

Level 1, 672 Murray Street
West Perth WA 6005

Locked Bag 8
West Perth WA 6872

t. +61 8 9322 1182
f. +61 8 9321 0556

info@neometals.com.au
neometals.com.au

Neometals Ltd ABN 89 099 116 631

ASX Release 29 April 2016

QUARTERLY ACTIVITIES REPORT For the quarter ended 31 March 2016

Highlights:

Mt Marion Lithium Project

- First blast detonated at Pit 1 detonated March 2016 to commence waste removal in advance of mining ore.
- Mining of Pit 1 had commenced on schedule.
- NMT completed the sale of a further 18% of shares in RIM for US\$27.1M after Ganfeng requested to exercise its option early.
- +40,000M Resource Extension and Infill drill program well-advanced and continuing.

Lithium Hydroxide Project

- Work continued on the Engineering Cost Study by M+W for the project DFS and the DFS is on-schedule for completion in mid-2016.

Barrambie Titanium Project

- Advanced the formal agreements associated with the exclusive licence (excluding Russia and China) for proprietary process to produce +99% pure titanium dioxide (TiO₂).

Forrestania Nickel Project

- Binding conditional MoU to sell subsidiary Reed Exploration Pty Ltd to Hannans Reward Ltd.

Corporate

- Declared a 2 cent unfranked dividend which was paid on 7 April 2016.
- Announced an on-market buy-back of ordinary shares to acquire up to a maximum of 5% of the Company's current issued ordinary shares or A\$5m worth of shares over 12 months.
- Cash and restricted access term deposits \$65.2 million.



PROJECT LOCATIONS



MT MARION LITHIUM PROJECT

(Neometals Ltd 27%, Mineral Resources Limited 30%, Ganfeng Lithium Co., Ltd 43%)

The Project Operator, Mineral Resources Limited (ASX: MIN) (“MIN” – via its wholly owned subsidiary, Process Minerals International Pty Ltd) continued the construction phase of the Mt Marion Lithium Project.

During the quarter, all site preparation work, installation of site offices and amenities, detailed engineering design work and construction of concrete civil works for the dry plant were completed.

Overburden stripping is well progressed and the haul road to pit 1 is close to completion and on schedule according to mine start up plan. Similarly, the ROM pad is expected to be completed in April 2016. The first ore delivery to the ROM expected in early May, once the haul road is operational.

Manufacture and assembly of key on-site equipment is being undertaken at MIN’s Kwinana workshop and is progressing as planned.

Procurement of long-lead items is well advanced with the project remaining on schedule to achieve first production during 2016.

Suitable existing mineral storage and ship loading facilities have been identified at both Esperance Port and Fremantle. Arrangements continue to be progressed with the relevant port authorities to secure access. Annual exports of more than 200,000 tonnes of +6 Li₂O% chemical grade spodumene concentrate are planned. An offtake agreement will see the export material purchased by shareholder, Ganfeng Lithium Co. MIN, Ganfeng and Neometals Ltd (“Neometals” or “NMT”) have also entered into an MOU for the production of approximately 80,000 tonnes per annum of 4% Li₂O products. Plant changes are required to facilitate production of this additional product line and the commercial and operational arrangements are being formulated.



Image 1 . Crushing Plant



Image 2. Production drilling at Pit 1

During the quarter, Ganfeng Lithium negotiated to exercise its option to increase its shareholding in RIM earlier than envisaged under the existing agreements. The transaction involved the sale of shares in RIM by Neometals to Ganfeng and was completed during the quarter with payment of US\$27.15M to Neometals. MIN, through PMI, continues to have a call option to acquire an additional 13.1% of shares in RIM from Neometals as well as an alternative right to sell down its interest.

Mt Marion is a globally significant lithium deposit, containing total Indicated and Inferred Mineral Resources of 23.24Mt at 1.39% Li₂O and 1.43% Fe₂O₃, at a cut-off grade of 0% Li₂O (Appendix B). Activities in preparation for mining the deposit commenced during the quarter.

