otherwise) in relation to your EME Shares;

- (c) if your EME Shares are held in a CHES holding, you will be entitled to withdraw your acceptance of the Offer in respect of those EME Shares by having your Controlling Participant transmit a valid originating message to ASTC specifying the EME Shares to be released from the sub-position, in accordance with Rule 14.16 of the ASTC Settlement Rules, at any time prior to the fulfilment or waiver of the FIRB Condition; and
- (d) if your EME Shares are not held in a CHES Holding, you will be entitled to withdraw your acceptance in respect of those EME Shares by sending a notice to that effect signed by you (or on your behalf, in which case documentation proving that the person or persons signing the notice are authorised to do so must accompany the notice) to any of the addresses specified on the Acceptance Form so that it is received at the relevant address at any time prior to the fulfilment or waiver of the FIRB Condition.

Rights Issue

Under the terms of the Implementation Deed relating to the Offer (refer to Section 8.5 for a summary of the terms of the Implementation Deed), CUD will underwrite a 1:9 rights issue by EME at \$0.90 per EME Share to raise approximately \$11.7 million. EME intends to implement the Rights Issue on completion of the proportional takeover bid.

Close of Offer Period

Unless extended or withdrawn beforehand, the Offer will expire at 7:00pm (Sydney time) on 4 November 2009.

2.3 Key considerations in favour of accepting the Offer

The key considerations in favour of accepting the Offer are detailed in Section 1 "Why you should accept the Offer". Other considerations in favour of accepting the Offer include the following:

No brokerage

Shareholders will not incur any brokerage or other transaction costs in accepting the Offer.

Guaranteed cash consideration

The Offer provides the security of cash. Once the Offer becomes unconditional, and you accept the Offer, you will receive \$1.02 cash for every one (1) EME Share you own, up to a maximum of 70% of your EME Shares.

2.4 Key consideration in favour of not accepting the Offer

Inability to accept higher offer if one were to emerge

Except in the limited circumstances provided for under the Corporations Act, accepting the Offer will preclude EME Shareholders from accepting a higher bid from a third party, should one emerge during the Offer Period. As at the date of this Target's Statement, EME directors are not aware of any current proposal by anyone to make a higher bid.

Accepting the Offer will also preclude a Shareholder from selling their EME Shares on market (refer to Section 3 of this Target's Statement). Accepting the Offer will not, however, deny a Shareholder the benefit of any higher price offered by CUD, which under the Corporations Act is required to be extended to all Shareholders, **including those who have already accepted the Offer**. As at the date of this Target's Statement, CUD has given no indication that it intends to increase its offer price.

Proportional offer only

The Offer is only for 70% of your EME Shares and does not provide you with the ability to sell your entire holding. If you wish to do so, you will need to do so on the market, and there is no guarantee of the price at which EME Shares will trade from time to time, whether before or after the close of the Offer.

2.5 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a superior proposal from CUD or another party) which would alter the EME Directors' recommendation in relation to the Offer, EME Shareholders will be notified through a supplementary target's statement.

3 Frequently Asked Questions about the Offer

<i>Question</i>	<i>Answer</i>
<i>What is the Offer?</i>	<p>CUD has made an offer to acquire 70% of your EME Shares for \$1.02 cash per EME Share. If you accept the Offer, you will:</p> <ul style="list-style-type: none"> • receive \$1.02 cash for each of the Shares making up 70% of your EME Shareholding; and • retain 30% of your EME Shares. <p>You may only accept the Offer for 70% of the EME Shares held by you and not a greater proportion or a lesser proportion (unless you are a trustee or nominee as set out in section 8.14 of the Bidder's Statement).</p> <p>If, however, accepting the Offer would leave you with less than a marketable parcel (that is, with a market value of less than \$500) of EME Shares, the Offer extends to the whole of that parcel and you will be deemed to have accepted for (and will receive consideration for) 100% of your EME Shares, unless you or another person acquired a legal or equitable interest in the EME Shares comprising the parcel after the Offer was announced to the ASX (i.e. after 10:25am (Sydney time) on 8 September 2009).</p>
<i>Does the Offer include my EME Options?</i>	<p>No. However, the Offer is being made to each person who, during the period from the Register Date to the end of the Offer Period, becomes registered, or entitled to be registered, as the holder of EME Shares as a result of the exercise of EME Options.</p>
<i>Who is China Uranium Development Company Limited?</i>	<p>CUD is a wholly owned Hong Kong registered subsidiary of CGNPC. 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 and is entitled to operate its assets and business with full authority to make all decisions relating to its operation and investment. CGNPC uses CUD as an investment vehicle 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.</p> <p>Further information about CUD is contained in Section 4 of this Target's Statement and section 3 of the Bidder's Statement.</p>
<i>What are the conditions of the Offer?</i>	<p>The Offer is subject to a number of conditions being satisfied. These are, in summary:</p> <ul style="list-style-type: none"> • minimum acceptance of the Offer of 50.1% (see section 8.6(a) of the Bidder's Statement); • approval by the Federal Treasurer under the FATA (see section 8.6(g) of the Bidder's Statement);

