



ABN 63 111 306 533

QUARTERLY REPORT TO SHAREHOLDERS

for the three months ended
30th September 2012

ASX Code - EME

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This report and further
information are available on
Energy Metals' website at:

www.energymetals.net



HIGHLIGHTS

EXPLORATION

- * Evaluation of numerous historical regional prospects on 100% EME tenements successfully identifies multiple high quality targets for drill testing.
- * Ground Geophysical surveys and prospecting completed over six prospects either not drill tested or untested since the early 1980's.

URANIUM TRADING

- * Trial Uranium Shipment departed Australia late September and on-sold to Chinese utility CGNPC late October

CORPORATE

- * Energy Metals had approximately \$22.8M in cash and 153.8M shares on issue at 30th September 2012.

Weidong Xiang
Managing Director
31st October 2012

INTRODUCTION

Energy Metals is a dedicated uranium company with nine exploration projects located in the Northern Territory (NT) and Western Australia covering over 4,000 km². Most of the projects contain uranium mineralisation discovered by major companies in the 1970's, including the advanced Biglyi Project (NT).

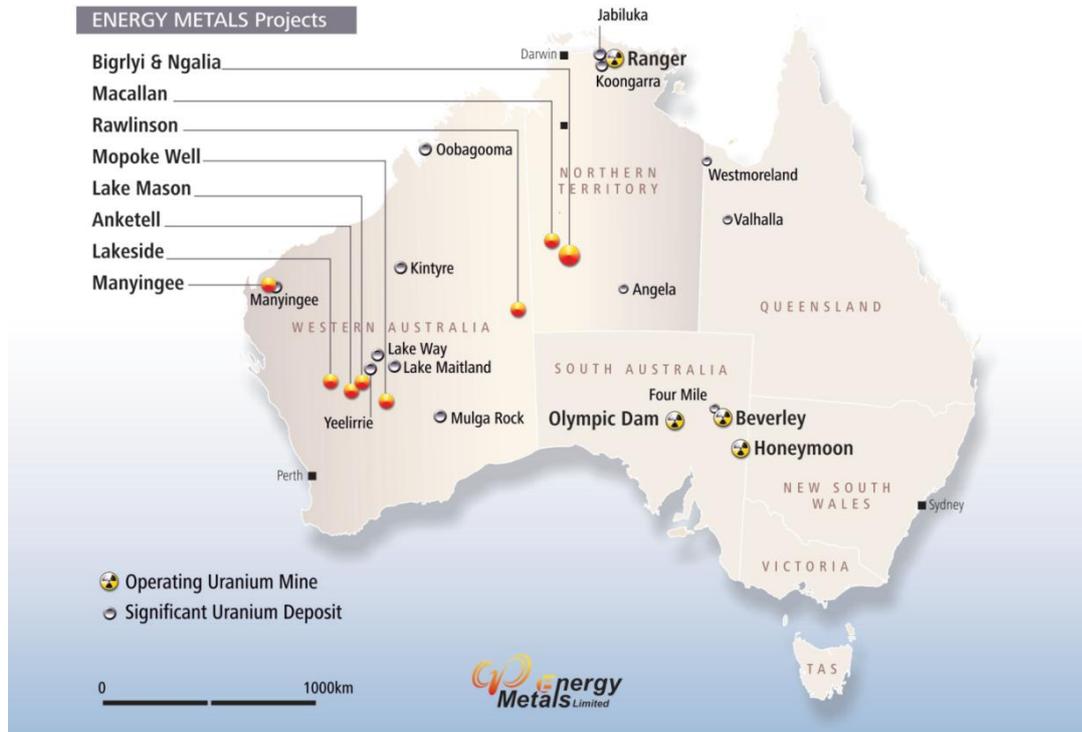


Figure 1 – Location of Energy Metals Projects

With nuclear power globally playing an increasing role in reducing global carbon emissions Energy Metals is well placed to take advantage of the favourable outlook for the metal.

