

**ENERGY METALS LIMITED
AND ITS CONTROLLED ENTITY**

A.B.N. 63 111 306 533

ANNUAL REPORT 2011

CORPORATE DETAILS

Directors

He, Zuyuan (Non-executive Chairman)
Xiang, Weidong (Managing Director)
Cui, Bin (Finance Director)
Lindsay George Dudfield (Non-executive Director)
Geoffrey Michael Jones (Non-executive Director)
Zhong, Yu (Non-executive Director)
Zheng, Xiaowei (Non-executive Director)

Company Secretary

Li, Xuekun

Registered Office

Ground Floor
10 Kings Park Road
WEST PERTH WA 6005
Telephone: 61 8 9322 6904
Facsimile: 61 8 9321 5240
Email: enquiry@energymetals.net
Web: www.energymetals.net

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: 61 8 9315 2333
Facsimile: 61 8 9315 2233

Stock Exchange Listing

The Company's shares are listed by the Australian Securities Exchange Limited ("ASX") - Code **EME**.
The home exchange is Perth.

Bankers

National Australia Bank Limited
100 St Georges Terrace
PERTH WA 6000

Solicitors

Minter Ellison
Allendale Square
77 St Georges Terrace
PERTH WA 6000

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Energy Metals Limited and the entity it controlled at the end or during the year ended 31 December 2011.

DIRECTORS

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

He, Zuyuan (Non-executive Chairman)
Xiang, Weidong (Managing Director)
Cui, Bin (Finance Director)
Lindsay George Dudfield (Non-executive Director, retired from Managing Director 1 January 2011)
Geoffrey Michael Jones (Non-executive Director)
Zhong, Yu (Non-executive Director)
Zheng, Xiaowei (Non-executive Director, appointed 23 February 2011)
Luo, Huachun (Technical Director, resigned 15 February 2011)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Exploration

Exploration and development activities were carried out on the Bigrlyi Project in the Northern Territory. All work was designed to increase the resource base by targeting extensions of the mineralisation along with obtaining core for further Metallurgical testing and Geotechnical evaluation.

Exploration activities were also conducted on various projects, including Ngalia in Northern Territory and other tenements in Western Australia. Several high priority targets have been identified in the 100% Energy Metals tenements.

Uranium Trading

During the year the company (through its fully owned subsidiary, NT Energy Pty Ltd ("NT Energy")) received all necessary regulatory permission from public authorities for its newly launched uranium export business. The Company plans to purchase uranium concentrates from existing Australian uranium mines and potential uranium mines, and then export the concentrates to China for re-sale to China Guangdong Nuclear Power Holding Co., Ltd (CGNPC) for use in CGNPC's nuclear power stations.

On 28 December 2011, the Company announced that NT Energy had entered into an agreement to purchase 150,000 pounds of Natural Uranium Concentrates ("Concentrates") with a total value of approximately \$AUD8 million, from a leading Australian uranium producer. The Concentrates will be shipped from the Port of Adelaide to the Port of Shanghai, China as soon as practicable prior to 30 April 2012.

Full details of the Company's operation during the year are included within the Review of Activities section of the Annual Report.

DIRECTORS' REPORT (Continued)

OPERATING RESULTS FOR THE YEAR

The consolidated profit of the Group for the year ended 31 December 2011 was \$374,408 (six-month financial year ended 31 December 2010: loss \$272,745).

CHANGE OF FINANCIAL YEAR END AND COMPARATIVES

The comparatives in these financial statements are for the six-month period from 1 July to 31 December 2010 as the Company changed its financial year-end to 31 December in 2010.

The Company has previously prepared its annual financial report for the year ended 30 June 2010 and then further prepared a financial report for the six month period from 1 July 2010 to 31 December 2010. The purpose of the change of financial year end was to save additional costs of preparing financial information necessarily required by the Parent Company, China Uranium Development Company Ltd to prepare consolidated accounts.

REVIEW OF FINANCIAL CONDITIONS

The net assets of the Group were \$46,678,846 at 31 December 2011 (2010: \$46,304,438).

Cash and assets utilised by the Company for the year ended 31 December 2011 is consistent with the Company's business objectives since listing on the Australian Stock Exchange on 9 September 2005.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Uranium Trading and ASX Waiver

On 3 January 2012 the Company announced that NT Energy had entered into a binding Sales Agreement ("Initial Agreement") with CGNPC – Nuclear Fuel Corporation Ltd (formerly CGNPC - Uranium Resources Co., Ltd) ("CGNPC-NFC"), a wholly owned subsidiary of CGNPC.

Under the Initial Agreement NT Energy may have a back-to-back trade selling the Concentrates to be purchased from the leading Australian uranium producer ("Supplier") announced on 28 December 2011. After a visual inspection is completed and a certificate of receipt is executed at the Port of Shanghai, NT Energy will receive the title to the Concentrates from the Supplier and immediately pass the title to CGNPC-NFC.

Both the purchase price and the selling price of the Concentrates are made via reference to the U₃O₈ spot price indicator, as published by TradeTech LLC, Denver, Colorado, USA, in the Nuclear Clear Market Review, and the U₃O₈ spot price, as published by the Ux Consulting Company LLC, Roswell, Georgia, USA, in the Ux Weekly.

NT Energy is entitled to receive a substantial portion of the payment from CGNPC-NFC no later than 30 calendar days after execution of the certificate of receipt. The remaining balance will be due and receivable after the final results of the weighing, assaying and qualitative analysis of the uranium content of the Concentrates.

On 12 March 2012 the Company advised that the ASX) had agreed to grant the Company a waiver from ASX Listing Rule 10.1 to the extent necessary to permit the NT Energy to sell the Concentrates which NT Energy has acquired from the Supplier to CGNPC-NFC, without obtaining shareholder approval, on certain conditions (refer to the announcement on 12 March 2012).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

DIRECTORS' REPORT (Continued)

ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulation in respect of its exploration activities. Tenements in the Northern Territory and Western Australia are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanized equipment or development without the approval of the relevant government agencies and with rehabilitation required on completion of exploration activities.

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

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement year 1 January 2011 to 31 December 2011 the directors have assessed that there are no current reporting requirements, but reporting may be required in the future.

INFORMATION ON DIRECTORS

Name	Director's Experience	Special Responsibilities
Mr He, Zuyuan	<p>Mr He holds a Bachelor degree in Geology and an MBA from Tsinghua University in China and has over 22 years' experience in uranium exploration and financial management. Mr He was previously the Chief Financial Officer and Vice President of Nanjing Zhong Da Group for a period of 3 years. He is currently a director of the following affiliate Companies: Beijing Sino-Kaz Uranium Investment Company Limited; Semizbay-U LLP; and China Uranium Development Company Limited. Mr He was appointed an Executive Director of Extract Resources Limited in March 2012.</p>	Non-executive Chairman
Dr Xiang, Weidong	<p>Dr Xiang is a qualified engineer and has over 16 years' experience in geology and uranium exploration. Dr Xiang holds a Doctor degree of Exploration and Prospecting for Mineral Resources. He worked for CNNC Beijing Research Institution of Uranium Exploration for approximately twelve years before he joined CGNPC – Nuclear Fuel Corporation Ltd (formerly CGNPC-Uranium Resources Co. Ltd), a subsidiary of China Guangdong Nuclear Power Holding Co. Ltd., as a senior executive. Dr Xiang is a member of Nuclear Geology and Mineral Committee, China Mining Association. Dr Xiang does not currently hold other Australian directorships.</p>	Managing Director (appointed as Managing Director on 1 January 2011)
Mr Cui, Bin	<p>Mr Cui holds a Bachelor degree in Accounting from Beijing University of Chemical Technology and has 13 years' financial management experience. Mr Cui previously held the position of senior financial manager of Tiens Group International based in Africa. Mr Cui does not currently hold other Australian directorships.</p>	Finance Director
Mr Lindsay Dudfield BSc	<p>Mr Dudfield is a qualified geologist with 30 years' experience exploring for gold and base metals in Australia and overseas, including close involvement with a number of greenfields discoveries. Member of the AusIMM, SEG, AIG and GSA. He is currently the Managing Director of Jindalee Resources Ltd.</p> <p>Other public company directorships held by Mr Dudfield over the last three years are: Jindalee Resources Limited – current; Alchemy Resources Limited, from November 2011 to current; Extract Resources Limited, from March 2012 to current.</p>	Non-executive Director (retired from Managing Director 1 January 2011)
Mr Geoff Jones BEng FIEAust CPEng	<p>Mr Jones is a Fellow of the Institution of Engineers, Australia, with a Bachelor of Engineering (Civil) degree. He has over 25 years' experience covering the areas of construction, engineering, mineral processing and project development. Mr Jones has been responsible for the preparation of feasibility studies for gold and base metals projects and has completed numerous project evaluations and due diligence reviews and has managed the successful development of projects both domestically and overseas.</p> <p>Mr Jones has operated his own project management and engineering consultancy, JMG Projects Pty Ltd, servicing the mining industry. In this capacity Mr Jones has completed works on gold and base metal projects for Australian and overseas based mining groups. Mr Jones is currently employed with GR Engineering Services Limited as the Chief Operating Officer.</p> <p>Other public company directorships held by Mr Jones over the last three years are: Brumby Resources Ltd – (February 2006 – current) Matrix Metals Ltd – (October 2006 – January 2011) Azumah Resources Limited – (October 2009 – current)</p>	Non-executive Director