<i>Question</i>	Answer
	<ul style="list-style-type: none"> • approval by Chinese regulatory authorities, being National Development and Reform Commission, Ministry of Commerce and State Administration of Foreign Exchange (see section 8.6(h) of the Bidder's Statement); • no actions by a public authority adversely affecting the Offer (see section 8.6(b) of the Bidder's Statement); • no material transactions, claims or changes in respect of EME and its subsidiaries (see section 8.6(d) of the Bidder's Statement); • no material adverse change (see section 8.6(e) of the Bidder's Statement); • no third party rights giving rise to materially adverse circumstances (see section 8.6(f) of the Bidder's Statement); and <p>no prescribed occurrences before the end of the Offer Period (see section 8.6(c) of the Bidder's Statement).</p>
<i>When will CUD let us know the status of the conditions?</i>	<p>CUD will give a Notice of Status of Conditions on 28 October 2009. CUD must let you know in that notice:</p> <ul style="list-style-type: none"> • whether some or all of the conditions have been satisfied or waived and if so, which ones; and • CUD's voting power in EME. <p>If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and CUD is required to give notice that states the new date for the giving of the Notice of Status of Conditions.</p> <p>If a condition is fulfilled (so that the Offer becomes free of that Condition) before the date on which the Notice of Status of Conditions is required to be given, CUD must, as soon as practicable, give the ASX and EME a notice that states that the particular condition has been fulfilled.</p>
<i>What happens if the conditions are not satisfied or waived?</i>	<p>If the conditions of the Offer are not satisfied or waived before the Offer closes, the Offer will lapse. You will then be free to deal with your EME Shares as you choose, even if you have previously accepted the Offer.</p>
<i>What choices do I have?</i>	<p>As an EME Shareholder, you have 3 choices. You can:</p> <ul style="list-style-type: none"> • Accept the Offer – as recommended by the Directors for the reasons set out in Sections 1 and 2.3 of this Target's Statement; or • Reject the Offer – if you wish to reject the Offer, you do not need to do anything; or • Sell your EME Shares on market (unless you have previously accepted the Offer and have not validly withdrawn your acceptance in the limited circumstances where this is permitted, in which

<i>Question</i>	Answer
	<p>case you can sell the remaining 30% of your EME Shares on market).</p> <p>THE DIRECTORS UNANIMOUSLY RECOMMEND, IN THE ABSENCE OF A SUPERIOR PROPOSAL, THAT YOU <u>ACCEPT</u> THE OFFER.</p>
<i>When do I have to decide?</i>	<p>If you wish to accept the Offer, you need to do so before 7:00pm (Sydney time) on 4 November 2009. CUD will let you know if the Offer Period is extended or if the Offer is withdrawn.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>
<i>Can CUD withdraw the Offer?</i>	CUD may withdraw unaccepted Offers with ASIC's written consent and subject to any conditions ASIC imposes.
<i>Should I accept the Offer?</i>	Yes. The Directors unanimously recommend that you accept the Offer in the absence of a superior proposal. The Directors will inform you immediately if they decide to change their recommendation. Please refer to Section 2.3 of this Target's Statement for an explanation of why the Directors recommend that you accept the Offer.
<i>How do I accept the Offer?</i>	Follow the instructions in the Bidder's Statement (see section 8.15(b) of the Bidder's Statement and the accompanying acceptance form).
<i>What happens if I accept the Offer?</i>	If you accept the Offer now, you will give up your rights to sell 70% of your EME Shares accepted into the Offer on market or otherwise deal with them (for example, by accepting a higher offer from another bidder if such an offer is made) unless the limited withdrawal rights apply at the applicable time and you validly withdraw your acceptance of the Offer (please refer to Section 2.2)) or any of the conditions under section 8.6 of the Bidder's Statement are not fulfilled or waived by CUD by the end of the Offer Period, in which case your acceptance will be void (see section 8.8 of the Bidder's Statement).
<i>How do I reject the Offer?</i>	To reject the Offer, you do not need to do anything. Do not respond to any calls or correspondence from CUD.
<i>Can I be forced to sell my EME Shares under the Offer?</i>	No. You do not have to accept the Offer. You cannot be forced to sell any of your EME Shares unless CUD acquires a relevant interest in at least 90% of all EME Shares. Under the Offer, CUD cannot acquire 90% of the EME Shares.

