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QUARTERLY REPORT TO SHAREHOLDERS

for the three months ended
30 September 2016

ASX Code - EME

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This report and further
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Energy Metals' website at:

www.energymetals.net



HIGHLIGHTS

Malawiri JV & Ngalia Regional Projects (NT)

Initial drilling and geophysical program completed at Malawiri with significant uranium intercepts encountered including:

MARD004

- **8.1m at 1,789 ppm eU₃O₈ from 222.0m (incl. 2.0m at 0.62% eU₃O₈ from 225.5m)**

MARD001

- **3.3m at 198 ppm eU₃O₈ from 136.7m**

Manyingee East Project (WA)

Deep Ground Penetrating Radar trial survey completed over Manyingee East palaeochannel with encouraging results.

Resource estimation work in progress for Manyingee East prospect, upstream of Paladin's Manyingee uranium deposit.

FINANCIAL

Energy Metals had approximately \$20.6M in cash and 209.7M shares on issue at 30 September 2016.

Weidong Xiang
Managing Director
27 October 2016

INTRODUCTION

Energy Metals (EME) is a dedicated uranium company with eight exploration projects located in the Northern Territory (NT) and Western Australia covering over 3,900 km² (Figure 1). Most of the projects contain uranium mineralisation discovered by major companies in the 1970's, including the advanced Bigryli Project (NT).

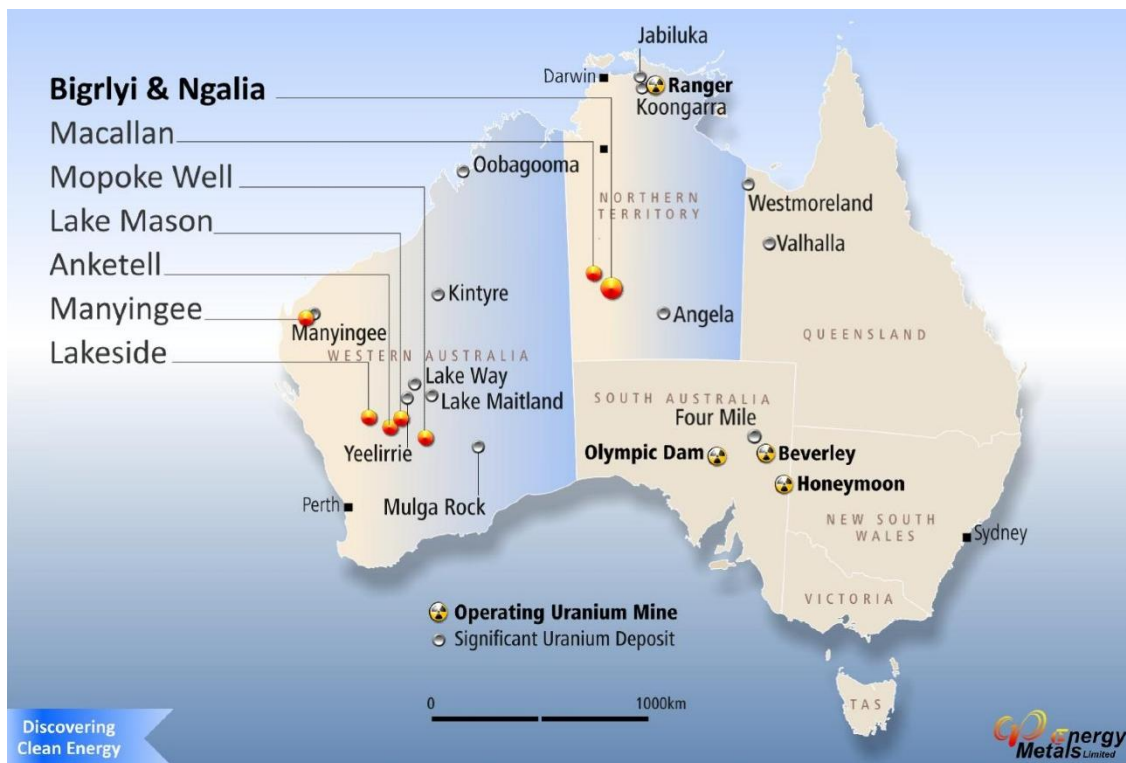


Figure 1 – Location of Energy Metals Projects

Energy Metals is well placed to take advantage of the favourable outlook for Uranium as nuclear power continues to play an increasing role in reducing global carbon emissions.