Name	Director's Experience	Special Responsibilities
Mr Zhong, Yu	Mr Zhong has over 30 years' experience in engineering and specialises in research and development of new engineering technology. Mr Zhong has a Master degree of Management and does not currently hold other directorships of public Australian companies.	Non-executive Director
Ms Zheng, Xiaowei (appointed 23 February 2011)	Ms Zheng is a qualified accountant and has over 15 years' experience in project management and financial management. Ms Zheng has a Master degree in Information System. Ms Zheng is currently a director of China Uranium Development Company Limited and she does not currently hold other Australian directorships.	Non-executive Director

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

	<u>Ordinary Shares</u>	<u>Options</u>
He, Zuyuan	-	-
Xiang, Weidong	-	-
Cui, Bin	-	-
Lindsay G Dudfield	2,422,620	-
Geoff M Jones	-	-
Zhong, Yu*	19,472,773	-
Zheng, Xiaowei	-	-
Luo, Huachun	-	-

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

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 December 2011 and the numbers of meetings attended by each Director.

	<u>Number Held Whilst in Office</u>	<u>Number Attended</u>
He, Zuyuan	2	2
Xiang Weidong	2	2
Cui, Bin	2	2
Lindsay G Dudfield	2	2
Geoff M Jones	2	2
Zhong, Yu	2	2
Zheng Xiaowei	2	2

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

Retirement, election and continuation in office of directors

Dr Xiang Weidong was appointed a director on 8 December 2010 and has held the office of Managing Director since 1 January 2011.

Mr Lindsay Dudfield retired from Managing Director on 1 January 2011 and has been a Non-executive Director thereafter.

Ms Zheng, Xiaowei was appointed a Non-executive Director on 23 February 2011.

Mr Luo, Huachun resigned from Technical Director on 15 February 2011.

Mr He, Zuyuan and Mr Cui, Bin are the directors retiring by rotation who, being eligible, may offer themselves for re-election at Annual General Meeting.

COMPANY SECRETARY INFORMATION

Ms Li, Xuekun, ACCA, ACIS, was appointed Company Secretary on 15 June 2010. Ms Li has completed a Bachelor of Management and has extensive experience in corporate finance and governance. Ms Li was also the Company Secretary of the junior explorer Pacific Ore Limited from 2007 to 2009.

REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Remuneration Policy

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

The Board's policy for determining the nature and amount of remuneration for Board members of the Company is as follows:

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

Board members are allocated superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals may choose to sacrifice their salary or consulting fees to increase payments towards superannuation.

All remuneration paid to directors and specified executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

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

Group performance, shareholder wealth and directors and key executive remuneration

The policy, setting the terms and conditions for the executive directors and specified executives, was developed and approved by the Board and is considered appropriate for the current exploration phase of the Group's development. Emoluments of Directors are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of Directors. Fees paid to directors are not linked to the performance of the Group. This policy may change once the exploration phase is complete. At present the existing remuneration policy is not impacted by the Group's performance including earnings and changes in shareholder wealth (dividends, changes in share price or returns of capital to shareholders).

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

	At 30 June 2008	At 30 June 2009	At 30 June 2010	At 31 December 2010	At 31 December 2011
Share Price	\$1.49*	\$0.515	\$0.46	\$0.79	\$0.31
Market Capitalisation	\$174.5M	\$60.3M	\$61.8M	\$121.5M	\$46.7M
Dividend	-	-	-	-	-

* The share capital of the Company was reorganised effective 29 February 2008. The reorganisation was by way of a share split whereby each share in the Company was split into 3 shares.

Directors and Executives (Key Management Personnel) Emoluments

The Group's policy for determining the nature and amount of emoluments of key management personnel is that Directors are to be paid by salaries or consulting fees at commercial rates for professional services performed. Comparative figures are for the six months ended 31 December 2010.

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

		Short-term benefits		Post-employment	Share-based payment	Total	% remuneration consisting of options
		Directors Fees	Cash Salary, Consulting Fees	Super-annuation	Options		%
Non-Executive Directors		Directors Fees	Cash Salary, Consulting Fees	Super-annuation	Options	Total	%
		\$	\$	\$	\$	\$	
H. Zuyuan	2011.1-12	25,000	-	-	-	25,000	-
	2010.7-12	12,500	-	-	-	12,500	-
L. Dudfield	2011.1-12	-	52,500	-	-	52,500	-
	2010.7-12	-	77,250	-	-	77,250	-
G. Jones	2011.1-12	22,936	-	2,064	-	25,000	-
	2010.7-12	11,468	-	1,032	-	12,500	-
Zh. Yu	2011.1-12	25,000	-	-	-	25,000	-
	2010.7-12	1,564	-	-	-	1,564	-
Zh. Xiaowei	2011.1-12	21,414	-	-	-	21,414	-
	2010.7-12	-	-	-	-	-	-
Executive Directors							
X. Weidong	2011.1-12	182,308	-	-	-	182,308	-
	2010.7-12	-	-	-	-	-	-
C. Bin	2011.1-12	180,000	-	-	-	180,000	-
	2010.7-12	90,000	-	-	-	90,000	-
L. Huachun	2011.1-12	17,282	-	-	-	17,282	-
	2010.7-12	90,000	-	-	-	90,000	-
Key Officers							
L. Xuekun	2011.1-12	-	58,775	-	-	58,775	-
	2010.7-12	-	31,965	-	-	31,965	-
P. Dunbar#	2011.1-12	-	189,808	17,083	-	206,891	-
	2010.7-12	-	83,076	7,477	-	90,553	-

denotes the highest paid executives of the Company as required to be disclosed under the *Corporations Act 2001*.

Service Agreements

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

He, Zuyuan

On 23 December 2009 the Company entered into an agreement (via a letter of appointment), appointing Mr He, Zuyuan as a Non-executive Chairman. Mr He is entitled to directors fees of \$25,000 (2010: \$25,000) per annum.

Xiang Weidong

Dr Xiang was appointed a director on 8 December 2010 pursuant to the terms and conditions of his employment contract with the Company which unless extended for a further period will expire on 30 June 2012. Dr Xiang has been the Managing Director since 1 January 2011. His salary is \$200,000 per annum (2010: \$200,000 per annum). The agreement may be terminated by either party on 1 month's written notice.

Cui, Bin

Mr Cui was appointed Finance Director on 23 December 2009 pursuant to the terms and conditions of his employment contract with the Company which unless extended for a further period will expire 30 June 2012. Mr Cui's salary is \$180,000 per annum (2010: \$180,000 per annum). The agreement may be terminated by either party on 1 month's written notice.

Lindsay Dudfield

Mr Dudfield resigned from the Managing Director since 1 January 2011 and he is currently a Non-executive Director. He is contracted via a Consultancy Agreement between the Company and Jopan Management Pty Ltd trading as Western Geological Services. The Company pays Western Geological Services at a rate of \$750/day (2010: \$750/day) in return for Mr Dudfield's services. Unless extended for a further period the current agreement will expire on 31 December 2012. The agreement may be terminated by either party on 90 days notice or earlier in the event of a default not remedied within 14 days.