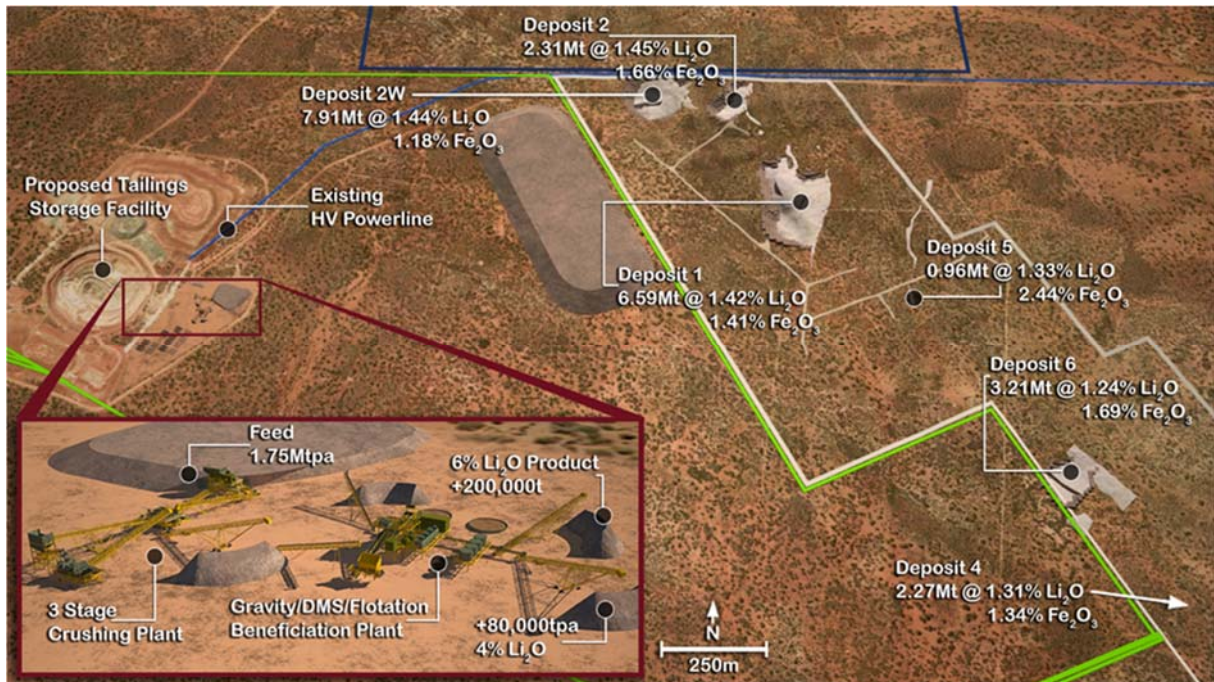


Figure 1. Project layout

Resource Extension and In-fill drilling

During the Quarter, the previously-announced strategic resource expansion drill program continued, 208 RC holes were drilled for a total of 20,404 metres and 10 (83mm-PQ) Diamond holes were drilled for a total of 525 metres.

The drill program has been extended and is anticipated to be completed in the June quarter 2016. Following the analysis of drilling results, an upgraded Mineral Resource Estimate and Ore Reserve are planned for completion in the June and September quarters (respectively) of 2016.

The RC and diamond drilling program aim is to extend the open-pit mine life through the extension to and in-fill drilling of existing deposits, as well as the definition of new resources from outcropping pegmatite prospects on lithium rights acquired from Metals X Ltd in July 2015.