Importantly Energy Metals is one of only five companies that currently hold all the required permits and authorities to export Uranium Oxide Concentrates (UOC) from Australia. The Company recently completed its first shipment of UOC and is currently negotiating purchase agreements with Australian uranium producers to enable further shipments from Australia for resale, primarily to major Chinese utility China Guangdong Nuclear Power Holding Company (CGNPC), ultimately Energy Metals' largest shareholder.

China Uranium Development Co. Limited, Energy Metals' largest shareholder (with 60.6% of issued capital), is a wholly owned subsidiary of CGNPC. CGNPC currently has six operating nuclear power stations with existing generation capacity of 6,110 MWe and with more than 17,540 MWe of capacity currently under construction in 15 separate power stations across various locations around China. Two of these 15 nuclear power stations are due to be completed and placed into commercial operation in 2012. Additionally CGNPC is one of only two companies authorised by the Chinese government to import and export uranium. This unique relationship with CGNPC gives Energy Metals direct market exposure as well as access to significant capital and places the Company in a very strong position going forward.

NORTHERN TERRITORY

Bigrlyi (EME 53.3%)

The Bigrlyi Project comprises 10 granted exploration retention licenses and several applications within the Ngalia Basin, located approximately 350 km northwest of Alice Springs. The project, which is a joint venture with Paladin Energy subsidiary Northern Territory Uranium Pty Ltd and Southern Cross Exploration, has been subject to significant exploration activity since discovery in 1973, including over 1040 drillholes, metallurgical testwork and mining studies.

The Bigrlyi Project is characterised by relatively high uranium grades and excellent metallurgical recoveries. Historical base case acid leach tests recorded extraction rates of 98% uranium.

For further information on metallurgical testwork, resource estimates and economic studies please refer to ASX announcements or the Company's website www.energymetals.net

Activities (September 2012 Quarter)

During the September quarter the main activities undertaken included;

- Geophysical surveys designed to map the prospective horizon under thin transported cover.
- Further Database validation and compilation
- Comparison of the metallurgical leach options
- Rehabilitation of all existing exploration activities.