Zhong, Yu

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

Zheng, Xiaowei

On 23 February 2011 the Company entered into an agreement (via a letter of appointment), appointing Ms Zheng, Xiaowei as a Non-executive Director. Ms Zheng is entitled to directors fees of \$25,000 (2010: nil) per annum.

Li, Xuekun

Ms Li is the Company Secretary of Energy Metals Limited and is employed as a consultant. On 1 March 2012, the Company entered into a Professional Service Agreement with Ms. Li and pays at a rate of \$105/hour in return for her professional services. The agreement may be terminated by either party on 30 days notice or earlier in the event of a default.

Paul Dunbar

Mr. Dunbar was appointed Exploration Manager on 12 July 2010 pursuant to the terms and conditions of his employment contract with the Company with a salary of \$190,000 per annum. The employment contract may be terminated by either party on 1 month's written notice.

Options granted as part of remuneration

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

Share-based compensation

No options over ordinary shares in the Company were provided as remuneration to each director of Energy Metals Limited and senior managers of the Company during the year (2010: Nil). No options were vested during the year (2010: Nil).

Securities Policy

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

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

Shares provided on exercise of options

No ordinary shares in the Company were provided as a result of the exercise of remuneration options to each director of Energy Metals Limited and senior managers of the Company during the year (2010: Nil).

End of Remuneration Report (Audited).

SHARES UNDER OPTION

There were no options granted during the year ended 31 December 2011.

During the year, there were 150,000 options which expired on 30 June 2011 with an exercise price of \$0.98.

SHARES ISSUED ON EXERCISE OPTIONS

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

DIRECTORS AND OFFICERS INSURANCE

The Company has paid a premium to insure the directors and officers of the Company for the period 30/10/2011 to 30/10/2012 against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Details of the nature of the liabilities insured for and the amount of the premium are subject to a confidentiality clause under the contract of insurance.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is included on page 51 of this report.

NON-AUDIT SERVICES

During the year, the Company paid \$2,754 to the auditor in return for their tax advisory service.

This report which includes the accompanying Corporate Governance Statement is signed in accordance with a resolution of the Directors.

30th day of March 2012, at Perth, Western Australia



XIANG, WEIDONG
Managing Director

ENERGY METALS LIMITED
CORPORATE GOVERNANCE STATEMENT

Corporate Governance Statement

It is the responsibility of the Board of Directors of Energy Metals Limited to monitor the business affairs of the Company and to protect the rights and interests of the shareholders. The Board believes that high standards of corporate governance are an essential prerequisite for creating sustainable value for shareholders. This statement summarises the Company's main corporate governance policies and practices in place throughout the financial year ended 31 December 2011. The policies and practices have aimed to ensure the implementation of a strategic business plan and an integrated framework of accountability over the Company's resources, functions and assets.

The Company's most significant governance policies are available on the Company's website www.energymetals.net

Principal 1: Lay solid foundations for management and oversight

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals. Due to the size of the Board, all issues are considered by the full Board. The Board is responsible for corporate strategy, implementation of business plans, allocation of resources, approval of budgets, capital expenditure, financial reports and the adherence to Company policies.

The appointment of non-executive directors are formalised in accordance with the requirements of the Corporations Act 2001 and the Company's constitution.

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for the Executive Director and other Senior Executives are formalised in service agreements or employment agreements which are summarised in the Directors Report.

The Directors of the Company in office at the date of this statement are:

<u>Name</u>	<u>Age</u>	<u>Position and Period of Office Held</u>	<u>Special Expertise</u>
He, Zuyuan	46	Non-executive Director and Chair for 2 years	Company Management
Xiang, Weidong	42	Managing Director for 1 year	Resource Industry
Cui, Bin	36	Financial Director for 2 years	Financial Management
Lindsay Dudfield	55	Non-executive Director for 1 year; Managing Director for 6 years	Resource Industry
Geoffrey Jones	49	Non-executive Director for 3 years	Engineering & Project Management
Zhong, Yu	62	Non-executive Director for 1 year	Corporate Management
Zheng, Xiaowei	46	Non-executive Director for 1 year	Project and Corporate Management

The Board comprises of a non-executive Chairman, four non-executive directors and two executive directors. The Board believes this structure is effective for the current range of duties of the Board to be properly discharged.

The Company's Executive Directors have the responsibility for guiding management in effectively carrying out tasks and achieving Company objectives. The Company's Chairman is responsible for leadership and governance of the Board and ensuring its efficient organisation and conduct.

The only publicly available copy of matters reserved for the Board is the Corporate Governance Statement in the annual report.

ENERGY METALS LIMITED
CORPORATE GOVERNANCE STATEMENT

The other senior executives of the Company are the Company Secretary and the Exploration Manager. The Company Secretary's responsibilities include ensuring that the Company complies with its statutory obligations under any relevant laws and regulations, ensuring completion and lodgment of statutory forms/returns and reporting under the listing rules and other relevant legislation or regulation, arranging board meetings and assistance with other corporate administration matters. The Exploration Manager's responsibilities include management of safety and environment systems, implementing the Board's strategic planning of long term exploration goals and day to day exploration activities.

The Executive Directors or the Board reviews the performance of senior executives whose performance is assessed against their performance in their respective roles and responsibilities. The reviews are done at least annually and more often when deemed necessary. The senior executives were reviewed during the 2011 financial period in accordance with this procedure.

The only publicly available copy of matters reserved for senior executives is the Corporate Governance Statement in the annual report.

Principle 2: Structure the Board to add value

The ASX Corporate Governance Council's Principles and Recommendations (ASX Corporate Governance) recommends that a majority of the Board should be independent directors. The Board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the Board should consider whether the director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is or has been employed in an executive capacity by the Company or any other Group member within three years before commencing to serve on the board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or a controlled entity other than as a director of the Group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual expenditure of the Company is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Mr Geoffrey Michael Jones is considered to be an independent director as he complies with this definition.

On 1 January 2011 Mr Lindsay Dudfield stepped down as Managing Director and he is currently a Non-executive director. Dr. Xiang, Weidong has been appointed Managing Director since then. On 23 February 2011 the Board appointed Ms Zheng, Xiaowei a Non-executive director. Mr He, Zuyuan, the Chair, and Ms Zheng, Xiaowei are not considered to be independent directors as they are directors of the Parent Company. Mr. Zhong, Yu is not considered to be an independent director as he is an indirect significant shareholder. Mr Lindsay Dudfield is not considered to be an independent director as he was the Managing Director of the Company in the past three years. The Board currently comprises two executive directors, four non-executive directors and one independent director.

ENERGY METALS LIMITED
CORPORATE GOVERNANCE STATEMENT

The Company has not complied with the ASX Corporate Governance Recommendation 2.1 and 2.2 that the majority of directors and the Chair be independent. However, all directors bring their independent judgment to make board decisions and act as the best interests of shareholders. The Company is to maintain a mix of directors on the board from different genders, age groups, ethnicity and cultural and professional backgrounds who have complementary skills and experience.

The Board seeks to ensure that at any point in time, its membership represents an appropriate balance between directors with experience and knowledge and directors with an external or fresh perspective, and the size of the board is conducive to effective discussion and efficient decision making.

The ASX Corporate Governance Recommendation 2.4 suggests listed entities establish a nomination committee. During the period ended 31 December 2011, Energy Metals Limited did not have a separately established nomination committee. However, responsibilities of the full Board include the duties and responsibilities typically delegated to such a committee and given the size and the Company's current stage of development, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee. When a new director appointment is to be made the remaining board members seek a candidate that has relevant industry experience, is willing to serve on the Board and following appointment that director stands for re-election by shareholders at the next annual general meeting. The only publicly available policy for the nomination and appointment for directors is the corporate governance statement in the annual report.

Due to the nature of the Company's activities and small size of the Company, the Company has not complied with the ASX Corporate Governance Recommendation 2.5 that the process for evaluating the performance of the board, its committees and individual directors is developed and disclosed. However, shareholders are able to assess the performance of the Board by the way they manage the Company and vote for or against their re-appointment at the annual general meeting.

The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of this report. The Directors may, in fulfilling their duties, obtain independent professional advice at the Company's expense, however prior notification by the Director to the Board is required. At every Annual General Meeting one third of the Directors (except the Managing Director) must retire and sit for re-election.