Figure 2. Exploration milestones

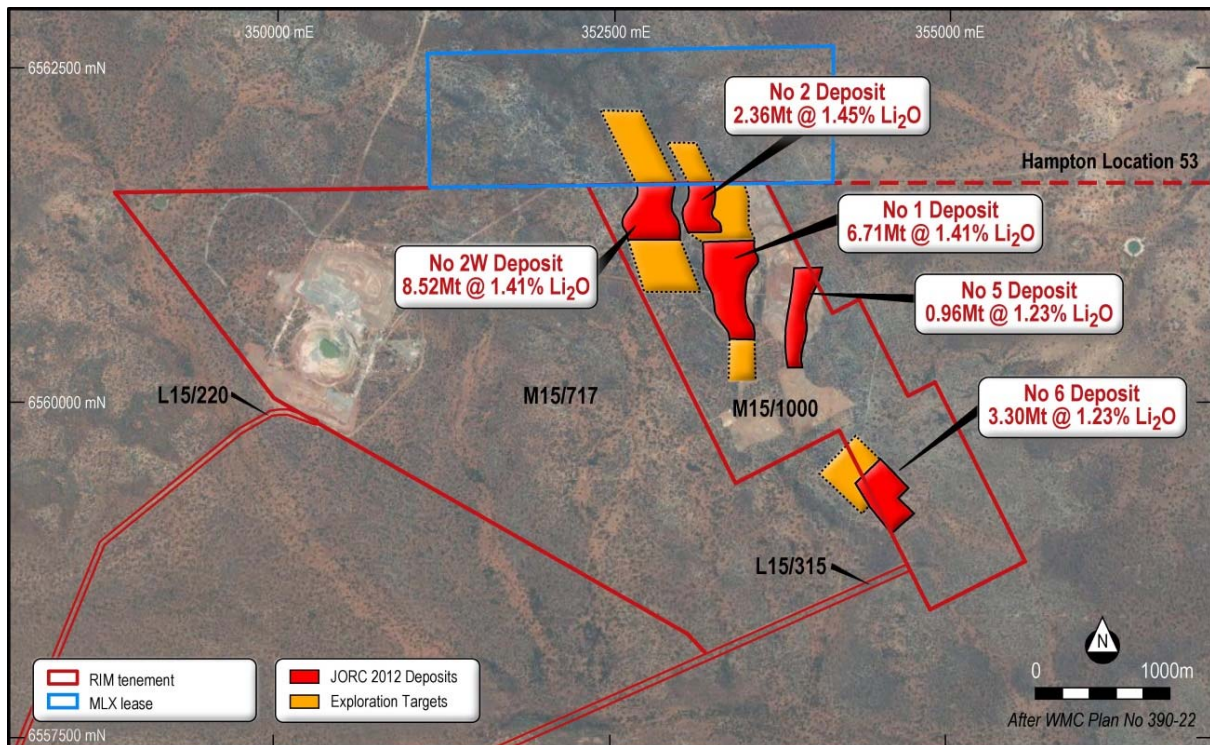


Figure 3. Mineral Resource Estimate and Exploration Target outlines over tenure

LITHIUM HYDROXIDE PROJECT (ELi Process)

(Neometals 70%, Mineral Resources Limited 30%)

All downstream lithium processing technology and patents have been transferred from RIM to the subsidiary, Reed Advanced Materials Pty Ltd (“RAM”). RAM is beneficially owned 70:30 by the Company and MIN. During the Quarter the Engineering Cost Study was progressed by M+W (Singapore) in support of the Definitive Feasibility Study (“DFS”) for the commercialisation of RAM’s ELi downstream processing technology in a 15,000 – 20,000tpa LCE lithium hydroxide plant.

Definitive Feasibility Study

The DFS will incorporate the Engineering Cost Study (“ECS”) to give capex and opex estimates to an accuracy of +/-15%. M+W (Singapore) continued work on the ECS component of the DFS during the quarter and is on schedule and on budget to complete the cost study in May 2016. A final review meeting between RAM and M+W is scheduled in Singapore in early May prior to delivery of the ECS. The DFS is on track for completion by the end of Q2 2016.

Lithium market

Pricing of lithium compounds remains high due to constrained supply during sustained strong growth in demand. Market growth is underpinned by the increasing market penetration of renewable energy storage, and electric/hybrid electric vehicles (EV and HEV) in commercial and private applications.

The current median prices for battery-grade lithium hydroxide are steady at approx US\$9,750 per tonne, on a CIF basis to Europe and US, with anecdotal evidence of prices for small spot transaction volumes as high as US\$21,000 per tonne (source: Industrial Minerals 21 & 27 April 2016).

The price of chemical grade lithium concentrates (6% Li₂O) are estimated at US\$540 per tonne on a CIF basis to China. (source: Ganfeng). Supply of this grade of concentrate is tight due to the marketing policy of the only significant current supplier.

BARRAMBIE TITANIUM PROJECT (Neometals 100% through Australian Titanium Pty Ltd)

During the Quarter the Company advanced the legal agreements, to near completion, for a global (ex Russia and China) exclusive licence of proprietary technology currently being evaluated for its Barrambie Titanium Project.

Barrambie is one of the world's highest grade titanium deposits, containing total Indicated and Inferred Mineral Resources of 47.2Mt at 22.2% TiO₂, 0.63% V₂O₅ and 46.7% Fe₂O₃, at a cut-off grade of 15% TiO₂ (Appendix B).

Project Development and Corporate Strategy

Neometals plan to undertake a full pilot plant evaluation of the proprietary hydrometallurgical technology, with this work planned to commence in the first half of 2017 following mini-pilot plant optimisation testwork which has been board approved and scheduled to start in the June Quarter 2016. Subject to the success of the full pilot scale test work it is Neometals' intention to proceed to Feasibility Study (FS) in 2017.