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 has completed its first shipment of UOC and is negotiating with Australian uranium producers to enable further shipments from Australia for resale, primarily to major Chinese utility China General Nuclear Power Group (CGN, formerly China Guangdong Nuclear Power Holding Company), ultimately Energy Metals' largest shareholder.

China Uranium Development Company Limited, Energy Metals' largest shareholder (with 66.45% of issued capital), is a wholly owned subsidiary of CGN. As of 30 September 2016, CGN had 19 operating nuclear power units with a generation capacity of 20,370MWe and more than 11,356MWe of capacity under construction in 9 other nuclear power units across various locations in China. Additionally CGN is one of only two companies authorised by the Chinese government to import and export uranium.

This unique relationship with CGN 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 Joint Venture (EME 53.3%)

The Bigrlyi Joint Venture comprises 10 granted exploration licences in retention (ELR's), three granted ELs, and several applications within the Ngalia Basin, located approximately 350km northwest of Alice Springs. EME operates the Joint Venture in partnership with Paladin Energy subsidiary Northern Territory Uranium Pty Ltd and Southern Cross Exploration. The Bigrlyi Joint Venture tenements have been subject to significant exploration activity since discovery in 1973, including over 1,040 drill holes, metallurgical testwork and mining studies, with most work undertaken at the Bigrlyi Project (Figure 2).

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.