Principle 3: Promote ethical and responsible decision-making

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community. The Code of Conduct adopted by the Company requires that all employees abide by the laws, regulations and business practices wherever the Company operates. The Board maintains an approach that preserves the integrity of any laws or regulations under which the Company operates. The Company has also put in place various internal policies which provide internal controls to ensure employees only act within the authority given to them by the Board. This is to ensure that the Board has responsibility for any material transactions and dealings with outside parties, and that any legal, environmental and social consequences of such dealings will be properly considered before any action is taken.

The Company has a Trading Policy which outlines the restrictions, closed periods and processes required when directors and employee trade company securities. The Code and the company's trading policy are discussed with each new employee. Any transaction conducted by Directors with regards to shares of the Company requires notification to the ASX. Each Director has entered into an agreement to provide any such information with regards to Company dealings directly to the Company Secretary promptly to allow the Company to notify the ASX within the required reporting timeframes.

The Company has an Environmental Policy which requires that all employees comply with the environmental regulations in force in the region in which work is undertaken. The Company is committed to dealing fairly and equitably with interested parties relating to environmental issues, such as landholders, governmental agencies and native title claimants.

The directors are satisfied that the Company has complied with its policies on ethical standards.

ENERGY METALS LIMITED
CORPORATE GOVERNANCE STATEMENT

The Company is committed to maintaining the highest standards of integrity and seeks to ensure that all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and market integrity.

A copy of the Company's Code of Conduct, Environmental and Share Trading policy is available on the Company's website.

Due to its small size and small number of employees the Company has not complied with Recommendation 3.2 to develop a diversity policy. However, the Company values diversity and recognises the benefits it can bring to the organization's ability to achieve its goals. The Board has determined that the composition of the current Board represents the satisfactory mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues.

The proportion of women within the whole organization, in senior executive positions and women on the Board as at the date of this report are:

	Number	Percentage
Number of women employees in the whole organization	5	23%
Number of women in senior executive positions	2	22%
Number of women on the Board	1	14%

The Company has not complied with the ASX Corporate Governance Recommendation 3.3 that measurable objectives for achieving gender diversity should be developed and disclosed. Due to the size of the company, the Board does not consider it practical to formally establish specific targets for gender diversity at the moment. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

Principle 4: Safeguard integrity in financial reporting

The ASX Corporate Governance Guidance recommend listed entities establish an audit committee. During the period ended 31 December 2011 Energy Metals Limited did not have a separately established audit committee. The Board considers that due to the Company's size, an audit committee's functions and responsibilities can be adequately and efficiently discharged by the Board as a whole, operating in accordance with the Company's mechanisms designed to ensure independent judgment in decision making. The Board as a whole meets with the Company auditor prior to the final sign-off of the half yearly and final annual financial accounts.

The Board considers and deals with matters which would ordinarily be attended to by an audit committee including:

- monitoring the Company's performance against strategy;
- approving and monitoring all significant or major business transactions;
- designing and implementing an appropriate organizational structure;
- appointing and monitoring the conduct and performance of management and personnel, and overseeing all remuneration, development and succession;
- approving and monitoring financial reporting and compliance;
- monitoring the principal risks and opportunities of the Company's business;
- ensuring appropriate risk management systems are established and reviewed;
- overseeing control and accountability systems; and
- reviewing and approving corporate governance systems.

The Managing Director is accountable to the Board for management of the Company within authority levels approved by the Board and is subject to the supervision of the Board. The Managing Director and the Finance Director are required to periodically state in writing to the Board that the Company's financial report presents a true and fair view of the Company's financial condition and that results are reported in accordance with relevant accounting standards.

ENERGY METALS LIMITED
CORPORATE GOVERNANCE STATEMENT

External auditor

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. It is the auditor's policy to rotate engagement partners on listed companies at least every five years.

The auditor is required to attend the Annual General Meeting of shareholders. The Chairman will permit shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report, in accordance with section 250T of the Corporations Act 2001.

Principle 5: Make Timely and balanced disclosure

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. A summary of these policies and procedures is available on the Company's website. To ensure it meets its continuous disclosure obligations, the Board has nominated the Managing Director and the Company Secretary as responsible for all disclosure matters. Their role is to collate and, where appropriate, disclose share price sensitive information.

In the Company's current stage of development, matters of crucial importance arise regularly. The Managing Director will discuss significant issues with Board members who jointly will make a decision on the timely release of factual and balanced information concerning the Company's activities.

Presentations that are made to analysts or investors are posted on the Company's website. If the presentations contain information that has not previously been announced to ASX that could have a material effect on the share price, the presentation is released to the ASX before the presentation is made.

A copy of the Company's continuous disclosure policy is available on the Company's website.

Principle 6: Respect the rights of shareholders

The Board of Energy Metals Limited endeavors to ensure that shareholders are informed of all the activities affecting the Company. The Company has published a communications policy for promoting effective communication with shareholders on the Company's website. Information is conveyed to shareholders via the annual report, quarterly reports and other announcements which are delivered to the Australian Stock Exchange and posted on the Company's website. Shareholders with access to the internet are encouraged to submit their email addresses to receive electronic copies of information distributed by the Company. Hard copies of this information are available on request.

The Board encourages the attendance and participation of shareholders at the Annual General Meeting and specifically convened General Meetings by holding those meetings in a location accessible by a large number of shareholders.

The Board of Energy Metals Limited adopted a policy to promote effective communication with shareholders.

A copy of the policy is available from the Company's website.

Principle 7: Recognise and Manage Risk

Taking and managing risk are central to business and building shareholder value. The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- ensure compliance in legal, statutory and ethical matters;
- monitor the business environment, identify potential opportunities & risk areas therein; and
- monitor systems established to ensure prompt and appropriate responses to shareholders complaints and enquiries.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The Board meets on a regular basis and reviews and monitors the parameters under which such risks will be managed. The Board has established a Risk Management Team (“RMT”) which comprises the Managing Director and Company Secretary and any other senior executives. The RMT consider appropriate to oversee the daily management of risk and make recommendations to the Board on risk management matters. The RMT is not a committee of the Board and the Board acknowledges that it is ultimately responsible for the implementation of any policies, actions or decisions made by the RMT.

The Managing Director and Company Secretary are required to periodically report to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material aspects.

The Board also receives a declaration pursuant to s295A of the Corporations Act from the Chief Executive Officer (Managing Director) and the Chief Financial Officer (Finance Director) prior to the approval of financial statements.

A copy of the policy is available from the Company’s website.

Principle 8: Remunerate fairly and responsibly

The Company does not have a formal remuneration policy and has not established a separate remuneration committee. Due to the early stage of development and small size of the Company a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the directors and key executives. The Board considers that it is more appropriate to set aside time at a Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with the Corporations Act requirement, especially with regard to related party transactions. That is, none of the directors participate in any deliberations regarding their own remuneration or related issues.

Remuneration is currently in accordance with the general principles recommended by the ASX, that is, non-executive directors receive a fixed fee for their services and do not receive performance based remuneration. Fees for non-executive directors are not linked to the performance of the Company.

Non-executive directors’ remuneration may also include an incentive portion consisting of options to subscribe for shares, subject to approval by shareholders. The Company has not complied with the ASX Corporate Governance Recommendations in this regard but considers the nature and quantum of remuneration of its non-executive directors to be appropriate and reasonable for a Company of its size and the granting of options is a useful tool for attracting and retaining quality directors without diminishing the Company’s cash resources.

All executives receive either consulting fees or a salary, part of which may be taken as superannuation, and from time to time, options. Options issued to directors are subject to approval by shareholders. The Board reviews executive packages annually by reference to the executives’ performance and comparable information from industry sectors and other listed companies in similar industries. There are no schemes for retirement benefits for non-executive directors.

The Company is required to disclose in its annual report details of Directors remuneration. A detailed explanation of the basis and quantum of Directors’ remuneration is set out in the Directors’ Report.

ENERGY METALS LIMITED
ANNUAL FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

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

Energy Metals Limited
Ground Floor, 10 Kings Park Road
West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 4 to 13 are not part of these financial statements.

The financial statements were authorised for issue by the directors on 30 March 2012. The directors have the power to amend and reissue the financial statements.