The currently preferred project development strategy is to advance the project to a suitable stage of evaluation to obtain a titanium industry partner who would fund and operate the development of the Barrambie project on a shared equity or joint-venture basis.

Exclusive Licence of Proprietary Technology (25% Net Profit Interest through Alphamet Management Pty Ltd)

The final agreements were executed and announced on the 19th April 2016. The Company through a wholly owned subsidiary, already has a non-exclusive licence to use the technology for its Barrambie Titanium Project (as announced on 4 December 2013) and the new agreements will accommodate the existing licence.

Under the arrangements in the licence agreements, NMT will be responsible for managing the commercialisation and development of the technology. All revenue received from the commercialisation of the technology will be split 25:75 between NMT and the owners of the technology.

NMT has entered into a Strategic Alliance with Sedgman Limited (a wholly owned subsidiary of CIMIC Group Limited (ASX:CIM)) to provide the platform for the commercialisation of the technology, at no up-front cost to NMT. NMT's strategy is to develop and hold a portfolio of royalty interests from sub-licencing the technology in addition to deploying the technology for the Barrambie Project.

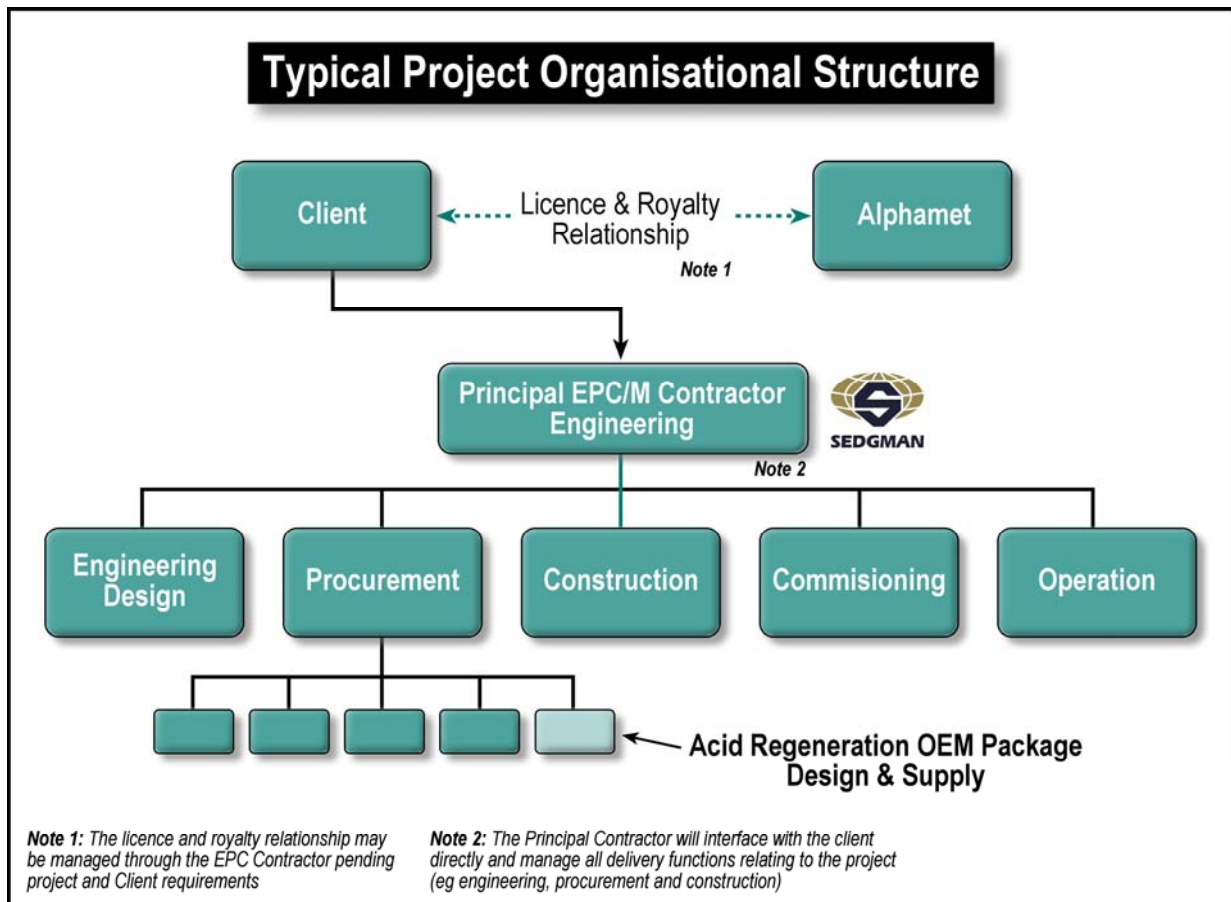


Figure 4. Structure of Strategic Alliance with Sedgman Limited.

