



PROPOSED DEMERGER OF URANIUM ASSETS

SUMMARY

Enterprise Metals Limited (“Enterprise” or “the Company”, ASX: “ENT”) wishes to announce that it plans to undertake a demerger of its uranium assets, to be held in Enterprise Uranium Limited (ACN 159 819 173) (“ENU”). The demerger will be via an in specie distribution of approximately 100% of the shares in ENU to shareholders of Enterprise, on a one for five basis, comprising about 42 million ENU shares to be issued.

The current intention is to then seek an ASX listing of ENU, and to raise approximately \$4-5 million in an IPO. Current Enterprise shareholders will also be given a pro-rata offer for ENU shares as part of the IPO. ENT intends to apply for approximately 19% of ENU at IPO.

BACKGROUND

Enterprise Metals Limited in its own name and through its wholly owned group companies, has interests in a substantial uranium exploration portfolio in the sedimentary sequences overlying the Yilgarn Craton. As reported in the Company’s recent Quarterly Activities report, the Company has identified opportunities for both calcrete hosted and deeper sand hosted uranium mineralisation at the Byro, Yalgoo and Peranbye projects, on the NW margin of the Yilgarn Craton. In addition, the Company has identified opportunities for sand hosted uranium mineralisation in palaeochannels at the Ponton and Harris Lake projects on the SE margin of the Craton. (Refer Figure 1)

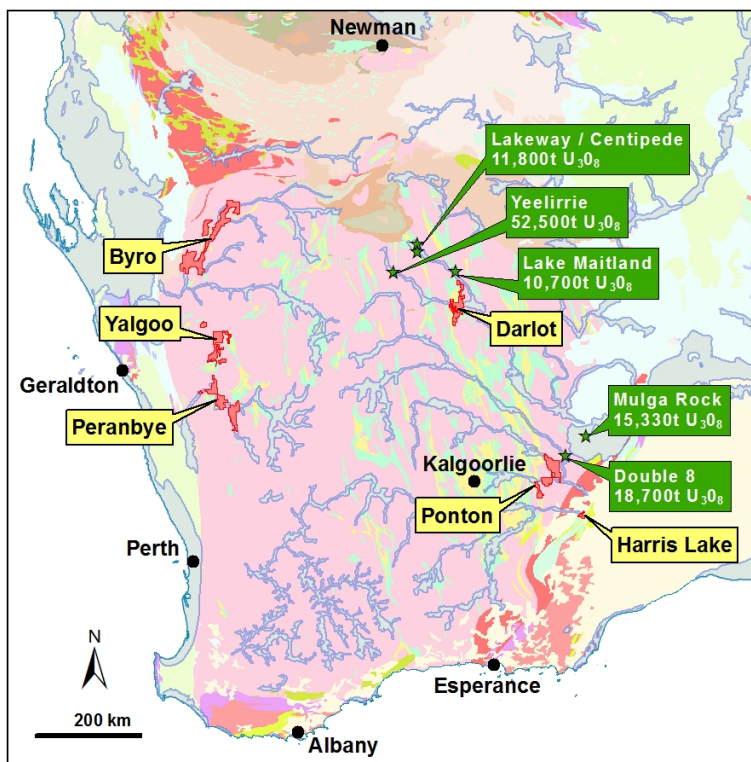


Figure 1: Location Plan, Enterprise’ Uranium Projects in Western Australia



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This considerable land tenure has been built up over recent years and continues to provide significant encouragement with respect to the geological potential to host commercially relevant uranium deposits.

The size and scale of the uranium interests, when considered in conjunction the Company's other mineral interests resulted in a strategic review to ascertain how value for shareholders can best be delivered.

Following the strategic review and having regard to the operational objectives and capabilities of ENT, and its funding requirements, the Board have decided that the separation of the uranium assets into a sole purpose subsidiary Enterprise Uranium Limited (ACN 159 819 173) ("**ENU**"), will ensure the focus required to develop these assets optimally. ENU will have its own management and technical expertise and it is intended to secure its own funding via an IPO offering following demerger.

The demerger will be via an in specie distribution of approximately 100% of the shares in ENU to shareholders of Enterprise, on a "*one for five*" basis, comprising about 42 million ENU shares to be issued.

The current intention is to seek a listing for ENU on the ASX and to raise approximately \$4-5 million in an IPO. Current Enterprise shareholders will also be given a pro rata offer for ENU shares as part of the IPO. ENT intends to apply for approximately 19% of ENU at IPO.

In Specie Distribution: Not conditional on ASX Listing of ENU

The demerger and distribution in specie are not conditional on ENU achieving an ASX listing. There is therefore a risk that if ENU does not list on ASX the ENT shareholders will hold shares in ENU as an unlisted public company without the liquidity that would be available to them if ASX listing of ENU was successful.

ENU Board

The ENU Board will include two ENT directors to ensure continuity of knowledge and experience in relation to the uranium assets for the short to medium term. No additional assets are being acquired by ENU from third parties prior to the proposed demerger and listing.

ENT Shareholder approval

ENT has prepared the notice of meeting seeking ENT shareholder approval of the demerger and distribution in specie in October 2012. The record date for the distribution in specie will be 6 business days following the date of the ENT shareholder meeting, in early October 2012.

Relief against Prospectus for ENU Shares

ENT has lodged an application to the Australian Investments and Securities Commission for relief consistent with Regulatory Guide 188 such that ENT will not be required to issue a prospectus in relation to the ENU Shares the subject of the proposed distribution in specie. If ASIC relief is granted, the ENT shareholders will be provided with all necessary information about the ENU Shares in the explanatory statement accompanying the notice of meeting. If ASIC relief is not granted, ENT will issue a prospectus disclosing against the ENU Shares, and the prospectus issued by ENT, with the consent of the ENU directors, will be despatched to ENT shareholders with the notice of meeting seeking approval for the distribution in specie of the ENU Shares.



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ATO Class Ruling for Demerger Relief

ENT is also currently preparing an application to the Australian Taxation Office, seeking a class ruling to confirm the availability of demerger relief for tax purposes for both ENT and ENT shareholders. The result of such an application will not be known before ENT shareholders are asked to vote in relation to the resolutions to be proposed in general meeting to approve the distribution in specie of the ENU Shares to ENT shareholders.

Benefits of Proposal to ENT shareholders

ENT considers the proposed demerger, distribution in specie and listing of ENU presents the following advantages to ENT shareholders:

- If the ENU IPO is successful and ENU Shares are quoted on the ASX, this will allow ENT shareholders to optimise their portfolios by providing them with tradeable equity representing the uranium assets currently held by ENT and allowing the uranium assets to be evaluated by investors and analysts on their own merits;
- A separate ASX listing of ENU would allow the market to evaluate and more accurately reflect the value of ENT's non-uranium assets thereby maximising potential shareholder returns on the non-uranium assets;
- A separate ASX listing of ENU would facilitate capital raising for progressing exploration of the uranium assets without diluting ENT shareholder equity in non-uranium assets retained by ENT;
- ENU will benefit from the administrative, corporate and operational support which is currently provided to ENT, on the same terms currently enjoyed by ENT; and
- A separate ASX listing of ENU would simplify ENT's operational structure and streamline ENT's management skills by reference to commodity orientated skill sets.

Visit www.enterprisemetals.com.au for further information and announcements.

A handwritten signature in black ink that reads 'Dermot Ryan'.

Dermot Ryan
Managing Director

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