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated	
		31 December 2011	1 July – 31 December 2010
		\$	\$
Revenue from continuing operations	3a	2,352,581	732,798
Depreciation expenses	3b	(85,330)	(48,607)
Employee benefits expenses	3c	(792,703)	(368,722)
Corporate and regulatory expenses		(43,561)	(64,126)
Office rental		(229,710)	(114,123)
Legal advisory		(128,789)	(92,443)
Other administrative expenses	3b	(698,080)	(317,522)
Profit (Loss) before income tax		374,408	(272,745)
Income tax benefit	4	-	-
Profit (Loss) for the year		374,408	(272,745)
Total comprehensive income/(loss) for the year		374,408	(272,745)
Income/(Loss) attributable to owners of Energy Metals Limited		374,408	(272,745)
Total comprehensive income/(loss) for the year attributable to owners of Energy Metals Limited		374,408	(272,745)
Earnings per share for profit/loss attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share (cents per share)	6	0.2	(0.2)
Diluted earnings/(loss) per share (cents per share)	6	N/A	N/A

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	Consolidated	
		31 December 2011	31 December 2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	4,578,436	29,722,660
Term deposit	8	19,720,578	-
Trade and other receivables	9	1,302,427	675,919
Total Current Assets		25,601,441	30,398,579
NON-CURRENT ASSETS			
Receivables	9	165,380	63,419
Property, plant and equipment	10	551,241	409,973
Exploration and evaluation expenditure	11	20,980,625	15,711,237
Total Non-Current Assets		21,697,246	16,184,629
TOTAL ASSETS		47,298,687	46,583,208
CURRENT LIABILITIES			
Trade and other payables	12	562,554	259,767
Provisions	13	57,287	19,003
Total Current Liabilities		619,841	278,770
TOTAL LIABILITIES		619,841	278,770
NET ASSETS		46,678,846	46,304,438
EQUITY			
Contributed equity	14	49,677,832	49,677,832
Reserves	15, 16	-	2,419,100
Accumulated losses		(2,998,986)	(5,792,494)
Capital and reserves attributable to owners of Energy Metals Limited		46,678,846	46,304,438
TOTAL EQUITY		46,678,846	46,304,438

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of Energy Metals Limited			
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2010	29,815,604	2,419,100	(5,519,749)	26,714,955
Total comprehensive loss for the period as reported in the 2010 financial statements	-	-	(272,745)	(272,745)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	19,862,228	-	-	19,862,228
Balance at 31 December 2010	49,677,832	2,419,100	(5,792,494)	46,304,438
Total comprehensive income for the year	-	-	374,408	374,408
Share-based payments		(2,419,100)	2,419,100	-
Balance at 31 December 2011	49,677,832	-	(2,998,986)	46,678,846

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

ENERGY METALS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	31 December 2011 \$	1 July – 31 December 2010 \$
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Payments to suppliers and consultants		(1,447,311)	(1,400,625)
Income received from Joint Venture		232,481	554,008
Interest received		1,247,716	397,845
Grant and rebate received		39,453	13,162
Net cash inflow/(outflow) from operating activities	5	72,339	(435,610)
Cash flows from investing activities			
Payments for exploration, evaluation and development expenditure		(5,269,388)	(2,101,776)
Payments for property, plant and equipment		(226,597)	(11,114)
Term deposit at bank		(19,720,578)	
Net cash outflow from investing activities		(25,216,563)	(2,112,890)
Cash flows from financing activities			
Proceeds from issue of shares		-	19,862,228
Net cash inflow from financing activities		-	19,862,228
Net (decrease)/increase in cash and cash equivalents		(25,144,224)	17,313,728
Cash and cash equivalents at the beginning of the financial year		29,722,660	12,408,932
Cash and cash equivalents at the end of the financial year	5	4,578,436	29,722,660

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Energy Metals Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

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

Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 18.

Removal of Parent

Separate financial statements for Energy Metals Limited, as an individual entity, are no longer presented as a consequence of a change to the *Corporations Act 2001*. Financial information for Energy Metals Limited as an individual entity is included in note 27.

Comparative Figures

The comparatives in these financial statements are for the six-month period from 1 July to 31 December 2010 as the Company changed its financial year-end to 31 December in 2010.

The Company has previously prepared its annual financial report for the year ended 30 June 2010 and then further prepared a financial report for the six month period from 1 July 2010 to 31 December 2010. The purpose of the change of financial year end was to save additional costs of preparing financial information necessarily required by the Parent Company, China Uranium Development Company Ltd to prepare consolidated accounts.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

(b) Principles of Consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Energy Metals Limited (“Company” or “parent entity”) as at 31 December 2011 and the result of the subsidiary for the year then ended. Energy Metals Limited and its subsidiary together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Joint Controlled Operation

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 26.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board. The Board is responsible for allocating resources and assessing performance of the operating segments.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below.

Revenue is recognised for the major business activities as follows:

(i) *Management Fee*

Management fee from joint venture activities is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances, rebates and amounts collected on behalf of third parties.

(ii) *Interest Income*

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of Assets

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Cash and Cash Equivalents

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

(i) Trade and Other Receivables

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

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

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

(j) Investments and Other Financial Assets

Classification

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

(i) *Loans and Receivables*

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

(ii) *Held-to maturity Investments*

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

Recognition and Derecognition

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments and Other Financial Assets (Continued)

Subsequent Measurement

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

Impairment

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

(k) Plant and Equipment

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

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

(l) Exploration and Evaluation Expenditure

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

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

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Interest in a Jointly Controlled Entity

The Company has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Company recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Company also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(n) Trade and Other Payables

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

(o) Employee Benefits

(i) *Short-term Obligations*

Liabilities for wages and salaries, superannuation, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) *Other Long-term Employee Benefit Obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Share-based Payments*

Share-based compensation benefits are provided to employees via the Energy Metals Limited Employee Option Plan. Information relating to these schemes is set out in note 15.

The fair value of options granted under the Energy Metals Limited Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(p) Contributed Equity

Ordinary shares are classified as equity.

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Earnings Per Share

(i) *Basic Earnings Per Share*

Basic earnings per share is determined by dividing :

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year (note 6).

(ii) *Diluted Earnings Per Share*

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

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

(r) Goods and Services Tax (GST)

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

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

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

(s) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments and AASB2009 -11/AASB2010 -7 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but its available for early adoption. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (annual reporting periods commencing on or after 1 July 2011)

In November 2010 the AASB issued *2010 – 6 – Disclosures on Transfers of Financial Assets*. Additional disclosures are required for entities that transfer financial assets, including information about the nature of financial assets involved and the risks associated with them. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New Accounting Standards and Interpretations (Continued)

AASB 10 Consolidated Financial Statements (annual reporting periods commencing on or after 1 January 2013)

In August 2011 the AASB issued *ASB10 – Consolidated Financial Statements*. The standard introduces a single ‘control model’ for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: power over investee (whether or not power used in practice), exposure, or rights, to variable returns from investee, and ability to use power over investee to affect the entity’s returns from investee.

When this standard is first adopted for the year ended 31 December 2013, there will be no impact on transactions and balances recognised in the financial statements because the Company does not have any special purpose entities.

AASB 11 Joint Arrangements (annual reporting periods commencing on or after 1 January 2013)

In August 2011 the AASB issued *ASB11 – Joint Arrangements*. Joint arrangements will be classified as either ‘joint operations’ (where parties with joint control have rights to assets and obligations for liabilities) or ‘joint ventures’ (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.

Adoption of ASB 11 is only mandatory for the 31 December 2013 year end. The entity has not yet made an assessment of the impact of these amendments.

AASB 12 Disclosure of interests in other entities (annual reporting periods commencing on or after 1 January 2013)

In August 2011, the AASB issued *AASB12 – Disclosure of interest in other entities*. The standard combines existing disclosures from *AASB 127 Consolidated and Separate Financial Statements*, *AASB 128 Investments in Associates* and *AASB 131 Interests in Joint Ventures*. The standard introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

AASB 13 Fair value measurement (annual reporting periods commencing on or after 1 January 2013)

In September 2011, the AASB issued *AASB 13 – Fair value measurement*. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are ‘level 3’ valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.