Titanium market

The majority of titanium feedstocks (an annual market of US\$17 Billion or 85% by value) are used to produce titanium dioxide pigment which is then used as an additive in paints, plastics, paper and ink with the balance (15%) used to produce titanium metal products.

The current median price for high quality titanium dioxide pigment is US\$2,275 per tonne on a CIF basis to USA (source: Industrial Minerals 21 April 2016).

**FORRESTANIA NICKEL PROJECT
(Neometals 80%, Hannans Reward 20% free carried to DTM)**

During the quarter, the Company completed an augur drilling program to identify geochemical base metal and fertility indicator element anomalies over geophysical anomalies from a ground geophysical survey (IP) survey previously completed in the southern part of the Project tenure, some 7km north of the Flying Fox nickel sulphide mine in the Yilgarn region of Western Australia. The Company has lodged a POW for diamond drilling to test the centres of coincident geochemical and geophysical anomalies with closely spaced IP lines. Drilling is subject to board and government approvals.

CORPORATE

Divestment of Reed Exploration Pty Ltd

On 4 March 2016 the Company announced the execution of a binding termsheet with Hannans Reward Limited (“Hannans” or “HNR”) under which Neometals will divest its Forrestania nickel assets via the sale of the Company’s subsidiary company, Reed Exploration Pty Ltd (“REX”). The transaction is consistent with Neometals’ ongoing strategy to divest non-core assets and focus on the development of its lithium and advanced materials business.

As part of the divestment, Neometals has also agreed to a placement of \$250,000 worth of HNR shares at 0.4c per share (approximately 8% of HNR’s issued capital). The placement subscription will be eligible for a 1 for 2 free attaching option (exercisable at 0.4c within 2 years).

Under the terms of the transaction for the sale of REX:

1. Hannans to undertake a capital raising of \$1.25 million. In addition to its upfront \$250,000 subscription, Neometals has agreed to underwrite the last \$250,000 of the capital raising;
2. Neometals is contributing a maximum of \$1.25 million cash, through the placement, underwriting and the cash assets of REX at completion;
3. Neometals will hold approximately 40% of the issued capital in Hannans at completion, on an undiluted basis;
4. Hannans will divest its Swedish projects via an in specie distribution of the shares in its subsidiary company Scandinavian Resources Pty Ltd (“Scandinavian Resources”) to shareholders of which Neometals will receive at least 13.5%;
5. Neometals will assist Scandinavian Resources to realise lithium, cobalt and carbon opportunities in Scandinavia through a technical assistance arrangement; and
6. the Hannans board will be re-constituted to comprise of two existing Hannans directors and one director nominated by Neometals.

Completion of the sale of REX is subject to a number of conditions precedent, including due diligence by both parties, execution of binding substantive agreements, completion of the Hannans capital raising, receipt by Hannans of all necessary shareholder approvals and receipt of any necessary regulatory approvals. Neometals will keep the market informed on the progress of the transaction.

Finances (unaudited)

Cash and term deposits on hand as of 31 March 2016 totalled A\$65.2 million, including \$5.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

Capital Management

On 23 February 2016 the Board approved a capital management strategy, including a return to shareholders of 2 cents per share and a share buy-back. The dividend was formally declared on 14 March 2016 and paid subsequent to quarter end on 7 April 2016.

The Company has also announced an on-market buy-back of ordinary shares to acquire up to a maximum of 5% of the Company’s current issued ordinary shares, and will not buy-back more than A\$5m worth of shares over 12 months. In addition, the Company will also initiate an unmarketable parcel sale facility. Under the ASX Listing Rules, an unmarketable parcel is considered to be a shareholding valued at less than A\$500. The unmarketable parcel sale facility will enable eligible shareholders to sell their full holding with no broking or administration fees.

Issued Capital

On 21 January 2016 the Company granted 1,175,074 Performance Rights to an eligible employee pursuant to their employment agreement which may vest on 30 June 2017 or 31 December 2017 on the satisfaction of certain performance conditions, based on the Company's total shareholder return performance and percentile ranking relative to comparator companies.

In addition, the Company issued 49,274 ordinary shares following the vesting of existing employee Performance Rights.