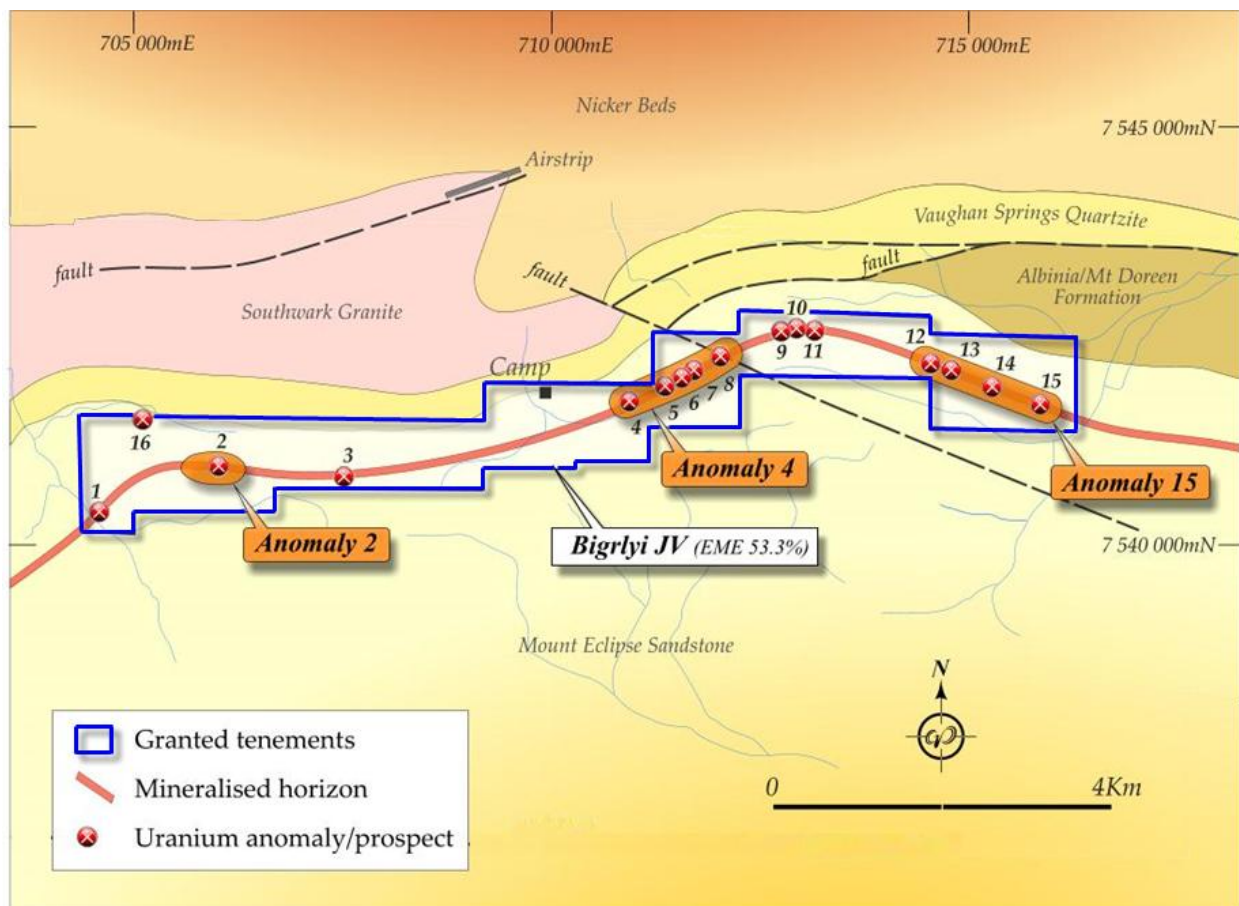


Figure 2 – Bigrlyi Joint Venture Project area showing simplified geology

The historic Karins deposit, located approximately 260km northwest of Alice Springs (Figure 3), is located on tenement applications MLN1952 and MCS318-328, which are part of the Bigrlyi Joint Venture. Karins is a tabular uranium-vanadium style of deposit similar to Bigrlyi although with an oxidised zone (carnotite zone) of variable thickness. EME acquired CPM's interest in the project in 2005, including all the historical exploration records. A maiden JORC-compliant resource estimate for the Karins Deposit was released to the ASX in July 2015.

In October 2015, a maiden JORC resource estimate was announced for the historic Sundberg deposit (Figure 3).