When this standard is adopted for the first time on 1 January 2013, additional disclosures will be required about fair values.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SEGMENT INFORMATION

Management has determined that the Group has three reportable segments, being uranium exploration, corporate and uranium trading. As the Group is focused on uranium exploration, the Board periodically monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. The uranium trading is a new segment from 2011. This internal reporting framework is most relevant to assist the Board with making decisions regarding the Group and its ongoing operation activities.

The segment information provided to the Board for the reportable segments for the financial year ended 31 December 2011 and 31 December 2010 are as follows:

	Uranium Exploration \$	Corporate \$	Uranium Trading \$	Unallocated \$	Total \$
31 December 2011:					
Total segment revenue	677,396	1,675,185	-	-	2,352,581
Segment result	587,675	(135,316)	(77,951)	-	374,408
Depreciation	49,659	35,671	-	-	85,330
Total segment assets	22,451,280	24,847,307	100	-	47,298,687
Total assets includes: Additions to non-current assets (other than financial assets)	5,491,290	11,682	-	-	5,502,972
Total segment liabilities	(476,728)	(143,113)	-	-	(619,841)
1 July to 31 December 2010:					
Total segment revenue	333,838	398,960	-	-	732,798
Segment result	221,964	(494,709)	-	-	(272,745)
Depreciation	29,765	18,842	-	-	48,607
Total segment assets	16,191,875	30,391,333	-	-	46,583,208
Total assets includes: Additions to non-current assets (other than financial assets)	2,101,776	-	-	-	2,101,776
Total segment liabilities	377,191	25,637	-	(124,058)	278,770

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. REVENUES AND EXPENSES

	Consolidated	
	31 December 2010	31 December 2010
	\$	\$
(a) Revenue from continuing operations includes the following revenue items:		
Interest income	1,675,185	398,960
Joint Venture revenue received	604,242	320,676
Fuel rebate	73,154	13,162
	2,352,581	732,798
(b) Profit (Loss) includes the following specific expenses:		
Consulting fee*	143,782	102,046
Depreciation	85,330	48,607
	229,112	150,653
*: Consulting fee is included in Other Administrative Expenses.		
(c) Employee benefit expenses:		
Wages & superannuation	647,180	326,539
Directors fees	94,345	25,514
Others	51,178	16,669
	792,703	368,722

4. TAXATION

The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:

Income /(Loss) before income tax	374,408	(272,745)
Income tax expense (benefit) @ 30%	112,322	(81,825)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	6,495	-
Non-Assessable revenues	-	-
Timing differences not recognised	(1,697,572)	-
Deferred tax assets relating to tax losses not recognised	1,578,755	81,825
Income tax expenses/benefit reported in the income statement	-	-

The franking account balance at period end was \$nil (2010: \$nil).

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

Deferred tax assets	7,642,156	5,004,957
Tax losses	17,186	11,741
Other temporary differences	-	-
Deferred tax liabilities		
Other temporary differences	(6,422,428)	(4,779,847)
Net deferred tax assets not recognised	1,236,914	236,851

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. TAXATION (CONTINUED)

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

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

Tax Consolidation

Energy Metals Limited and its 100% owned Australian resident subsidiary, NT Energy Pty Ltd have implemented the tax consolidation legislation.

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

	Consolidated	
	31 December	1 July –
	2011	31 December
	\$	2010
	\$	\$
Profit/(Loss) after income tax	374,408	(272,745)
Depreciation	85,330	48,607
Loss on disposal of fixed assets	-	8,922
Annual leave expense	38,285	(2,531)
Change in operating assets and liabilities during the financial period:		
(Increase) decrease in trade and other receivables	(934,893)	240,131
Increase (decrease) in trade and other payables	509,209	(457,994)
	72,339	(435,610)
Net cash inflow/(outflow) from operating activities		
Reconciliation of cash balance comprises:		
Cash and cash equivalents*	4,578,436	29,722,660
	4,578,436	29,722,660

*: Cash at bank earns interest at 3.18 % (2010: 5.8%). Cash on term deposit are denominated in A\$ with an average maturity of 62 days (2010: 60 days) and effective interest rate of between 5.43% to 5.7%.

6. EARNINGS PER SHARE

Profit/(Loss) used in calculation of basic and diluted earnings per share	374,408	(272,245)
Basic earnings/(loss) per share (cents per share)	0.2	(0.2)
Diluted earnings per share (cents per share)	N/A	N/A
	2011	2010
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/loss per share.	153,767,762	137,522,520

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

7. DIVIDENDS

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

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Cash and cash equivalents	3,979,814	29,715,941
Share of Joint Venture cash	598,622	6,719
	<u>4,578,436</u>	<u>29,722,660</u>
Term deposits	<u>19,720,578</u>	-

As at 31 December 2011, the Company had approximately total \$19 million deposits with maturities from 4 months to 12 months in various financial situations earning interest income at an average rate of 6%.

The Company's exposure to interest rate risk is disclosed in Note 17.

9. TRADE AND OTHER RECEIVABLES

CURRENT

GST receivable	210,003	206,423
Trade receivables	310,865	181,111
Other receivables	781,559	267,777
Share of Joint Venture receivables	-	20,608
	<u>1,302,427</u>	<u>675,919</u>

Trade receivables are denominated in Australian dollars and are interest free with settlement terms of between 7 and 30 days. Other receivables are mainly interest receivables. As at 31 December 2011 there were current trade receivables totalling \$520,868 which did not contain impaired assets and were not past due. All these amounts were received in total subsequent to the period-end.

Due to the short-term nature of receivables their carrying value is assumed to be their fair value. Please refer to Note 17 for information on credit risk.

NON- CURRENT

Other receivables	<u>165,380</u>	<u>63,419</u>
	<u>165,380</u>	<u>63,419</u>

As at 31 December 2011 there were non-current receivables totalling \$165,380 which mainly included environment security bonds of \$98,099 and the office rental deposit of \$67,281. No non-current receivables are impaired.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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10. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	31 December	31 December	
	2011	2010	
	\$	\$	
Plant and equipment - at cost	742,427	573,315	
Less accumulated depreciation	(310,861)	(239,230)	
	<u>431,566</u>	<u>334,085</u>	
Motor vehicle – at cost	160,675	117,567	
Less accumulated depreciation	(41,000)	(41,679)	
	<u>119,675</u>	<u>75,888</u>	
	<u>551,241</u>	<u>409,973</u>	
Reconciliation of the carrying amount of property, plant and equipment:	Plant & equipment	Motor vehicle	Total
	\$	\$	\$
Carrying amount at 1 January 2011	334,085	75,888	409,973
Additions	169,112	64,473	233,585
Disposal	-	(6,987)	(6,987)
Depreciation expenses	(71,631)	(13,699)	(85,330)
Carrying amount at 31 December 2011	<u>431,566</u>	<u>119,675</u>	<u>551,241</u>
Carrying amount at 1 July 2010	372,698	83,691	456,389
Additions	11,114	-	11,114
Disposal	(8,923)	-	(8,923)
Depreciation expenses	(40,804)	(7,803)	(48,607)
Carrying amount at 31 December 2010	<u>334,085</u>	<u>75,888</u>	<u>409,973</u>

11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December	31 December
	2011	2010
	\$	\$
Balance at beginning of the year	15,711,237	13,609,461
Exploration expenditure incurred	5,269,388	2,101,776
Balance at the end of the year	<u>20,980,625</u>	<u>15,711,237</u>

The balance carried forward represents projects in the exploration and evaluation phase.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	446,206	196,405
Other payables	116,348	63,362
	<u>562,554</u>	<u>259,767</u>

Trade and other payables are non-interest bearing and are normally settled on 30 day terms.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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13. PROVISIONS

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Employee benefits	57,287	19,003
	<u>57,287</u>	<u>19,003</u>
Carrying amount at start of year	19,003	21,539
Addition for the year	34,911	27,708
Utilised provisions recognised	3,373	(30,244)
Carrying amount at end of year	<u>57,287</u>	<u>19,003</u>

The current provision for employee benefits represents accrued annual leave. The provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Approximately \$30,000 is expected to remain as the leave entitlement balance that will not be taken or paid within the next 12 months

14. CONTRIBUTED EQUITY

Share capital

153,767,762 ordinary shares, fully paid at 31 December 2011 (31 December 2010: 153,767,762):	153,767,762	153,767,762
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There were no movements in contributed equity during the year.

