

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 July 2016

QUARTERLY ACTIVITIES REPORT For the quarter ended 30 June 2016

Highlights:

Mt Marion Lithium Project

- Total Indicated and Inferred Mineral Resource increased 160% to 60.5Mt at 1.36% Li₂O.
- Additional US\$19.65M received from Mineral Resources Ltd exercising call option.
- Mining at Pit 1 and Crushing commenced during the quarter.
- Construction activities very advanced and progressing according to plan.

Lithium Hydroxide Project

- Positive results for Feasibility Study ('FS') on producing battery grade lithium hydroxide and lithium carbonate using the patented ELi™ Process.
- The FS cost estimates established to an accuracy of +/- 15% confirm a production operation is technically feasible and economically viable.
- The FS demonstrates an internal rate of return of 51% and a pre-tax net present value of US\$481M using a 12% discount rate.

Barrambie Titanium Project

- Completed 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

- IP Survey completed over geochemical anomalies. Drilling commenced subsequent to end of quarter

Corporate

- Cash and restricted access term deposits \$79.25 million.



PROJECT LOCATIONS



MT MARION LITHIUM PROJECT

(Neometals Ltd 13.8%, Mineral Resources Limited 43.1%, Ganfeng Lithium Co., Ltd 43.1% through Reed Industrial Minerals Pty Ltd (RIM))

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.

Construction activities are well advanced at the Mount Marion Project and progressing according to plan.

MRL’s Kwinana workshop is undertaking the manufacture and assembly of key on-site equipment for the processing plant, with some design modifications expected.



Image 1. 3-Stage Crushing Plant and Crushed ore Stockpile



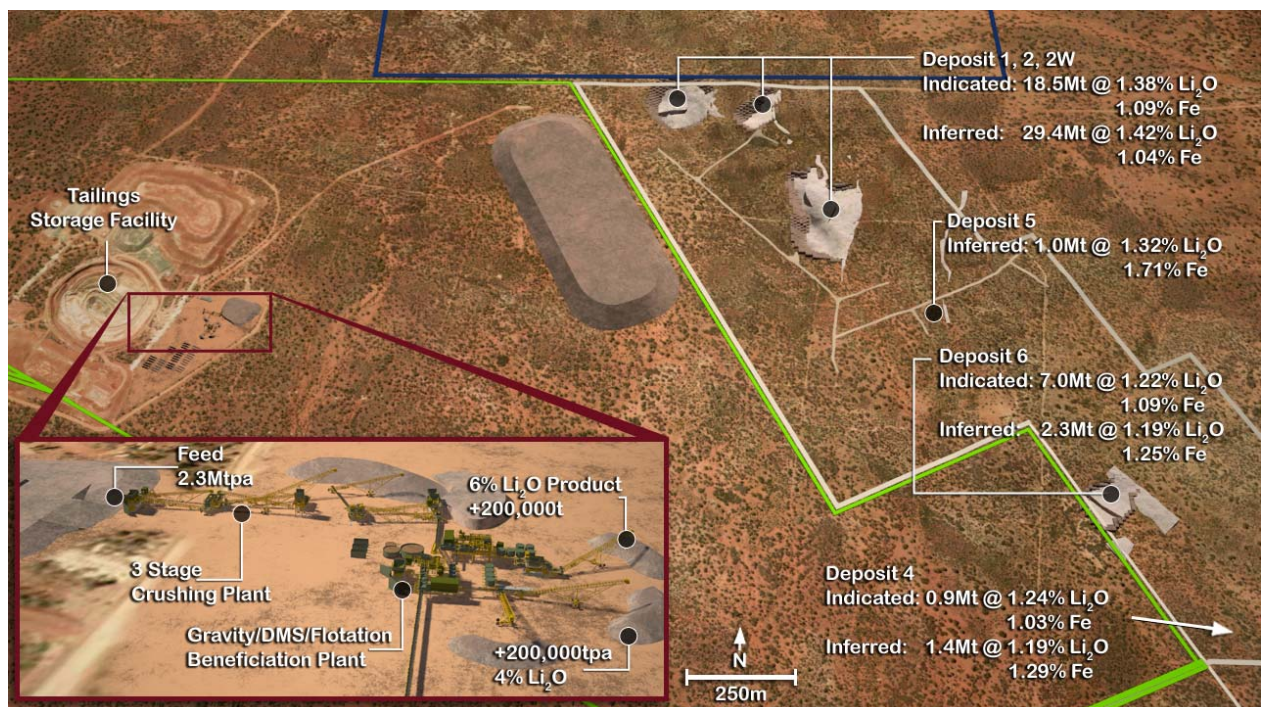
Image 2. Beneficiation Plant under construction