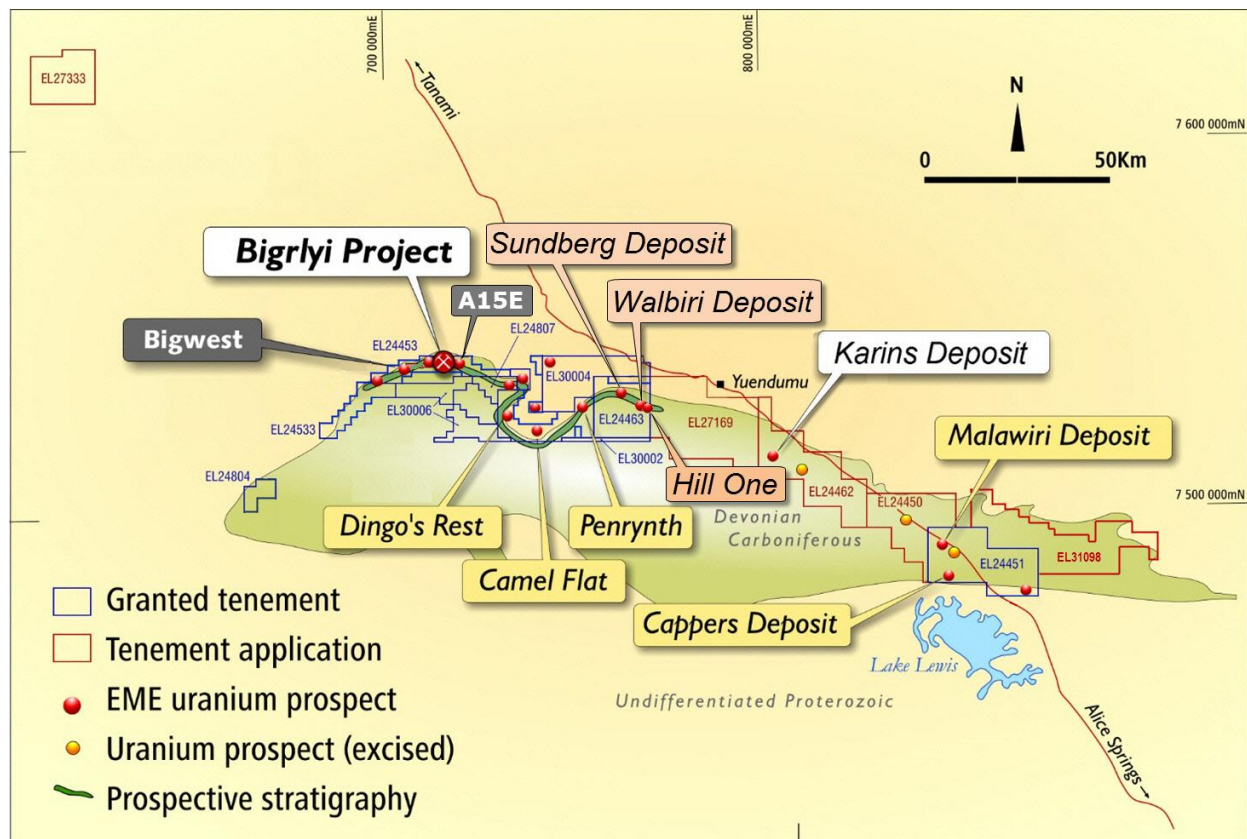


Figure 3 - Uranium deposits, occurrences and exploration target areas in the Ngalia Basin

Walbiri Joint Venture (EME 41.9%)

ELR45, granted in August 2014, covers part of the historical Walbiri deposit and part of the Hill One satellite deposit (Figure 3). The project is a joint venture with Paladin Energy Ltd (58.1%), with EME as the operator. In October 2015, an inferred resource of 7,037 tonnes U_3O_8 at 641ppm (200ppm cut-off) was announced for the Walbiri deposit, confirming Walbiri as the third largest sandstone-hosted uranium deposit in Central Australia after Angela and Bigrlyi (refer to ASX announcement of 27th October 2015 and Table 1 below for further details).

Malawiri Joint Venture (EME 52.1%)

ELR41, granted in August 2014, covers the historical Malawiri Deposit to the west of Paladin's Minerva Deposit. The project is a joint venture with Paladin Energy Ltd (47.9%) with Energy Metals as the operator. A program of digitisation and reprocessing of historical gamma logs, core re-logging, and historical data compilation and verification was completed in mid-2015.

Activities (September 2016 Quarter)

The joint venture partners approved the conversion of EL30145, covering part of the Sundberg uranium deposit (a satellite to the larger Walbiri deposit), into an exploration licence in retention (ELR31319) and EL30145 was surrendered in July (see Table 1). As part of EME's recent drilling program in the Malawiri project area (see below) intercepts from hole MARD004 at the Malawiri deposit have confirmed previous mineralisation and resulted in the discovery

of a new high-grade mineralisation zone comprising 8.1m at 1,789 ppm eU_3O_8 from 222.0m. Together with the recently compiled and verified historical data, EME believes it will be possible to advance the project to JORC-compliant resource status in 2017.

Ngalia Regional Project (EME 100%)

The Ngalia Regional project comprises thirteen 100% owned exploration licences (total area approximately 3,500 km²) located in the Ngalia Basin, between 180km and 350km northwest of Alice Springs in the Northern Territory (Figure 3). Twelve of these tenements are contiguous and enclose the Bigrlyi project as well as containing a number of uranium occurrences, including part of the historic Walbiri deposit and the Cappers deposit (Inferred Mineral Resource of 2,720 tonnes U_3O_8 at a grade of 167ppm at 100ppm cut-off).

Nine of the thirteen Ngalia Regional exploration licences have been granted; three of the remaining applications (EL's 24450, 24462 and 27169) are located on Aboriginal Freehold (ALRA) land and Energy Metals is negotiating access agreements with the Traditional Owners through the Central Land Council (CLC). One application (EL31098) is located on pastoral leasehold land in the eastern Ngalia Basin (Figure 3).

A number of high priority targets have been identified on the 100% owned tenements and Energy Metals is undertaking a program of systematic evaluation of these prospects, some of which were originally discovered in the 1970's. In February 2014, EME announced maiden resource estimates for the Bigwest, Anomaly-15 East and Camel Flat satellite deposits. In October 2015 EME announced inferred JORC resources for the historical Walbiri, Sundberg and Hill One deposits, totalling 7,456 tonnes U_3O_8 at a grade of 597 ppm (see Figure 3).

Activities (September 2016 Quarter)

During the quarter EME completed drilling and geophysical programs in the Malawiri project area; part of the program was funded under the NT Government's CORE Geophysics and Drilling initiative. The aim of the program was to better understand the undercover geology of the poorly explored eastern Ngalia Basin on EL24451, to assist EME in exploring for buried uranium deposits similar to the nearby Malawiri and Minerva prospects (Figure 4). Collaborative funding covered 50% of direct program costs relating to drilling three stratigraphic holes and an associated passive seismic survey to test the depth of overburden. The seismic survey data acquisition was completed in late July and the drilling program, comprising four rotary mud/diamond core holes (MARD001-004) for a total of 840m, was completed in early September. Results of the program were released to the market (see ASX release of 27th September 2016). Significant mineralisation was intercepted in hole MARD001, including 3.3m at 198 ppm eU_3O_8 from 136.7m, in an area where no previous uranium was known.