Ordinary Shares

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

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

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

Options

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. CONTRIBUTED EQUITY (CONTINUED)

Capital Risk Management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

15. SHARE BASED PAYMENT TRANSACTIONS

Share based payments transactions are recognised at fair value in accordance with AASB 2. The adoption of AASB 2 is equity-neutral for equity-settled transactions. The expense in the year was \$nil (2010: \$Nil).

Employee Option Plan

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

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

Set out below are summaries of options previously granted under the plan:

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
31 December 2011								
05/01/2007	30/06/2011	\$0.98	150,000	-	-	(150,000)	-	-
Weighted average exercise price			-	-	\$0.98	-	-	-
31 December 2010								
05/01/2007	30/06/2011	\$0.98	450,000	-	-	(300,000)	150,000	150,000
Weighted average exercise price			-	-	\$0.98	-	-	-

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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15. SHARE BASED PAYMENT TRANSACTIONS (CONTINUED)

Fair Value of options granted

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of options granted. The estimate of the fair value of the services is measured based on Black-Scholes option valuation methodology. The life of the options and early exercise option are built into the option model. All the options granted as share-based payments have now been fully expensed.

16. RESERVES

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Share-based option reserve		
Balance at the beginning of the year	2,419,100	2,419,100
Transfer to Accumulated Losses	(2,419,100)	-
Balance at the end of the year	-	2,419,100

Nature and purpose of the reserve:

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

17. FINANCIAL RISK MANAGEMENT

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

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments:

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Financial Assets		
<i>Current</i>		
Cash and cash equivalents	4,578,436	29,722,660
Term deposit	19,720,578	-
Trade and other receivables	1,302,427	675,919
	25,601,441	30,398,579
Financial Liabilities		
<i>Current</i>		
Trade and other payables	619,841	259,767
	619,841	259,767

(a) Market Risk

(i) Foreign Exchange Risk

The Group does not have significant foreign currency holding, however, the Group has entered into uranium purchase and sales agreements which are both valued in US dollars. No transactions have taken place during the year. The foreign currency transactions are thus exposed to moderate currency risk.

(ii) Price Risk

The Group is not exposed to any material commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings was 4.58% at 31 December 2011 (31 December 2010: 4.58%). All other financial assets and liabilities are non interest bearing.

Group Sensitivity

At 31 December 2011, if interest rates had increased by 70 or decreased by 100 basis points from the period end rates with all other variables held constant, post-tax profit for the period would have been \$189,000 higher/\$270,000 lower (31 December 2010 -: \$47,000 higher/\$68,000 lower), mainly as a result of higher/lower interest income from cash and time deposits. Other components of equity would have been \$189,000 higher/\$270,000 lower (31 December 2010: \$47,000 higher/\$68,000 lower).

(b) Credit Risk

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

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through the equity market to meet obligations when due. At the end of the reporting period the Group held deposits of \$23 million (2010: \$27 million) that are expected to readily generate cash inflows for managing liquidity risk.

(d) Fair Value Measurements

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

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

18. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Accounting for capitalised exploration and evaluation expenditure

The Group's accounting policy is stated at note 1. There is some subjectivity involved in the carrying forward as capitalised or writing off to the Statement of Comprehensive Income exploration and evaluation expenditure, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure fairly reflect the prevailing situation.

Financial Instruments

The Group has exposure to interest rate risk which is the risk that the Group's financial position will be adversely affected by movements in interest rates. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

19. CONTINGENCIES

Contingent Liabilities

Claims of Native Title

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

20. COMMITMENTS

Consolidated	
31 December 2011	1 July - 31 December 2010
\$	\$

Tenement Expenditure Commitments:

The Company is required to maintain current rights of tenure to tenements, which require outlays of expenditure in 2011/2012. Under certain circumstances these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations, however, they are expected to be fulfilled in the normal course of operations. Estimated expenditure on mining, exploration and prospecting leases for 2011/2012.

2,244,000	1,314,000
-----------	-----------

Capital Commitments

There are no capital expenditure commitments for the Group as at 31 December 2011.

Lease Commitments: Group as lessee

The Group leases its office under non-cancellable operating leases expiring within three years.

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

Within one year	139,651	134,280
Later than one year but not later than five years	11,638	145,470
	151,289	279,750

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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21. PERFORMANCE BONDS AND SECURITY DOCUMENTS

In support of titles granted to or operated by the Group, various securities have been submitted to the Department of Mines and Petroleum. These consist of unconditional performance bonds, securities or Form 32 security documents with a total potential liability of \$12,000.

22. KEY MANAGEMENT PERSONNEL

(a) Details of Directors (Key Management Personnel)

The following persons were Key Management Personnel of Energy Metals Limited during the financial year:

Mr He, Zuyuan	Non-executive Chairman
Mr Lindsay Dudfield	Managing Director (retired from Managing Director 1/01/2011)
Mr Xiang Weidong	Director (appointed 08/12/2010 and appointed Managing Director 1/01/2011)
Mr Cui, Bin	Finance Director
Mr Geoff Jones	Non-executive Director
Mr Zhong, Yu	Non-executive Director
Mrs Zheng Xiaowei	Non-executive Director (appointed 23 February 2011)
Ms Li, Xuekun	Company Secretary
Mr Paul Dunbar	Exploration Manager
Mr Luo, Huachun	Technical Director (resigned 15/02/2011)

Key Management Personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company.

(b) Key Management Personnel Compensation

	Consolidated	
	31 December 2011	1 July - 31 December 2010
	\$	\$
Short-term employee benefits	775,023	397,805
Post-employment benefits	19,147	8,509
	<u>794,170</u>	<u>406,314</u>

(c) Equity Instrument Disclosures Relating to Directors and Employees

(i) Options provided as remuneration and shares issued on any exercise of such options

No options were provided as remuneration and shares issued on any exercise of such options during the year.

(ii) Share and option holdings

The number of shares and options over ordinary shares in the Company held during the financial year by each Director of Energy Metals Limited, including their personally related parties, are set out below:

ENERGY METALS LIMITED
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22. KEY MANAGEMENT PERSONNEL (CONTINUED)

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by key management personnel of the Company at the date of this report:

31 December 2011	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Name				
<u>Mr He, Zuyuan</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Lindsay Dudfield</u>				
Ordinary fully paid shares	2,422,620	-	-	2,422,620
<u>Mr Xiang, Weidong</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Cui, Bin</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Luo, Huachun*</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Geoff Jones</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Zhong Yu</u>				
Ordinary fully paid shares**	19,472,773	-	-	19,472,773
Unlisted Options	-	-	-	-
<u>Mrs Zheng, Xiaowei</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Ms Li, Xuekun</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr. Paul Dunbar</u>				
Ordinary fully paid shares***	-	-	30,000	30,000
Unlisted Options	-	-	-	-

*: Balance on the date of resignation.

** : Shares held at the appointment date and indirectly held through KangDe Investment Group

***: Shares acquired through on-market trading.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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22. KEY MANAGEMENT PERSONNEL (CONTINUED)

31 DECEMBER 2010	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<u>Mr He, Zuyuan</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Lindsay G Dudfield</u>				
Ordinary fully paid shares	2,422,620	-	-	2,422,620
Unlisted Options	-	-	-	-
<u>Mr Cui, Bin</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Luo, Huachun</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Geoff Jones</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr Zhong Yu</u>				
Ordinary fully paid shares*	19,472,773	-	-	19,472,773
Unlisted Options	-	-	-	-
<u>Ms Li, Xuekun</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-
<u>Mr. Paul Dunbar</u>				
Ordinary fully paid shares	-	-	-	-
Unlisted Options	-	-	-	-

*: Shares held at the appointment date and indirectly held through KangDe Investment Group.