The total number of shares on issue at 31 March 2016 was 559,089,257.

ENDS

APPENDIX A: TENEMENT INTERESTS

As at 31 March 2016 the Company has an interest in the following projects and tenements in Western Australia.

PROJECT NAME	LICENCE NAME	BENEFICIAL INTEREST	STATUS
Barrambie	E57/769	100%	Live
Barrambie	E57/770	100%	Live
Barrambie	E57/1041	100%	Pending
Barrambie	L57/30	100%	Live
Barrambie	L20/55	100%	Live
Barrambie	M57/173	100%	Live
Barrambie	E57/1046	100%	Pending
Mount Marion	E15/1190	27% (*)	Live
Mount Marion	L15/315	27% (*)	Live
Mount Marion	L15/316	27% (*)	Live
Mount Marion	L15/317	27% (*)	Live
Mount Marion	L15/321	27% (*)	Live
Mount Marion	L15/0220	27% (*)	Live
Mount Marion	M15/999	27% (*)	Live
Mount Marion	M15/1000	27% (*)	Live
Mount Marion	M15/717	27% (*)	Live
Mount Marion	E15/1496	27% (*)	Pending
Mount Marion	E15/1504	27% (*)	Pending
Pilgangoora	P45/3003	70% (**)	Pending
Mount Finnerty	E15/1416	100%	Live
Mount Finnerty	E15/1430	100%	Live

Mount Finnerty	E16/341	100%	Live
Lake Johnston	E63/1365	80%	Live
Forrestania	E77/2207	80%	Live
Forrestania	E77/2219	80%	Live
Forrestania	E77/2220	80%	Live
Forrestania	E77/2239	80%	Live
Forrestania	E77/2303	80%	Live
Forrestania	P77/4290	80% (***)	Live
Forrestania	P77/4291	80% (***)	Live

* - registered holder is Reed Industrial Minerals Pty Ltd (Neometals Ltd 27%, Mineral Resources Ltd 30%, Jiangxi Ganfeng Lithium Co.,Ltd 43%).

** - registered holder is Reed Advanced Materials Pty Ltd (Neometals Ltd 70%, Mineral Resources Ltd 30%).

*** Non-gold rights only.

Changes in interests in mining tenements

Interests in mining tenements acquired or increased

PROJECT NAME	LICENCE NAME	ACQUIRED OR INCREASED
Barrambie	E57/1046	Applied for 8 February 2016
Mount Marion	E15/1504	Applied for 3 February 2016
Forrestania	E77/2303	Granted 14 January 2016
Forrestania	P77/4290	Granted 9 February 2016
Forrestania	P77/4290	Granted 9 February 2016

Interests in mining tenements relinquished, reduced or lapsed

PROJECT NAME	LICENCE NAME	RELINQUISHED, REDUCED OR LAPSED
Mount Marion	E15/1500	Withdrawn 5 February 2016
Mount Marion	E15/1478	Withdrawn 5 February 2016
Barrambie	E58/471	Withdrawn 11 February 2016

APPENDIX B: MINERAL RESOURCE ESTIMATES

Mt Marion Resource Table for 0% Li₂O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li ₂ O (%)	Fe ₂ O ₃ (%)
Indicated	10.05	1.45	1.33
Inferred	13.19	1.34	1.5
Total	23.24	1.39	1.43

All tonnage and grade figures have been rounded down to two or three significant figures, respectively; slight errors may occur due to rounding of values.

Barrambie Mineral Resource Estimate for 15% TiO₂ cut-off

Category (JORC, 2012)	Tonnage (Mt)	TiO ₂ (%)	V ₂ O ₅ (%)	Fe ₂ O ₃ (%)	Al ₂ O ₃ (%)	SiO ₂ (%)
Indicated	34.7	22.25	0.64	46.77	9.48	14.95
Inferred	12.5	21.99	0.58	46.51	9.32	15.40
Total	47.2	22.18	0.63	46.70	9.44	15.07

All tonnage and grade figures have been rounded down to two or three significant figures, respectively; slight errors may occur due to rounding of values.

Compliance Statement

The information in this report that relates to Mineral Resource Estimates at the Mt Marion Lithium Project and Barrambie Titanium Project are extracted from the ASX Announcements entitled “ Mt Marion – New Mineral Resource Estimate and Exploration Target” lodged 21 September 2015 , and “Barrambie - Amended JORC 2012 Mineral Resource Estimate” lodged 6 December 2013. The Company confirms that it is not aware of any new information or data that materially affects the information included on the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.