The results of the program show that the potential for Malawiri and Minerva lookalike deposits as stratigraphic repeats in the eastern Ngalia Basin is a valid concept, and further verify EME's geological model for the area. In the vicinity of MARD001, some 3.5km to the north of previously known mineralisation, a large zone prospective for Malawiri-Minerva lookalike deposits has now been identified (Figure 4).

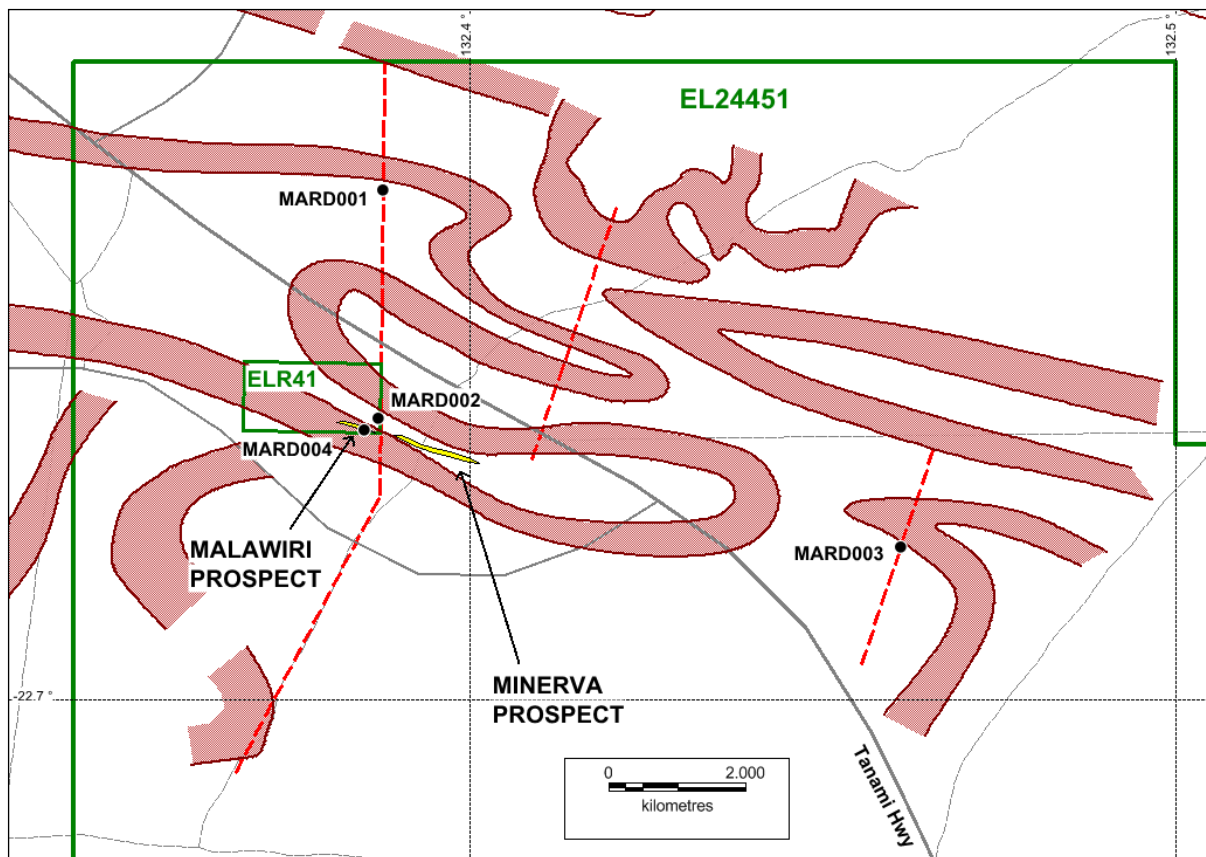


Figure 4 - Location map of the Malawiri project area showing drill holes MARD001-4 relative to the Malawiri and Minerva prospects (in yellow), tenement boundaries (EL24451, ELR41) and roads. Dashed red lines are passive seismic traverse lines. Interpreted, buried structure of pre-Mount Eclipse formations in the Ngalia Basin are shown in brown. Note the intensity of folding and likelihood for structural repetition of basin stratigraphy.