(d) Other Transactions with Key Management Personnel

- i) During the year the Company paid \$25,000 to Mr He, Zuyuan as director's fees.
- ii) During the year the Company paid salaries of \$182,308, \$180,000 and \$17,282 to Mr Xiang, Weidong, Mr Cui, Bin and Mr Luo, Huachun, respectively.
- iii) During the year the Company accrued \$25,000 and \$21,414 in director's fees to Mr Zhong, Yu and Ms, Zheng Xiaowei respectively. These fees were unpaid as at 31 December 2011.
- iv) Pursuant to a Consulting Agreement dated 6 June 2009, between the Company and Jopan Management Pty Ltd ("Jopan"), the Company paid a total of \$52,500 during the year to Western Geological Services (a division of Jopan). The fees were for the provision of technical and management services provided to the Company by Mr Lindsay Dudfield. Mr Dudfield's spouse is the major shareholder of, and sole director and company secretary of Jopan.
- v) During the year the Company paid Mr Geoffrey Jones \$22,936 in director's fees and \$2,064 in superannuation.
- vi) During the year the Company paid Ms Li, Xuekun, \$58,775 as consulting fees.
- vii) During the year the Company paid Mr Paul Dunbar \$189,808 as salary and \$17,083 as superannuation.

ENERGY METALS LIMITED
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23. CONTROLLED ENTITIES

Controlled Entities	% held		Class	State of Incorporation	Date of Incorporation	Investment at Cost	
	31 Dec 2011	31 Dec 2010				31 Dec 2011	30 Dec 2010
NT Energy Pty Ltd	100%	100%	Ord	VIC	15/11/2006	100	100

The date of acquisition of the controlled entities was on the date of incorporation. The fair value of net assets acquired at the date of acquisition was nil.

24. RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is Energy Metals Limited. The ultimate parent entity is China Guangdong Nuclear Power Company (incorporated in the P.R. China) which at 31 December 2011 owned 60.56% (31 December 2010: 60.56%) of the issued ordinary shares of Energy Metals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 23.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 22.

(d) Transactions with related parties

The Company earned \$604,242 in management and facility administration fees from the Bigrlyi Joint Venture during the year.

(e) Outstanding balance arising from sales/purchases of goods and services

At 31 December 2011 the Company had \$520,868 receivable due from the Bigrlyi Joint Venture which was unsecured and interest free. The receivable was under normal commercial terms and was paid subsequent to the financial year-end.

(f) Loans to/from related parties

At 31 December 2011 the Company had a loan receivable of \$80,801 from NT Energy Limited. The loan was unsecured, interest free and repayable on demand. The receivable is eliminated in the consolidated financial statements.

(g) Guarantees

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

25. REMUNERATION OF AUDITORS

	Consolidated	
	31 December 2011	1 July – 31 December 2010
	\$	\$
Amounts paid or payable to the auditors for:		
Audit and review of the financial reports	52,078	34,890
Other assurance service	2,754	-
	<u>54,832</u>	<u>34,890</u>

The auditor of Energy Metals Limited is BDO Audit (WA) Pty Ltd.

ENERGY METALS LIMITED
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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

26. INTEREST IN JOINT VENTURE OPERATIONS

The Company has the following interest in unincorporated joint ventures:

Joint Venture	Principal Activity	% Interest	
		31 December 2011	31 December 2010
Bigrlyi Joint Venture	Uranium Exploration	53.29	53.29

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

Southern Cross Exploration NL ("SXX"), one of the Bigrlyi Joint Venture partners, has not advanced its full share of two cash calls within the required time frame during the year. These two default amounts have been paid by the Company and Valhalla Uranium Ltd ("Valhalla Uranium") proportionally on behalf of SXX. SXX has failed to remedy its default payments and its 5% interest in the Bigrlyi Joint Venture is subject to be diluted pursuant to the Four Party Discovery Operating Agreement.

A proposal for extension of the repayment has been received from SXX and is being considered by the Company and Valhalla Uranium.

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

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	598,622	6,719
Trade and other receivables	-	20,607
TOTAL CURRENT ASSETS	598,622	27,326
NON CURRENT ASSETS		
Receivable	85,361	-
Exploration and evaluation expenditure	13,032,197	10,152,180
TOTAL NON CURRENT ASSETS	13,117,558	10,152,180
TOTAL ASSETS	13,117,558	10,152,180

a) **Commitments**

There are no capital expenditure commitments for the Joint Venture as at 31 December 2011.

Share of estimated 2010/2011 minimum expenditure commitments for the Joint Venture tenements is \$447,636

b) **Contingent liabilities**

Claims of Native Title

There are no claims of Native Title that affect the Joint Venture license holdings.

ENERGY METALS LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

27. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Energy Metals Limited, at 31 December 2011. The information presented here has been prepared using consistent accounting policies as presented in note 1.

	31 December 2011 \$	31 December 2010 \$
Current Assets	25,339,001	30,401,429
Non-current Assets	22,363,455	16,184,629
Total Assets	<u>47,702,456</u>	<u>46,586,058</u>
Current Liabilities	636,004	278,767
Non-current Liabilities	-	-
Total Liabilities	<u>636,004</u>	<u>278,767</u>
Contributed equity	49,677,832	49,677,832
Accumulated Losses	(5,030,480)	(5,789,609)
Reserve	2,419,100	2,419,100
Total Equity	<u>47,066,452</u>	<u>46,307,323</u>
Income /(Loss) for the year	<u>759,129</u>	<u>(272,745)</u>
Total Comprehensive income/(loss) for the year	<u>759,129</u>	<u>(272,745)</u>

28. EVENTS OCCURRING AFTER REPORTING DATE

Uranium Trading and ASX Waiver

On 3 January 2012 the Company announced that NT Energy Pty Ltd (“NT Energy”), its fully owned subsidiary, had entered into a binding Sales Agreement (“Initial Agreement”) with CGNPC – Nuclear Fuel Corporation Ltd (formerly CGNPC-Uranium Resources Co., Ltd (“CGNPC-NFC”), a wholly owned subsidiary of China Guangdong Nuclear Power Holding Company .

Under the Initial Agreement NT Energy may have a back-to-back trade selling 150,000 pounds of Natural Uranium Concentrates (“Concentrates”) that will be purchased from a leading Australian uranium producer (“Supplier”). The Concentrates will be shipped from the Port of Adelaide to the Port of Shanghai. After a visual inspection is completed and a certificate of receipt is executed at the Port of Shanghai, NT Energy will receive the title to the Concentrates from the Supplier and immediately pass the title to CGNPC-NFC.

Both the purchase price and the selling price of the Concentrates are made via reference to the U₃O₈ spot price indicator, as published by TradeTech LLC, Denver, Colorado, USA, in the Nuclear Clear Market Review, and the U₃O₈ spot price, as published by the Ux Consulting Company LLC, Roswell, Georgia, USA, in the Ux Weekly.

NT Energy is entitled to receive a substantial portion of the payment from CGNPC-NFC no later than 30 calendar days after execution of the certificate of receipt. The remaining balance will be due and receivable after the final results of the weighing, assaying and qualitative analysis of the uranium content of the Concentrates.

On 12 March 2012 the Company advised that the Australian Securities Exchange (ASX) has agreed to grant the Company a waiver from ASX Listing Rule 10.1 to the extent necessary to permit the NT Energy to sell the Concentrates which NT Energy has acquired from the Supplier to CGNPC-NFC, without obtaining shareholder approval, on certain conditions (refer to the announcement on 12 March 2012).

DIRECTORS' DECLARATION

ENERGY METALS LIMITED AND ITS CONTROLLED ENTITIES ACN 111 306 533

DECLARATION BY DIRECTORS

The directors of the Company declare that:

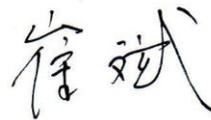
1. The financial statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash flows, Consolidated Statement of Changes in Equity and accompanying notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.
4. The consolidated entity has included in the notes to the financial statements an unreserved and explicit statement of compliance with International Financial Reporting Standards.

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



XIANG, WEIDONG
Managing Director

Perth, Western Australia
30th March 2012



CUI BIN
Financial Director

Perth, Western Australia
30th March 2012

30 March 2012

The Board of Directors
Energy Metals Limited
Ground Floor, 10 Kings Park Road
West Perth, WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF
ENERGY METALS LIMITED**

As lead auditor of Energy Metals Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Energy Metals Limited and the entities it controlled during the year.



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENERGY METALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Energy Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Energy Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- (a) the financial report of Energy Metals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Energy Metals Limited for the period ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Glyn O'Brien
Director

Perth, Western Australia
Dated this 30th day of March 2012