During the quarter, MIN exercised 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 MIN and was completed during the quarter with payment of US\$19.65M to Neometals.



Figure 1. Project Milestones

Figure 2. Project layout below



Resource Extension and In-fill drilling

In 2015, the project partners approved an exploration drilling program to extend the Mt Marion lithium resource. During the Quarter, 19,383 metres of RC drilling and 668 metres of diamond drilling was completed, with the programme ongoing.

Mt Marion's current total Indicated and Inferred Mineral Resources have been boosted by 160% with a new Mineral Resource Estimate published on 5 July 2016.

The results of the Phase 1 drilling programme have increased the Mineral Resource Estimate to Indicated and Inferred Mineral Resources of 60.5 Mt at 1.36% Li₂O and 1.09% Fe, at a cut-off grade of 0.3% Li₂O (Table 1), compared to 23.24 Mt at 1.39% Li₂O, at a cut-off grade of 0% Li₂O previously.

Table 1. Mt Marion Resource Table for 0.3% Li₂O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li ₂ O (%)	Fe (%)
Indicated	26.4	1.33	1.09
Inferred	34.1	1.39	1.08
Total	60.5	1.36	1.09

Figure may not sum due to rounding
Significant figures do not imply an added level of precision

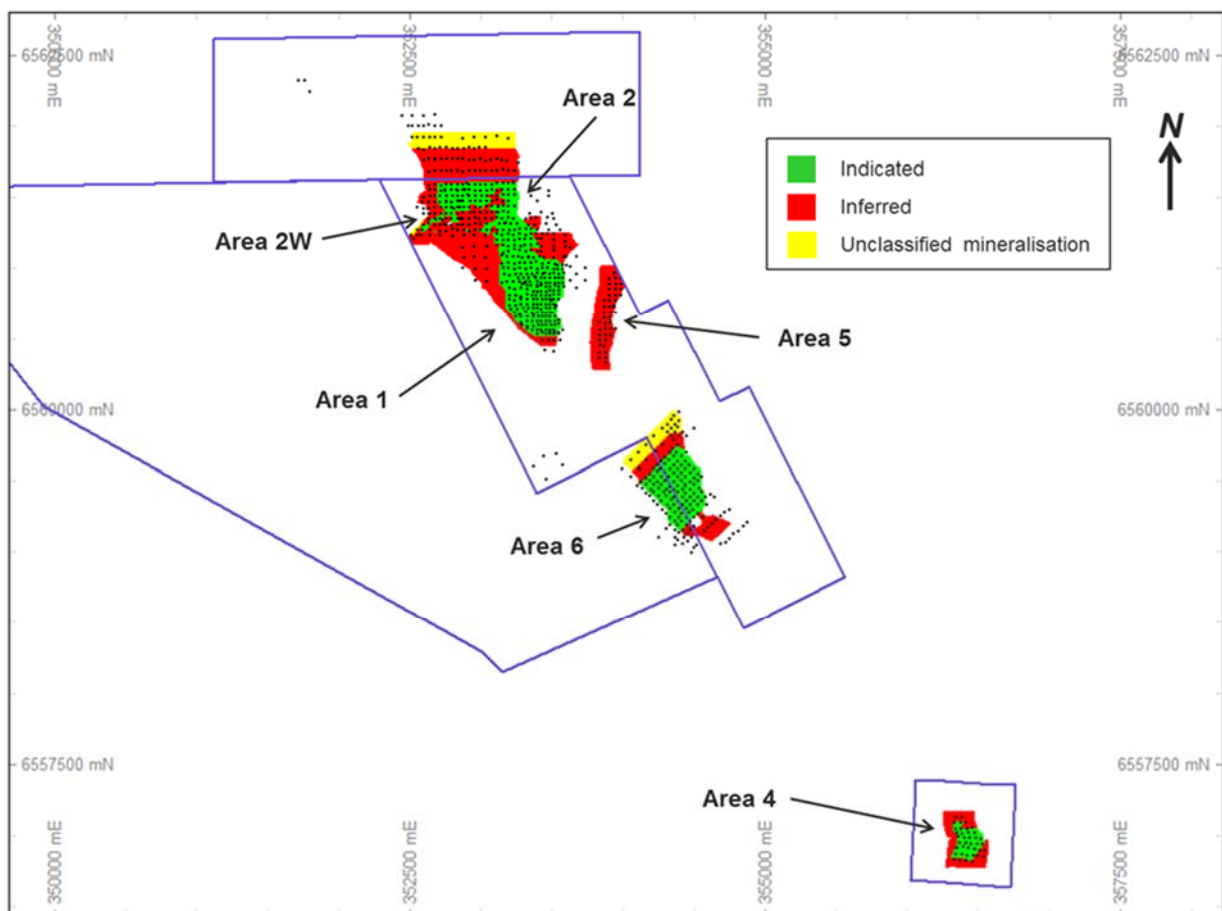


Figure 3. Mineral Resource Estimate and Exploration Target outlines over tenure

The second phase of exploration drilling continues and the Company has:

1. Identified deep seated pegmatite in Area 2W (see Figure 4 below, per ASX announcement May 2016);
2. Gained a better understanding of the pegmatite on the western side of Area 1; and
3. Commenced the extension of the pegmatite in Area 4.