<i>Question</i>	Answer
<i>What do the Directors intend to do with their EME shares?</i>	Each Director currently intends, in the absence of a superior proposal, to accept the Offer in relation to those EME Shares he owns or controls.
<i>What if I want to sell my EME shares on market?</i>	<p>During the Offer Period, you may sell your EME Shares through the ASX for cash (less brokerage), provided you have not accepted the Offer for those Shares.</p> <p>You should contact your broker for information on how to sell your EME Shares on ASX and your tax adviser to determine your tax implications of such a sale.</p> <p>If you accept the Offer in respect of 70% of your EME Shares, you are not entitled to accept the Offer for your remaining EME Shares (Remaining Shares), nor can a transferee of your Remaining Shares. You may sell your Remaining Shares on an "ex-Offer" basis and a separate ASX code will be established for these ex-Offer EME Shares.</p> <p>Ex-Offer Shares cannot be accepted into the Offer and will trade separately to EME Shares which can be accepted into the Offer during the Offer period. The market price of the Ex-Offer Shares may be lower than the market price of EME Shares which may be accepted into the Offer. Settlement of trades of Ex-Offer Shares will be deferred until after completion of the Offer.</p> <p>If you do not accept the Offer in respect of 70% of your EME Shares, you may sell your Shares on market and the transferee will then be entitled to accept the Offer in respect of 70% of the Shares.</p> <p>If your Shares were issued to you after the Register Date, they cannot be accepted into the Offer and may only be traded as Ex-Offer Shares on a deferred settlement basis.</p>
<i>When will I receive my consideration if I accept the Offer?</i>	The Offer is conditional and if you accept the Offer while it is still conditional, you will not receive the consideration under the Offer until 1 month after the Offer becomes unconditional.
<i>Can I change my mind and withdraw my acceptance after I have accepted the Offer?</i>	<p>You may only withdraw your acceptance:</p> <ul style="list-style-type: none"> • until such time as the FIRB approval condition has been fulfilled (please refer to Section 2.2); or • in limited circumstances prescribed under the Corporations Act, notably if CUD extends the Offer Period for more than 1 month and the Offer remains subject to 1 or more of the conditions at that time.
<i>What happens if a superior offer is made by CUD?</i>	If you accept the Offer now and CUD subsequently raises the Offer Price, you will receive the higher price if the Offer has become unconditional.

<i>Question</i>	Answer
<i>Why haven't the Directors obtained an independent expert's report?</i>	<p>The Directors have outlined in Sections 1 and 2.3 of this Target's Statement the reasons why they believe that EME Shareholders should accept the Offer. There is no legal requirement for an independent expert's report to be obtained and provided to Shareholders.</p> <p>Having considered all relevant matters, the Directors resolved that they are well informed to make the recommendation to accept the Offer, in the absence of a superior proposal.</p>
<i>What are the risks associated with EME and its business?</i>	Specific and general risks are detailed in Section 7 of this Target's Statement.
<i>What are the tax consequences of accepting the Offer?</i>	Tax consequences differ considerably according to each individual Shareholder's circumstances. The Directors therefore urge Shareholders to seek independent tax advice before deciding whether to accept or reject the Offer. A general explanation of the tax consequences of accepting the Offer is contained in Section 8.7 of this Target's Statement and in section 7 of the Bidder's Statement.
<i>Who should I contact if I have further queries in relation to the Offer?</i>	Shareholders can contact EME on +61 8 9322 6904 with any queries regarding the Offer.

4 Who is CUD?

4.1 China Guangdong Nuclear Power Holding Co. Ltd (CGNPC)

CUD is a Hong Kong registered company and a wholly owned subsidiary of CGNPC. Established in September 1994, CGNPC is a Chinese incorporated company with nuclear power as its core business. CGNPC's holds 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 of the State Council and is entitled to operate its assets and business with full authority to make all decisions relating to its operation and investment.

4.2 Current projects

As at the end of December 2008, CGNPC owned and operated installed capacity of approximately 4000MWe of operating nuclear generating units in China at the Daya Bay and Ling Ao (Phase 1) nuclear power stations located in the Guangdong Province. Ling Ao (Phase 2) and Yangjiang (Guangdong Province), Liaoning Hong Yan He (Liaoning Province) and Fujian Ning De (Fujian Province) nuclear power stations have commenced construction in China and are anticipated to operate installed capacity of approximately 17000MWe in total.

Preparatory work is currently being carried out on a further three nuclear power projects in China located at Tai Shan in the Guangdong Province, Fang Cheng Gang in the Guangxi Autonomous Region and Xian Ning in the Hubei Province. These three facilities are anticipated to provide approximately 8000MWe of generating capacity in aggregate upon completion.

CGNPC has co-invested with a number of international partners. For example, it has invested in a joint venture company with Hong Kong CLP Group for the Dayabay nuclear power plants project. Joint Stock Company National Atomic Company "Kazatomprom" and URC have also operated a uranium mining joint venture in Kazakhstan since 2008.

4.3 Other portfolio interests

In addition to its nuclear generation assets, CGNPC also owns units which produce 450MWe of wind power, with an additional 700MWe under construction. The Company also has operations which produce 1200MWe of hydro generating capacity, with an additional 450MWe under construction. CGNPC also has significant solar power investments.