In September, EME staff attended a meeting with Aboriginal traditional owners at Ten Mile Outstation near Tilmouth Well (Figure 5). The meeting was part of access negotiations with the Central Land Council (CLC) over Aboriginal Land Rights Act tenements ELA24450 (Cassidy's Bore) and 24462 (Rinkabeena), which are located west of Tilmouth Well (Figure 3). Results of the meeting are expected next quarter.



Figure 5 – EME staff attend a meeting with the CLC and Traditional Owners, September 2016.

Macallan (EME 100%)

The Macallan project comprises a single exploration licence application (ELA27333), located 460 km NW of Alice Springs and 140 km from Biglryi. The tenement covers a strong 3km-wide bullseye radiometric anomaly. The Macallan anomaly lies within the Wildcat Palaeovalley, an ancient valley system that drains into Lake Mackay to the southwest. The Macallan anomaly most likely represents a surficial accumulation of uranium minerals associated with the Wildcat palaeodrainage system; though other explanations are possible.

ELA27333 lies on land under Aboriginal Freehold title and access is subject to negotiation with the Traditional Owners and the CLC. The negotiation period on the tenement has been extended until October 2017.

WESTERN AUSTRALIA

Manyingee (EME 100%)

The Manyingee project comprises granted tenement E08/1480 and tenement application E08/2856, which are located 85 km south of Onslow. E08/1480 is adjacent to mining leases containing Paladin Energy's Manyingee resource, a stacked series of buried, palaeochannel-hosted roll front uranium deposits.

Encouraging results were obtained from a small rotary mud drill program (18 holes for 1,790m) completed in late 2014 which affirmed the uranium potential of EME's Manyingee East Prospect, located up-channel of Paladin's Manyingee deposit (ASX release 27th October 2014).

During the quarter a trial survey of new Deep Ground Penetrating Radar (DGPR) technology over a section of the Manyingee palaeochannel was undertaken by the technical team from Loza Radar Australia. The technology significantly increases the depth from which geologically useful information, such as depth to channel base, can be obtained from radar methods and is considered to provide complimentary information to the Passive Seismic Survey (PSS) method though at higher resolution. The DGPR method is sensitive to variations in rock physical properties as well as the presence of shallow groundwater, which can attenuate the radar signal, therefore it is useful to trial the method over ground where control is available from previous drill holes and geophysical surveys.

Figure 6 shows the results of the trial DGPR survey over the Manyingee palaeochannel where there is control from both drill holes and Energy Metals' 2015 passive seismic survey. An interpretation of the depth to channel base from the DGPR data is broadly compatible with PSS results but the DGPR has imaged what appears to be two deeper channel branches between drill holes MRM015 and MRM002. The margins of such channels, representing branches or meanders of an ancient river system, are priority targets for uranium mineralisation. The results of the trial depicted in Figure 6 are considered to be encouraging and the DGPR method is likely to be of value for accurate targeting and hole placement in future drill testing programs.

During the quarter a review of Energy Metals previous drilling results at the Manyingee East prospect was undertaken. Following discussions with resource consultants at CSA Global it was determined that, given the known structure of the Manyingee East palaeochannel, sufficient

continuity of mineralisation could be demonstrated from drilling results to enable Energy Metals' to proceed with estimation of an initial mineral resource. Subsequently, consultants from CSA Global, who have considerable expertise in roll-front style uranium deposits, were appointed to undertake the resource estimation with results expected in the next quarter.