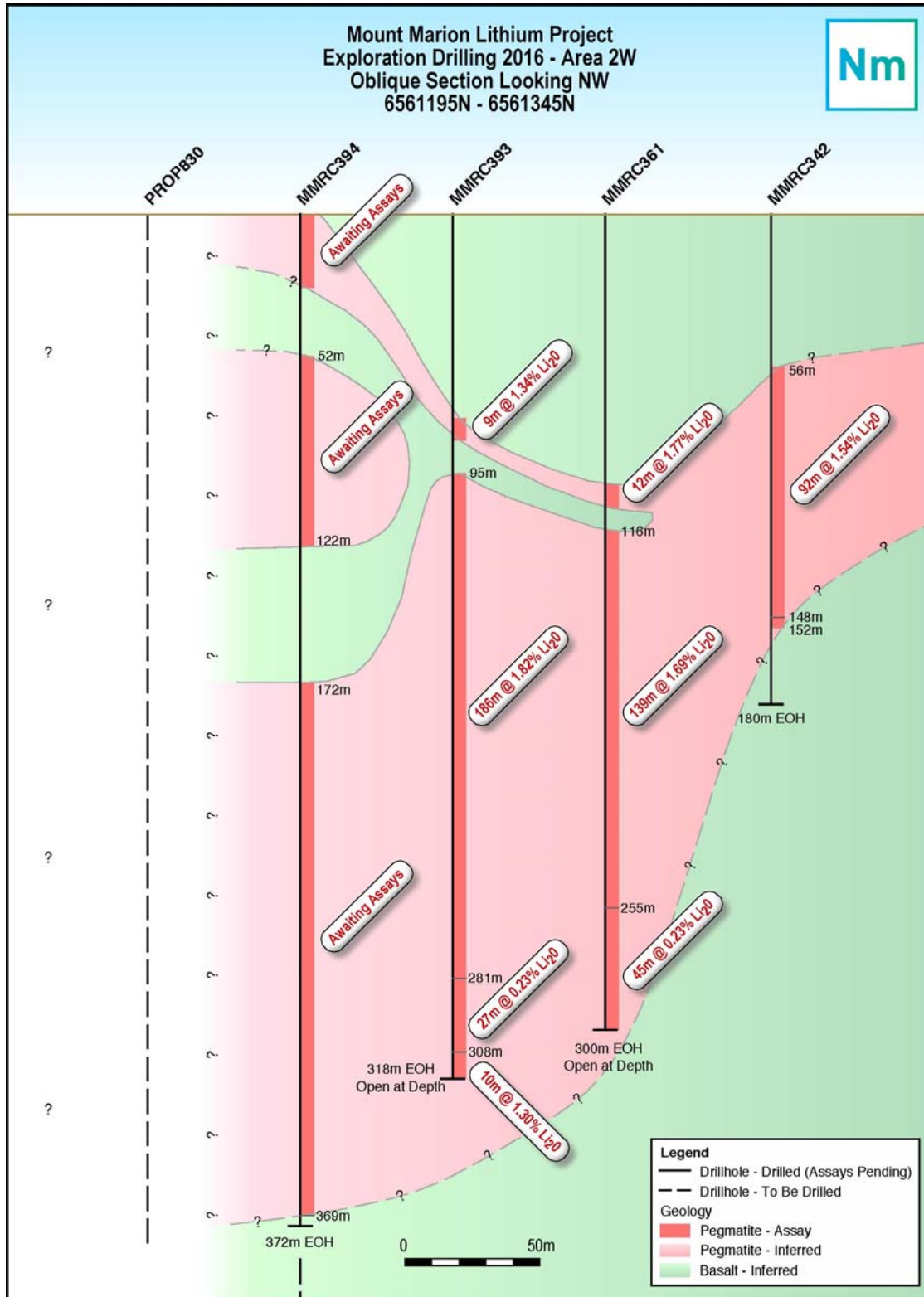


Figure 4. Oblique (Cross) Section of Area 2W



Figure 5. Exploration milestones

LITHIUM HYDROXIDE PROJECT (ELi Process)

(Neometals 70%, Mineral Resources Limited 30%)

All downstream lithium processing technology and patents are owned by 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 completed by the subsidiary of the German-owned EPC contractor M+W Group, M+W Group (Singapore), in support of a Feasibility Study (“DFS”) for the commercialisation of RAM’s ELi downstream processing technology in a 15,000 – 20,000tpa LCE lithium hydroxide plant, which was completed and announced subsequent to the end of the Quarter.

Feasibility Study

The FS confirmed the technical feasibility and economic viability of the proposed operation to produce 20,000tpa of lithium carbonate equivalent (‘LCE’) as battery quality lithium hydroxide and lithium carbonate by conversion of spodumene concentrates at a proposed plant in Malaysia. The FS incorporates an Engineering Cost Study (‘ECS’) with technical, engineering and economic assessments carried out by to provide capital and operating cost estimates to an accuracy of ±15%.

Project Development and Corporate strategy

Based on the robust FS results, RAM supports the project progressing to a full, integrated pilot plant study to refine the process design and confirm the operating parameters to sufficient accuracy for the detailed design