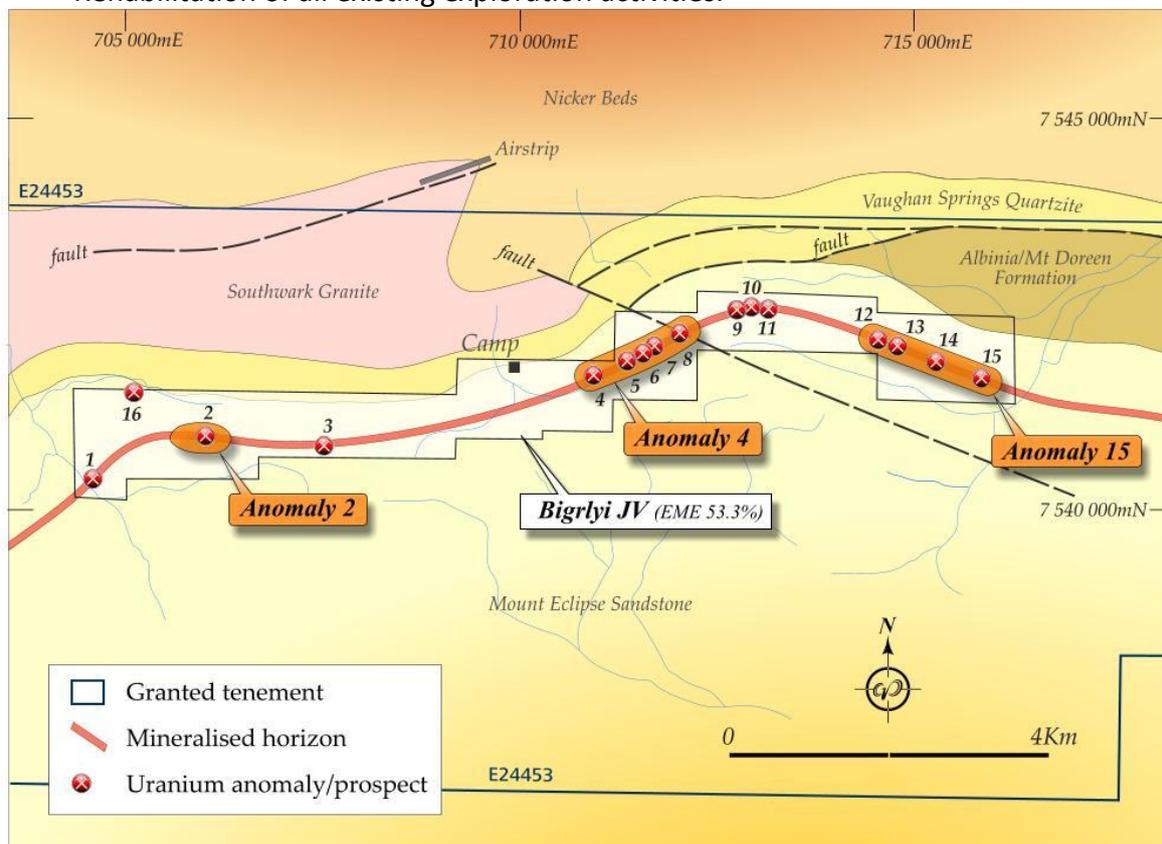


Figure 2 – Bigrlyi Joint Venture Simplified Geology

Validation of the existing drilling database continued during the quarter. The initial validation work was done in conjunction with Paladin Energy and initially completed late in the June quarter. Work on validation of the database will continue and a resource estimate using the validated database may commence late in the December quarter.

A comparative study into the two alternatives for extracting the uranium from the ore at Bigrlyi (acid leach and alkaline leach) continued during the quarter. The final comparison between the two leach options based on data and assumptions that enable a reasonable comparison suggests that an Acid leach would, on an operating cost (including consumables), be at least \$8/lb lower than a comparable Alkaline leach process.

Trial of an innovative geophysical technique commenced late in the September quarter focussed on the Anomaly 4 deposit. The details of this survey, also conducted within the Ngalia Regional project, are summarised in the Ngalia Regional project section below.

Significant work was undertaken in the quarter to ensure rehabilitation of all previous exploration had been completed.

Ngalia Regional (EME 100%)

The Ngalia Regional project comprises eleven 100% owned exploration licenses (total area >3,000 km²) located in the Ngalia Basin, between 180km and 350 km northwest of Alice Springs in the Northern Territory. Eight of these tenements are contiguous and enclose the Bigrlyi project as well as containing a number of uranium occurrences including the historic Walbiri and Malawiri deposits and the Cappers deposit (Inferred Mineral Resource of 2,720 tonnes U₃O₈ at a grade of 167ppm at 100ppm cut-off). The remaining 3 tenements are located southwest of the Bigrlyi deposits and cover discrete uranium anomalies with no evidence of previous exploration.

Seven of the eleven Ngalia Regional Exploration Licences have been granted. The remaining four applications (EL's 24450, 24462, 24805 and 27169) are located on Aboriginal Freehold land and the consent of the Traditional Owners is required before the tenements can be granted. Energy Metals has been negotiating with the Traditional Owners through the Central Land Council (CLC) and is confident that the Company will eventually gain access to these areas.

Mid July 2010 Energy Metals announced that the first diamond hole (CFD1001) drilled by the Company at the Camel Flat prospect had intersected Bigrlyi style mineralisation masked by shallow sand cover. Initial anomalous downhole probe values from CFD1001 were subsequently confirmed by chemical assay, returning an intercept of 27m @ 2,708ppm U₃O₈ & 755ppm V₂O₅ from 93.0m, including 5.0m @ 13,269ppm (1.33%) U₃O₈ & 2,944ppm V₂O₅.