4.4 CGNPC Uranium Resources Co. Ltd (URC)

URC is a wholly owned subsidiary of CGNPC which was established to secure long term and stable nuclear fuel supplies for CGNPC's nuclear power generation operations.

URC is authorised 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.

Further details regarding CUD, CGNPC and URC are set out in section 3 of the Bidder's Statement.

5 The future of EME

5.1 Strategic rationale for the Offer

The Offer represents the culmination of a strategic review carried out by EME over more than 12 months with the assistance of its advisers, Gresham.

As part of the strategic review process, Gresham sought expressions of interest in relation to funding and corporate transactions which led to a number of parties conducting due diligence and proposing transactions for consideration by EME. In the opinion of the Directors, the Offer proposed by CUD represented the most attractive alternative for EME Shareholders, and a decision was made to enter into a period of exclusivity with CUD, whereby detailed due diligence and transaction structuring was pursued, culminating in the announcement of the Offer on 8 September 2009.

In particular, in their deliberations, the Directors noted that the Offer provided an opportunity for EME Shareholders to accept cash for the majority of their Shares, while retaining exposure to EME assets and mitigating some of the key financing and development risks associated with those assets, as detailed below and in section 8.

China is the single largest investor in enhancement of clean power generation capacity globally. China set an installed nuclear power capacity target of 40GW in 2005, and capacity under construction of 18GW, as it seeks to cut pollution and meet surging energy demand.

CGNPC is one of the two Chinese companies that has been granted the right to import and export uranium.

5.2 CUD's Controlling Stake in EME

Shareholders should note that if the Offer is successful, CUD will control greater than 50% of EME shares. CUD intends to appoint a majority of CUD Directors to the EME board, consistent with its level of ownership of the company. The exact level of CUD's holding in the company will depend upon the level of acceptance of the Offer and the level of take-up by Shareholders under the Rights Issue. However assuming all EME Shareholders accept the Offer and none (other than CUD) exercise their rights, CUD's holding could be as high as 73% following completion of the Offer and the Rights Issue.

Given the potential range of outcomes, it is difficult to predict the impact for continuing EME Shareholders of CUD obtaining control. However, Shareholders should be aware that majority owned and controlled companies may trade at a discount to non-controlled companies for a number of reasons including:

- perceptions about the prospects for raising future capital;
- reduced corporate appeal due to the absence of a potential control transaction which might deliver a takeover premium to Shareholders;
- expectations that a controlling Shareholder might seek to increase its shareholding;
- the financial health of the controlling Shareholder; and
- the extent to which the controlling Shareholder seeks to employ or second its own management personnel into the Company.

5.3 CUD's intentions regarding the future of EME

Financing

Under the terms of the Implementation Deed relating to the Offer (refer to Section 8.5 for a summary of the terms of the Implementation Deed), CUD will underwrite a 1:9 rights issue by EME at \$0.90 per EME Share to raise approximately \$11.7 million. EME intends to implement the rights issue on completion of the proportional takeover bid.

The funds raised from the Rights Issue, together with CGNPC's extensive financial capacity and technical expertise, should assist in the acceleration of both project development at Bigrlyi and further exploration at the Bigrlyi Project, which the Directors hope will have the effect of improving the Company's Share price over time, assuming a reasonable level of success in these endeavours.

In addition, the funds raised will contribute towards EME's exploration and development of the Ngalia Basin region, one of the most prospective, yet under-explored uranium provinces in Australia.

Assuming that additional exploration and development work supports a decision to proceed to construct a mine and associated infrastructure at Bigrlyi, it is likely that EME will be required to raise substantial additional equity capital, potentially in addition to debt capital. Although there is no formal agreement between EME and CUD in respect of any fundraising initiatives beyond the underwritten Rights Issue, the Directors' expectation is that, subject to normal commercial considerations, CGNPC would be supportive of these efforts, and this support is likely to be of material value to the Company in its transition to producer. CUD has publicly stated that it is supportive of EME's ambitions to become Australia's next uranium producer and has indicated that it intends to support EME in achieving this goal through providing access to CGNPC's expertise and industry contacts and to CGNPC's extensive financial capacity.

Shareholders should be aware that if and when additional funding is sought, this may be in the form of a rights issue or other capital raising. If Shareholders are either not entitled to participate (for example, if the raising occurs by way of a placement to professional or sophisticated investors only) or are unable for practical reasons to participate (for example in the event of a non-renounceable rights issue where Shareholders are unable to fund their participation in the rights issue) their proportional interest in EME and its assets may be further diluted.

Offtake

CUD also intends that URC will seek to obtain off-take rights in favour of URC from EME in relation to any uranium it produces. CGNPC is one of the two Chinese companies that has been granted the right to import and export uranium. In relation to offtake, it should be noted that:

- (a) there is presently no agreement between EME and CGNPC in relation to offtake rights and any such agreement will be negotiated on an arms length basis;
- (b) the Directors of EME (including those nominated by CUD) must act at all times in accordance with their fiduciary duties and that all requisite Shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above; and
- (c) the requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority EME Shareholder approval may prevent CUD's objective in relation to offtake being achieved.