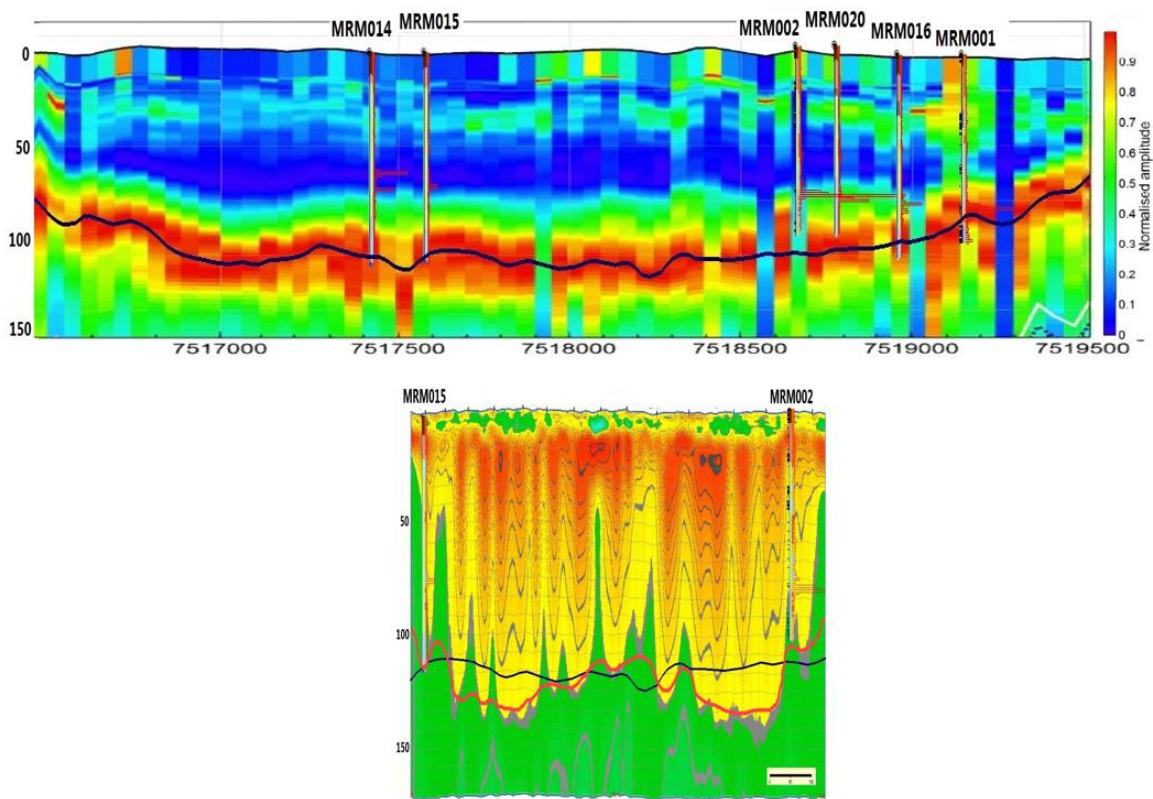


Figure 6 – Comparison of Passive Seismic Survey (top panel) and Deep GPR (bottom panel) results for south-to-north cross-sections through the main Manyingee palaeochannel, which is around 80 to 120m deep. The PSS results were obtained over the full channel width of 3km between 7,516,500N and 7,519,500N and show the maximum amplitude of the seismic signal, which is the interpreted base of the channel (black line), representing the strong seismic contrast between channel fill sediments and basement rocks. The DGPR survey was acquired over a 1 km sub-section of the channel between previous drill holes MRM015 and MRM002 and while in broad agreement with the PSS results, show sub-structure suggesting different channel branches within the ancient river system may be identifiable. An interpretation of the channel base from the DGPR data (red line bottom panel with PSS channel base shown in black for comparison) suggests there may be at least two deeper channel branches present, the margins of which are priority targets for uranium mineralisation and future drill testing.

Mopoke Well (EME 100%)

The Mopoke Well project is located 55km west of Leonora on retention licence R29/1. The project contains two historic uranium prospects (Peninsula and Stakeyard Well) hosted by calcretised sediments associated with the Lake Raeside drainage system. An inferred category JORC (2004) resource estimate totalling 9.75Mt at 165ppm eU_3O_8 for 1,613 tonnes or 3.56Mlb U_3O_8 at a cut-off grade of 100ppm U_3O_8 was obtained for the Peninsula deposit in 2013 (see ASX release of 12th March 2013).

There was no activity during the period.

Lakeside (EME 100%)

The Lakeside project is located in the Murchison district 20km west of Cue on retention licence R21/1. This project was acquired to follow up previously discovered surficial uranium mineralisation at Lake Austin associated with calcrete and saline drainages. Aircore drilling campaigns were undertaken by EME in 2007, 2008, 2010 and 2012.

In June 2014 EME announced a Mineral Resource estimate of 2.74Mt at an average grade of 350 ppm U_3O_8 for 960 tonnes or 2.12Mlb U_3O_8 (200ppm U_3O_8 cut-off grade); see ASX release of 3rd June 2014. The Mineral Resource is based on JORC (2012) definitions and the reported resource is classified as Inferred.