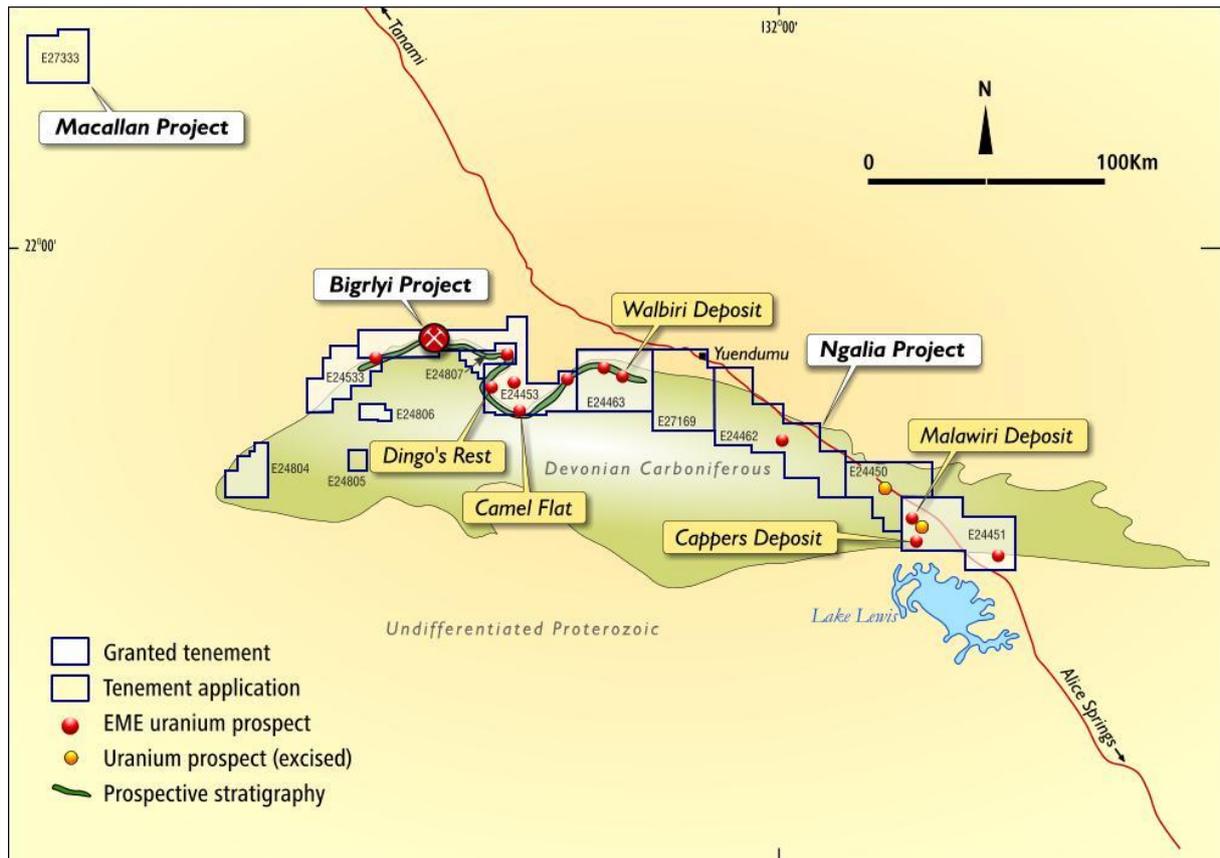


Figure 3 - Ngalia Regional Project showing uranium deposits & occurrences.

These intercepts from Camel Flat compare very favourably with early drilling results from Bigrlyi and the potential for finding more uranium along strike from Camel Flat is excellent, especially as historic drilling to test under the widespread sand cover appears to have been ineffective.

Several high priority targets have been identified in the 100% Energy Metals tenements including;

- The historic **Walbiri** prospect
- **Anomaly 15 East**, the eastern extension to the Bigrlyi mineralised trend
- Dingo's Rest (north and South)
- West of the Anomaly 1 prospect of Bigrlyi
- Extensions of the Minerva / Malawiri prospects
- Extensions to other historic prospects.

Energy Metals intends to undertake a systematic evaluation of these prospects for the first time since the early 1980's

Activities (September 2012 Quarter)

Exploration activities conducted within the Ngalia Regional project during the quarter included re-evaluation of Camel Flat, Anomaly 15 East and several historic regional prospects.