Operations

CUD's current intention is that EME's headquarters will continue to be located in Australia, with its ASX listing maintained. The Board of Directors of EME will have both Australian and Chinese representatives.

Other than as set out above and based on the information presently known, EME understands that it is the intention of CUD:

- (a) to continue the business of EME;
- (b) not to make any major changes to the business of EME nor to redeploy any of the fixed assets of EME; and
- (c) to continue the employment of EME's present employees.

For further details on CUD's intentions please refer to section 5 of the Bidder's Statement.

6 Your choices as a Shareholder

Shareholders should seek professional advice if they are unsure if accepting the Offer is in their best interests, taking into account their individual circumstances.

The Bidder's Statement contains important information which Shareholders are urged to read carefully. Shareholders should note that EME has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither EME nor its Directors or advisers make any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

Shareholders who would like further information on EME or CUD before making a decision about the Offer are encouraged to exercise their right under the Corporations Act to obtain from the ASIC copies of all documents lodged by EME and/or CUD with the ASIC or ASX. Alternatively, they can visit the websites of EME and CUD located at www.energymetals.net and www.cgnpc.com.cn/n2881959/n3075227/index.html.

During the Offer Period, Shareholders have the following three choices:

6.1 Accept the Offer

If you wish to accept the Offer, you should follow the instructions set out in the Bidder's Statement.

Subject to the conditions of the Offer being satisfied (including the 50.1% minimum acceptance condition), you will receive \$1.02 cash for every one (1) of your EME Shares, up to a maximum of 70% of your EME Shares.

You should be aware that once you accept the Offer, your acceptance cannot be withdrawn except in the limited circumstances provided for under the Corporations Act. You should consider the timing of any acceptance of the Offer in light of the fact that a higher bid by another party may emerge which you would be precluded from accepting if you had already accepted the Offer. As at the date of this Target's Statement, EME Directors are not aware of any current proposal by anyone to make a higher bid.

OR

6.2 Reject the Offer

If you wish to retain your EME Shares, you need take no action in relation to the Offer.

OR

6.3 Sell your EME Shares on ASX

You can sell your EME Shares on ASX. The price you will receive will depend on the prevailing market price of EME Shares at the time of sale. You should be aware that the market price of EME Shares may rise or fall during the Offer Period.

You should also note that if you sell your EME Shares on ASX:

- (a) you will receive payment earlier than if you accept CUD's Offer (typically, 3 business days after the sale, as opposed to one month after the later of acceptance of the Offer or the date the Offer becomes unconditional);

- (b) a sale on ASX provides certainty, whereas a sale to CUD by accepting the Offer will be subject to the conditions of the Offer being fulfilled;
- (c) you are likely to pay brokerage on the sale;
- (d) you will not benefit from any price increase which may be offered by CUD; and
- (e) except in the limited circumstances provided for under the Corporations Act (refer to Section 3 of this Target's Statement), you will be prevented from accepting an offer from another bidder should one emerge during the Offer Period.

In relation to (d) above, you should note that CUD, as at the date of this Target's Statement, has given no indication that it intends to increase its offer price.

7 Risk factors

There are a number of risks which may have a material and adverse impact on the future operating and financial performance of EME and the value of EME Shares. These may be risks that are widespread risks associated with any form of business or specific risks associated with EME's business and its involvement in the exploration and mining industry. While most risk factors are largely beyond EME's and the Directors' control, the Company will seek to mitigate the risks where possible, for example by obtaining appropriate insurances and maintaining its key relationships.

The following summary, which is not exhaustive, represents some of the major risk factors which affect EME. These risk factors ought not to be taken as exhaustive of the risks faced by EME or EME Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of EME and the value of EME Shares.

7.1 EME Share price

There is a risk that the EME Share price may fall if the Offer is unsuccessful.

7.2 Proportional bid and minority ownership consequences

CUD currently does not hold any EME Shares. The maximum number of EME Shares that CUD may acquire under the Offer is 70% of EME's issued Shares. Accordingly, if the Offer is accepted in full, CUD will hold approximately 70% of EME Shares. In addition, CUD could acquire up to an additional 3% of EME's total issued Shares as a result of CUD's underwriting commitment under the Rights Issue to be implemented by EME following the Offer pursuant to the terms of the Implementation Deed.