There was no activity during the period.

Anketell (EME 100%)

The Anketell project is located 50km west of Sandstone on retention licence R58/2 and comprises surficial calcrete-style mineralisation discovered by Western Mining (WMC) in 1972. Following completion of aircore drilling programs, the Company announced in July 2009 an initial JORC (2004) Inferred Mineral Resource of 2,720 tonnes (6Mlb) U_3O_8 at a grade of 167ppm (100ppm cut-off).

There was no activity during the period.

Lake Mason (EME 100%)

The Lake Mason project is located 25km north of Sandstone on retention licence R57/2 and comprises shallow carnotite mineralisation hosted in calcrete and calcareous sediments associated with the Lake Mason drainage system.

In December 2010 the Company announced a JORC (2004) resource at Lake Mason of 9.1Mt @ 185ppm U_3O_8 (100ppm cut-off) for 1,689 tonnes (3.7Mlb) of uranium, with 62% of the resource reporting to the Indicated Category (refer to the ASX announcement of 17th December 2010 for further details).

There was no activity during the period.

CORPORATE

Energy Metals remains in a strong financial position with approximately \$20.6 million in cash and bank deposits at the end of the quarter, forming a solid resource for ongoing exploration and project development.

Table 1: Tenement Information as required by listing rule 5.3.3

TENEMENT*	PROJECT	LOCATION	INTEREST	CHANGE IN QUARTER
Northern Territory				
EL24451	Ngalia Regional	Napperby	100%	-
EL24453	Ngalia Regional	Mt Doreen	100%	-
EL24463	Ngalia Regional	Mt Doreen	100%	-
EL24533	Ngalia Regional	Mt Doreen	100%	-
EL24804	Ngalia Regional	Nyirripi	100%	-
EL24807	Ngalia Regional	Mt Doreen	100%	-
EL31098	Ngalia Regional	Napperby	100%	Granted
ELR46	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR47	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR48	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR49	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR50	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR51	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR52	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR53	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR54	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR55	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELR41	Malawiri Joint Venture	Napperby	52.1%	-
ELR45	Walbiri Joint Venture	Mt Doreen	41.9%	-
EL30002	Ngalia Regional	Mt Doreen	100%	-
EL30004	Ngalia Regional	Mt Doreen	100%	-
EL30006	Ngalia Regional	Mt Doreen	100%	-
ELA27169	Ngalia Regional	Yuendumu	100%	-
EL30144	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
EL30145	Bigirlyi Joint Venture	Mt Doreen	53.3%	Surrendered
ELRA31319	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
ELA24462	Ngalia Regional	Yuendumu	100%	-
ELA24450	Ngalia Regional	Yuendumu	100%	-
ELA27333	Macallan	Tanami	100%	-
MCSA318-328	Bigirlyi Joint Venture	Yuendumu	53.3%	-
MLNA1952	Bigirlyi Joint Venture	Yuendumu	53.3%	-
EL30689	Bigirlyi Joint Venture	Mt Doreen	53.3%	-
Western Australia				
E08/1480	Manyingee	Yanrey	100%	-
E08/2856	Manyingee	Yanrey	100%	-
R21/1	Lakeside	Cue	100%	-
R29/1	Mopoke Well	Leonora	100%	-
R57/2	Lake Mason	Sandstone	100%	-
R58/2	Anketell	Sandstone	100%	-

* EL = Exploration Licence (NT); ELA = Exploration Licence Application (NT); ELR = Exploration Licence in Retention (NT); ELRA = Exploration Licence in Retention Application (NT); MCSA = Mineral Claim (Southern) Application (NT); MLNA = Mineral Lease (Northern) Application (NT); E = Exploration Licence (WA); R = Retention Licence (WA).

Competent Persons Statement

Information in this report relating to exploration results, data and cut-off grades is based on information compiled by Dr Wayne Taylor and Mr Lindsay Dudfield. Mr Dudfield is a member of the AusIMM and the AIG. Dr Taylor is a member of the AIG and is a full time employee of Energy Metals; 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 (2012)". Dr Taylor 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 gamma probe results and related 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 (2012)". Mr Wilson consents to the inclusion of the information in the report in the form and context in which it appears.