The extensions to Camel Flat the mineralisation drilled in 2010 were identified as being open along strike (both to the East and West) and both up and down plunge. Initial drilling at Camel Flat early in the December quarter will target these extensions while later drilling is expected to target the interpreted extensions to the prospective horizon.

Infill and extensional drilling has also commenced at Anomaly 15 East, with this drilling designed to test the extensions of the high grade intersection drilled early in 2011 (6m @ 1850ppm eU3O8 from 60.5m in B11012).

Geophysical Surveys

In an attempt to map the strike extensions of the prospective units within the Mt Eclipse sandstone Southern Geoscience Consultants, in consultation with the Energy Metals technical team, has planned a significant program using a geophysical technique that has, as far as we know, never been used to map uranium mineralisation (or prospective stratigraphy) under thin transported cover. This geophysical program commenced subsequent to the end of the September quarter and results received to date suggest that it is a cost effective tool for tracking the prospective stratigraphy under cover.

Much of the prospective stratigraphy within the Ngalia project is covered by a thin veneer of transported material, if this method continues to be as successful as it has been in initial trial areas at Camel Flat (100% EME) and Anomaly 4 within the Bigrlyi Joint Venture (53.3% EME) it's use will be expanded to cover the strike extensions of the Bigrlyi mineralised horizon, the extensions to the mineralisation identified at Camel Flat and other regional prospects.

Regional Targets

Exploration activities on the regional targets has focussed on developing and providing sufficient geological background work over several significant historic and recently identified radiometric anomalies in the Ngalia project, mainly within the Mt Eclipse sandstone, the host of the Bigrlyi Uranium deposits.

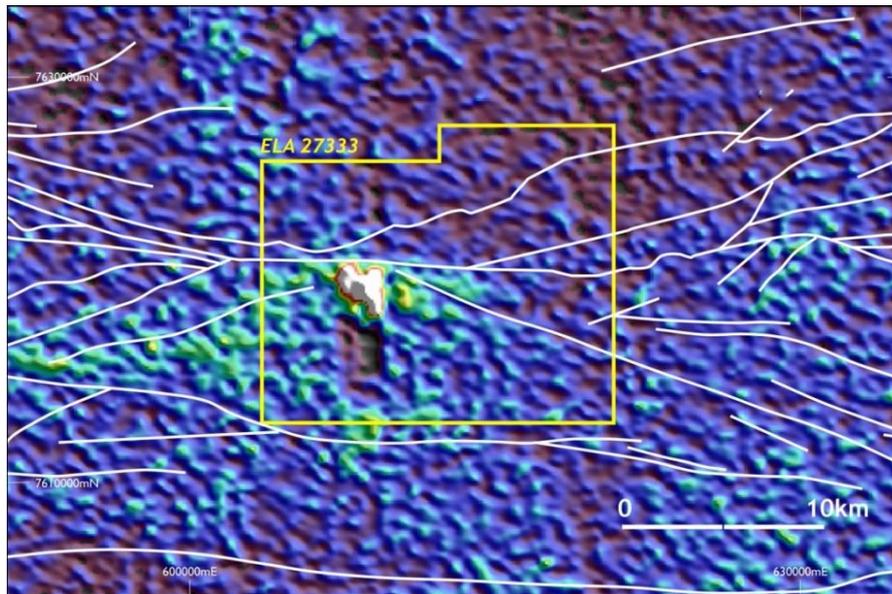
Several of these anomalies have had significant evaluation work conducted during the quarter including prospecting, geological mapping, detailed ground radiometric (spectrometer) surveys and gamma probing of any historic holes within the prospects.

One of these regional prospects is the Walbiri prospect (Figure 3) which hosts a pre JORC resource and has been identified as having significant potential. Access to this prospect is dependent on the results of negotiations with the traditional owners. A survey was conducted late in the March quarter. Late in the June quarter Energy Metals was notified that the area contains several sites of significance to the traditional owners. The Company is still hopeful that it will eventually gain access to this target and community consultation is ongoing regarding access to Walbiri and several other historical prospects identified in the 1970's and the early 1980's.