Therefore, the current Shareholders of the Company will no longer collectively control EME. This has a number of possible implications, including the following:

- CUD will be able to cast the majority of votes at a general meeting of EME, enabling CUD to control the board of Directors and senior management, determine EME's dividend policy and control the strategic direction of EME.
- Subject to the requirements of the Corporations Act and EME's constitution, CUD intends to appoint nominees of URC (a wholly owned subsidiary of CGNPC, CUD's parent company) to the Board of EME.
- The magnitude of CUD's shareholding will be such that a third party would not be able to successfully make a takeover bid for EME Shares without the support of CUD. This means it is less likely that EME's Share price in the future will reflect a control premium.
- EME Shareholders (other than CUD) will hold a reduced percentage of the Shares of the Company, possibly as low as 27% if the Offer is fully taken up and no EME Shareholders take up their entitlement under the Rights Issue.
- The Directors anticipate that it is likely that the liquidity of EME Shares would be lower than at present. This may affect your ability to sell EME Shares and therefore EME Shareholders may not be able to realise the value of their remaining EME Shares after the Offer Period. However, any reduction in liquidity may or may not persist for the long term as EME and CUD intend to use the funds raised from the Rights Issue to accelerate both project development at Bigrlyi and further exploration at Bigrlyi and the Company's projects elsewhere in the Northern Territory and Western Australia, which the Directors hope will have the effect of improving the Company's Share price and liquidity.
- Key technical and management staff in EME may resign in light of the change of control at EME. However, the Directors do not believe that any key staff are

considering this course of action. The Directors note that CUD has, in its Bidder's Statement, stated that it presently intends to retain all existing EME employees.

- If CUD acquires 75% or more of the EME Shares, it will be able to pass special resolutions of EME. This will enable CUD to amend EME's constitution.

These implications should be balanced against the benefits that CUD control will bring to EME, including improved probability of successful development of the Bigrlyi Project, which could otherwise have a higher risk of non-development without a major partner such as CUD.

7.3 Exploration and production risks

The future viability and profitability of EME as an exploration and production company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates and, in particular, the price of traded uranium;
- risks inherent in exploration and mining including, among other things, successful exploration and exploitation of ore reserves, satisfactory performance of mining operations and competent management;
- a number of assumptions have been made and used by EME and its advisers and consultants in the calculations and studies they have conducted. If any of these assumptions are incorrect, whether positive or negative, this will have an effect on the calculations and results of studies which have been conducted;
- risks associated with the current global economic environment;
- increases in the capital costs of project development occurring as a consequence of global economic conditions, delays, demand for resources and other factors;
- increases in the price of inputs to the production process, in particular, the price of fuel, consumables, freight and shipping;
- risks associated with the receipt of necessary governmental approvals or licences required to undertake mining, processing and associated activities
- shortages of skilled mining labour which may require EME to offer higher wages to attract employees; and
- environmental management issues with which EME may be required to comply from time to time and the potential risks that regulatory environmental requirements or circumstances could impact on the economic performance of EME's operations.

7.4 Other risks

The future viability and profitability of EME are also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- the strength of the equity and debt markets in Australia and throughout the world;
- general economic conditions in Australia and their major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which EME may become a party;
- insolvency or other managerial failure by any of the contractors used by EME in its activities;

- industrial or other disputes in Australia; and
- an outbreak of hostilities or material escalation of hostilities in Australia, China or elsewhere in the world.

8 Additional information

8.1 Directors' interests

The only marketable securities that EME has on issue are EME Shares and unlisted EME Options. As at the date of this Target's Statement, EME had 118,615,490 Shares and a total of 2,700,000 Options on issue. Each EME Option is exercisable into 1 EME Share.

As at the date of this Target's Statement, the Directors of EME have relevant interests in the following EME Shares and EME Options:

Director	EME Shares	EME Options ¹
Mr Oscar Aamodt	236,250	750,000
Mr Lindsay George Dudfield	6,575,400	1,500,000
Mr Geoffrey Michael Jones	Nil	Nil

Note:

¹ The EME Options are exercisable at \$0.10 each on or before 30 June 2010.

Dealings in securities of EME

No Director acquired or disposed of a relevant interest in any EME Shares or EME Options during the 4 month period ending on the date immediately before the date of this Target's Statement.

Interests and dealings in securities of CUD

As at the date of this Target's Statement, none of the Directors have a relevant interest in any securities in CUD and neither EME nor any Director acquired or disposed of a relevant interest in any securities in CUD during the 4 month period ending on the date immediately before the date of this Target's Statement.

No benefits to Directors

No benefit (other than a benefit permitted under section 200F of the Corporations Act) is proposed to be given to an EME Director (or anyone else) in connection with either:

- (a) the Director's retirement as a Director or executive of EME or any of EME's related bodies corporate; or
- (b) the transfer of the whole or any part of the undertaking or property of EME.

Agreements and benefits conditional on or connected with the Offer

There is no other agreement or arrangement made between a director of EME and any other person in connection with or conditional upon the outcome of the Offer.

Interests of EME Directors in contracts with CUD

No EME Director has any interest in any contract entered into by CUD.

8.2 Directors' intentions with respect to their own EME Shares

Each of the Directors of EME intends, in the absence of a superior proposal, to accept the Offer for 70% of the EME Shares in which he has a relevant interest.