Macallan (EME 100%)

The **Macallan** project (ELA27333) is located 460km northwest of Alice Springs and 140km from Bigrlyi. Newmont Australia's Callie Gold Mine is located a further 140km to the north.

The tenement covers a strong 3km long bullseye radiometric anomaly which may indicate the presence of shallow structurally controlled uranium mineralisation.



Macallan Project radiometric image showing interpreted regional faults (white lines).

The application is progressing through the provisions of the Aboriginal Land Rights Act. A meeting with the traditional owners occurred in November 2011. During the June quarter the Company received advice that the Central Land Council (CLC) had been authorised by the traditional owners of the region to commence negotiations with the aim of developing an access agreement for Macallan. The Company is still awaiting the draft access agreement from the CLC. Once it has been received negotiations for access will commence in an attempt to enable the tenement to be granted. Once the tenement is granted the Company intends to undertake an initial field visit to review the potential of the discrete radiometric anomaly. Negotiations for the access agreement will continue in the December quarter.

WESTERN AUSTRALIA

Anketell (EME 100%)

The Anketell project comprises two granted exploration licences (E's 58/289 & 58/292) with a total area of 165km². The tenements contain shallow calcrete hosted mineralisation discovered by Western Mining (WMC) in 1972. The mineralisation is similar in style to the Yeelirrie deposit, also discovered by WMC in the same year and located 150km to the northeast.

Aircore drilling completed by Energy Metals between 2007 and 2009 confirmed the presence of uranium mineralisation in calcrete and calcareous clays with most traverses recording anomalous intercepts at shallow depths (typically within 10m of surface), and in July 2009 Energy Metals announced an Inferred Mineral Resource of 2,720 tonnes (6Mlb) U₃O₈ at a grade of 167ppm (100ppm cut-off) at Anketell.

Anketell is located close to infrastructure, being approximately 90km east by sealed road from the mining town of Mount Magnet and 35km from the gas pipeline at Windimurra. The

project is also located approximately 45km to the SW of Energy Metals' Lake Mason project (3.7Mlb resource – see above) and takes Energy Metals' total resources in the area (reportable under JORC) to 9.7Mlb U₃O₈.

During the September quarter the Company's revised radiation management plan was approved and approvals were also received for a planned series of trenches to obtain sufficient material to allow metallurgical analysis and testing. The aim of this metallurgical testing is to determine if a low cost beneficiation technique is effective in upgrading the mineralisation within the resource. If the beneficiation tests are positive then further work would commence, probably next year, to determine the viability of the project.

Lake Mason (EME 100%)

This project comprises one granted exploration licence (E 57/590) with an area of 64km² centred 25km NNE of Sandstone and 80km SW of the Yeelirrie deposit. Previous exploration by BP Minerals in the 1970's discovered shallow carnotite mineralisation in valley calcretes associated with the Lake Mason drainage system. In June 2008 Energy Metals announced an initial Inferred Mineral Resource at Lake Mason of 1,343 tonnes (3Mlb) U₃O₈ at a grade of 170ppm (100ppm cut-off).

An infill aircore drill program to increase the level of confidence of this resource was completed in the March 2010 quarter, with 180 vertical holes (1,800m) drilled in higher grade zones. Downhole gamma logging of these holes returned anomalous uranium values from most holes with geochemical assaying confirming these anomalous intercepts.

Mid December 2010 the Company announced that the resource at Lake Mason had been increased to 9.1Mt @ 185ppm U₃O₈ (at 100ppm cut-off) for 1,689 tonnes (3.7Mlb) of uranium, with 62% of the resource now reporting to the Indicated Category. Please refer to the ASX announcement made 17 December 2010 for further details.

While no exploration was undertaken during the September quarter, all approvals are now in place to undertake a bulk sample for metallurgical testing. The aim of this testwork is to establish if the mineralisation can be readily beneficiated resulting in an overall improvement of the grade of the mineralisation. The beneficiation, if successful would have a positive impact on the viability of the project.

Mopoke Well (EME 100%)

The Mopoke Well project comprises one exploration licence (E 29/568) located 55km west of Leonora. The tenement contains two historic uranium prospects (Peninsula and Stakeyard Well), with a third prospect (Raeside) located on the western edge of the tenement. All three prospects are hosted by valley calcretes associated with the Lake Raeside drainage system.

Aircore drilling at the Peninsula and Stakeyard Well prospects late 2008 confirmed widespread shallow uranium mineralisation with significant intercepts including 2.5m @ 265ppm U₃O₈ from 1m at Peninsula and 1.5m @ 351ppm U₃O₈ from 3.5m at Stakeyard Well.

While there was no exploration in the September quarter, all approvals for a 100 hole drill program (dominantly infill drilling) were received during the period. Subsequent to the end of the quarter this program was completed with the results of down hole gamma probing of these holes, along with surveyed collar locations expected within the next few weeks. Chemical analysis of the anomalous zones will follow later in the December quarter.

Lakeside (EME 100%)

The Lakeside project is located in the Murchison district 20km west of Cue and comprises exploration licence E 21/120 (area 75km²). This project was acquired to follow up previously discovered carnotite mineralisation hosted by valley calcretes associated with major saline drainages.

First pass aircore drilling completed in 2007 and 2008 (holes 200m apart on 1km spaced traverses) confirmed the presence of uranium mineralisation in calcrete and calcareous clays with most traverses recording anomalous intercepts.

Approvals for a 70 hole drill program were received during the period with the drilling completed subsequent to the end of the quarter. The results of down hole gamma probing of these holes, along with surveyed collar locations and chemical assays are expected during the December quarter.

Rawlinson (EME 100%)

The Rawlinson Project comprises four exploration licences (total area of 1,450km²) located in the Gibson Desert, approximately 950km northeast of Kalgoorlie and 60km west of the NT border. The tenements in this project were granted on 16 November 2009.

The area is part of the Central Australia Aboriginal Reserve and due to the remote location and restricted access the geology of the area is poorly understood. However it appears that the main uranium anomalies are associated with mid Proterozoic age metasediments unconformably overlain by younger sedimentary rocks with potential for unconformity and roll-front style uranium deposits, as well as surficial uranium mineralisation. There is no evidence of previous uranium exploration in the area. The Rawlinson project provides the Company with a low cost option to control untested outcropping uranium anomalies with the potential to represent a completely new uranium province.

Preliminary consultations with the Ngaanyatjarra Land Council (NLC) covering the two main tenements have been positive. Energy Metals was expecting an access agreement for the tenements to be finalised in 2011; however this was delayed at the request of the Land Council until after a second meeting on the ground (scheduled for early 2012) to ensure all the tenements are included in the agreement. This second meeting has not yet occurred.

Negotiations with the NLC are ongoing and the Company is hopeful that an access agreement can be executed in the coming months.

No exploration activity occurred during the quarter.

Manyingee (EME 100%)

The Manyingee exploration licence (E 08/1480) is located 85 km south of the port of Onslow. The tenement (total area 86 km²) surrounds the mining leases containing Paladin Energy's Manyingee resource, a stacked series of paleochannel hosted roll front uranium deposits.

A review of airborne EM data and historical exploration in the area has interpreted a number of paleochannels extending into E 08/1480 from the Paladin Manyingee deposit.

An initial heritage survey was undertaken by the Thalanjyi people following the signing of an access agreement in 2009. This survey covered a proposed aircore drill program (approximately 3,000m) designed to test for extensions to the paleochannel uranium mineralization.

Applications for a drilling program at Manyingee were submitted late in the quarter and approvals were received subsequent to the end of the quarter. Drilling is planned to commence mid November with initial gamma analysis of the holes expected by the end of the December quarter. Further work will depend on the results from this drill program.

URANIUM TRADING

On 17 July 2012, Energy Metals announced that it had received all prerequisite approvals for its first uranium trade, with shipping scheduled to be completed by 31 October 2012. On 24 September 2012 the Company advised that the uranium concentrates had left Australia and subsequent to the end of the quarter it was announced that the concentrates had arrived in China and had been on-sold to CGNPC-URC.