8.3 Impact of the Offer on EME Options

As at 21 September 2009, EME had 2,700,000 Options on issue with several exercise prices and expiry dates.

The Offer is being made to each person who, during the period from the Register Date to the end of the Offer Period, becomes registered, or entitled to be registered, as the holder of EME Shares as a result of the exercise of EME Options.

8.4 Changes in EME's financial position

The most recent published financial information in relation to EME is contained in the Company's audited full year statutory accounts lodged with the ASX on 14 September 2009.

There has been no material movement in the financial position of EME since the lodgement of those accounts with the ASX.

8.5 Implementation Deed

On 8 September 2009, EME entered into an Implementation Deed (**Deed**) with CGNPC Uranium Resources Co., Ltd. (**URC**) under which the parties agree that CUD will offer to acquire up to 70% of the outstanding ordinary shares of EME for \$1.02 cash per EME Share pursuant to a proportional takeover bid. URC and CUD are wholly owned entities of state-owned CGNPC.

Under the Deed, EME has undertaken to deal exclusively with URC, and agrees to no shop, no talk and no due diligence conditions (subject to fiduciary carve outs where a superior proposal is proposed or reasonably expected to be received by EME) and has undertaken to notify EME of any inquiries or proposals it receives, detailing the information provided.

The Deed sets out the conditions of the Offer, namely:

- (a) minimum acceptance of the Offer of 50.1%;
- (b) approval by the Federal Treasurer under the FATA;
- (c) approval by Chinese regulatory authorities, being National Development and Reform Commission, Ministry of Commerce and State Administration of Foreign Exchange;
- (d) no actions by a public authority adversely affecting the Offer;
- (e) no material transactions, claims or changes in respect of EME and its subsidiaries;
- (f) no material adverse change;
- (g) no material transactions, claims or changes;
- (h) no third party rights giving rise to materially adverse circumstances; and
- (i) no prescribed occurrences before the end of the Offer Period.

The Deed also provides for the following break fees payable by EME and URC:

- (a) EME must pay URC AU\$500,000 plus any GST if:
 - (i) any EME Director fails to maintain his recommendation to EME Shareholders until the end of the Offer Period to accept the Offer or otherwise modifies his recommendation or announces he no longer supports the Offer (except where EME publicly recommends a superior proposal); or

- (ii) if a competing proposal is announced or open for acceptance and within 6 months of 8 September 2009, that competing proposal is completed or, in the case of a proposal involving a takeover bid under Chapter 6 of the Corporations Act, the proponent of the proposal acquires a relevant interest in at least 50% of the EME securities and the bid becomes free from any defeating conditions; and
- (b) URC must pay EME AU\$500,000 plus any GST if:
- (i) there is a breach of a warranty given by URC in the Deed relating to Chinese approvals; or
 - (ii) the Offer does not proceed due to the non-satisfaction of the Chinese regulatory approvals condition.

Subject to successful completion of the Offer, URC agrees to procure that CUD underwrites a non-renounceable rights issue by EME on the basis of 1 new EME Share for every 9 EME Shares held, at an issue price of \$0.90 per EME Share to raise approximately \$11.7 million. CUD's obligations under the rights issue are subject to receipt of all necessary Australian and Chinese regulatory approvals by CUD or any applicable member of the CGNPC Group. Further details regarding the Rights Issue are set out in Annexure A to the EME ASX announcement dated 8 September, which is included as Annexure A to the Bidder's Statement.

The Deed is otherwise on terms and conditions which are considered standard for a proportional takeover implementation agreement.

8.6 ASIC Modification

CUD has obtained from ASIC a modification of sections 618(2) and 653B of the Corporations Act to prevent EME Shareholders from being able to split their holdings or acquire small parcels of EME Shares to take advantage of the mechanism outlined in section 618(2) of the Corporations Act. The terms of the modification are reflected in sections 8.14, 8.17 and 9.3(a)(ii) of the Bidder's Statement.

8.7 Taxation implications

The Australian tax implications of CUD's Offer for a Shareholder will depend on a number of factors, including, without limitation:

- (a) whether the Shareholder holds their EME Shares on capital or revenue account for taxation purposes;
- (b) the nature of the Shareholder (i.e. whether the Shareholder is an individual, company, trust, or complying superannuation fund); and
- (c) the tax residency status of the Shareholder (i.e. Australian resident or not).

The Australian tax consequences of the Offer for EME Shareholders who are residents of Australia for tax purposes are summarised in section 7 of the Bidder's Statement, to which reference should be made for further information. That summary is necessarily general in nature and each Shareholder should seek independent advice relevant to his specific circumstances.

8.8 Material litigation

As at the date of this Target's Statement, EME is not aware of any current or proposed material litigation or dispute.

8.9 Due diligence

Before the date of the Bidder's Statement, EME provided CUD and CGNPC with certain information about EME for the purpose of CUD and CGNPC conducting a due diligence review of that information.