This shipment marks the beginning of what is expected to be a highly successful uranium trading business capitalising on the rapidly growing demand for energy in China.

BOARD RESTRUCTURE

On 17 July 2012, Energy Metals announced that Dr Xinjian Peng and Ms Yunfei Jin were appointed Non-executive Directors following the resignations of Mr Bin Cui and Ms Xiaowei Zheng. Mr Bin Cui remains with the Company as the Chief Financial Officer.

Information in this report relating to exploration results, data and cut off grades is based on information compiled by Mr Paul Dunbar and Mr Lindsay Dudfield. Both Mr Dunbar and Mr Dudfield are members of the AusIMM and the AIG. Mr Dunbar is a full time employee of Energy Metals and Mr Dudfield is a consultant to Energy Metals. They both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2004)". Mr Dunbar and Mr Dudfield both consent to the inclusion of the information in the report in the form and context in which it appears.

Information in this report relating to the determination of the gamma probe results and geophysical work is based on information compiled by Mr David Wilson. Mr Wilson is a member of the AusIMM and the AIG. Mr Wilson is a consultant to Energy Metals. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves – The JORC Code (2004)". Mr Wilson consents to the inclusion of the information in the report in the form and context in which it appears.

* Uranium mineralisation grades through this report are annotated with a sub-prefix 'e' because they have been reported as uranium equivalent grades derived from down-hole gamma ray logging results and should be regarded as approximations only.

Gamma logging or "total count gamma logging" (the method used by Energy Metals) is a common method used to estimate uranium grade where the radiation contribution from thorium and potassium is very small. Sandstone and calcrete hosted deposits are usually of this type.

Total count gamma logging includes the generally small number of gamma rays emitted by background levels of thorium and potassium. These background gamma rays add the equivalent of a few parts per million to the equivalent uranium values and are relatively constant in each geological unit.

Downhole gamma logging of drill holes provides a powerful tool for uranium companies to explore for and evaluate uranium deposits. Such a method measures the natural gamma rays emitted from material surrounding a drill hole. Gamma radiation is measured from a volume surrounding the drill hole that has a radius of approximately 35cm. The gamma probe is therefore capable of sampling a much larger volume than the geological samples recovered from any normal drill hole.

Gamma ray measurements are used to estimate uranium concentrations with the commonly accepted initial assumption being that the uranium is in (secular) equilibrium with its daughter products (or radio- nuclides) which are the principal gamma ray emitters. If uranium is not in equilibrium (viz. in disequilibrium), as a result of the redistribution (depletion or enhancement) of uranium and/or its daughter products, then the true uranium concentration in the holes logged using the gamma probe will be higher or lower than those reported in the announcement.

Energy Metals is undertaking measurements to determine if disequilibrium is present and its distribution via undertaking chemical analysis of all eU_3O_8 intersections. Previous chemical assays from Bigrlyi and surrounds have confirmed the gamma intersections and as such Energy Metals believes that the Uranium in the system is in equilibrium with its daughter products.

The logging programme was undertaken by Energy Metals utilising an Auslog Logging System. The gamma tools were calibrated in Adelaide at the Department of Water in calibration pits constructed under the supervision of CSIRO. Energy Metals carries out annual recalibration checks to validate the accuracy of gamma probe data. Furthermore, Energy Metals runs regular checks to validate the accuracy of probe data using calibrated test holes located on site.

The gamma ray data was converted from counts per second to eU_3O_8 using calibration factors obtained from measurements made at the calibration pits. The eU_3O_8 data was also adjusted by an attenuation factor, determined onsite, due to drill rods. These factors also take into account differences in drill hole size and water content. The eU_3O_8 data has been filtered (deconvolved) to more closely reproduce the true grades and thicknesses where thin narrow zones are encountered.

The various calibration factors and deconvolution parameters were calculated by David Wilson BSc MSc MAusIMM from 3D Exploration Ltd based in Perth, Western Australia.