8.10 Consent to inclusion of statements

Steinepreis Paganin has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as legal advisers to EME.

Gresham Advisory Partners Limited has given, and has not before the lodgement of this Target's Statement with ASIC withdrawn, its consent to being named in this Target's Statement as corporate advisers to EME.

8.11 Publicly available information

This Target's Statement contains statements which are made in or based on statements made in, documents lodged by various parties (including CUD) with ASIC, or given to ASX. None of those parties (including CUD or any other member of the CGNPC Group) has consented to those statements being included in the Target's Statement.

As required by ASIC Class Order CO 01/1543, EME will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to EME Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), EME Shareholders may telephone EME on +61 8 9322 6904.

As permitted by ASIC Class Order 07/429 this Target's Statement contains share price trading data sourced from Iress without its consent.

8.12 No other material information

There is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, being information which:

- (a) it is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (b) is known to any of the Directors.

In deciding what information should be included in this Target's Statement, the Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as the ASX, the ASIC or the EME website at www.energymetals.net. That information includes, without limitation:

- (c) the information contained in the Bidder's Statement;
- (d) the information which has previously been lodged by EME as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC; and
- (e) the information contained in this Target's Statement.

9 Definitions and interpretation

9.1 Definitions

In this Target's Statement, unless the context otherwise requires:

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

ASTC Settlement Rules means the operating rules of the settlement facility provided by ASTC.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

Bidder's Statement means the bidder's statement of CUD dated 28 September 2009 which was served on EME on that date.

Board means the board of directors of the Company.

CGNPC means China Guangdong Nuclear Power Holding Co. Ltd.

CGNPC Group means CGNPC and its Subsidiaries.

CHESS means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

Company means EME.

Controlling Participant has the meaning given in the ASTC Settlement Rules. Usually your Controlling Participant is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASTC Settlement Rules).

Corporations Act means the *Corporations Act 2001* (Cth.)

CUD means China Uranium Development Company Limited.

CUD Share means a fully paid ordinary share in CUD.

Directors mean the directors of EME.

EME or **Company** means Energy Metals Ltd (ABN 63 111 306 533).

EME Share means a fully paid ordinary share in the capital of EME.

EST means Australian Eastern Standard Time.

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

FIRB means the Foreign Investments Review Board.

Gresham means Gresham Advisory Partners Limited (ACN 093 611 413).

Implementation Deed means the Implementation Deed referred to in Section 8.5 of this Target's Statement.

Jindalee Resources means Jindalee Resources Limited (ACN 064 121 133).

Notice of Status of Conditions means CUD's notice pursuant to section 630(3) of the Corporations Act disclosing the status of the conditions of the Offer.

Offer means the offer made by CUD to acquire EME Shares on the terms and conditions set out in the Bidder's Statement.

Offer Period means the period during which the Offer will remain open for acceptance, being 2 October 2009 to 7:00pm (Sydney time) on 4 November 2009, or any date to which the period of the Offer is extended in accordance with the Corporations Act, whichever is the later.

Offer Price means \$1.02 cash per EME Share.

Option means an option to acquire an EME Share.

Optionholder or **EME Optionholder** means a holder of one or more EME Options.

PWR means pressurised water reactor.

Register Date means the time and date set by the Bidder under section 633(2) of the Corporations Act, being the date of the Bidder's Statement (28 September 2009).

Rights Issue means the underwritten non-renounceable rights issue to be conducted by EME on the basis of 1 new EME Share for every 9 EME Shares held, at an issue price of \$0.90 per EME Share to raise approximately \$11.7 million, as discussed in Section 8.5 of this Target's Statement.

Shareholder or **EME Shareholder** means a holder of one or more EME Shares.

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

Target means EME.

Target's Statement means this target's statement.

URC means CGNPC Uranium Resources Co. Ltd, a wholly owned subsidiary of CGNPC.

\$ means Australian dollars.

9.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) as is given to them by the Corporations Act;
- (b) words importing one gender include the other genders. Words (including defined terms) importing the plural include the singular and vice versa;
- (c) a reference to a person includes a reference to a corporation;
- (d) headings are for ease of reference only and do not affect the interpretation of this Target's Statement;
- (e) references to Sections are to sections of this Target's Statement;
- (f) annexure and appendices to this Target's Statement form part of the Target's Statement; and
- (g) all references to time in this Target's Statement are to Australian Eastern Standard Time (AEST).

10 Approval of Target's Statement

This Target's Statement has been approved by a resolution of the EME board of directors.

Dated: 9 October 2009



Oscar Aamodt
Chairman

Signed for and on behalf of
Energy Metals Ltd

11 Corporate directory

Directors

Mr Oscar Aamodt
Chairman, Non Exec. Director

Mr Lindsay George Dudfield
Executive Director

Mr Geoffrey Michael Jones
Independent Director

Company Secretary

Ms Patricia Farr

Registered Office

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Legal Advisers

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Share Registry

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AUSTRALIA