phase for a full scale plant. RAM plans to undertake this pilot plant evaluation of the patented ELi Process in the FY2016-17, subject to board approval. A decision to progress to the construction phase of a full scale plant would be subject to successful execution of the full pilot scale test work and completion of detailed design of the full scale plant.

Neometals and MIN have rights to deploy the ELi Process and to purchase spodumene concentrates from Mt Marion to secure the supply chain for an ELi processing plant.

The key highlights of the FS are summarised in the table below:

Feasibility Study Highlights	
Average Annual Production	14,000t LiOH.H ₂ O 5,600t Li ₂ CO ₃
Life of Plant (LOP)	20 years
Life of Plant Revenue	US\$ 4,042 million
Pre-tax Net Cash flow (per annum)	US\$ 82.39 million
Pre-tax NPV (12% discount rate)	US\$481.7 million
Pre-tax Internal Rate of Return	51%
Cash Operating Cost per tonne of LiOH.H ₂ O	US\$ 4,630
Cash Operating Cost per tonne of Li ₂ CO ₃	US\$ 5,345
Pre-production Capital cost (including EPCM and Contingency)	US\$ 158 million
Payback of capital costs	2.6 years

Key assumptions

Operating and capital costs are presented as at end of the 4th Quarter of FY2015-16 with an indicative accuracy of ±15%. All analysis is in US dollars and assumes real long-term prices of US\$11,000/t for high purity 'battery quality' LiOH.H₂O and US\$ 10,000/ t of high purity 'battery quality' Li₂CO₃.

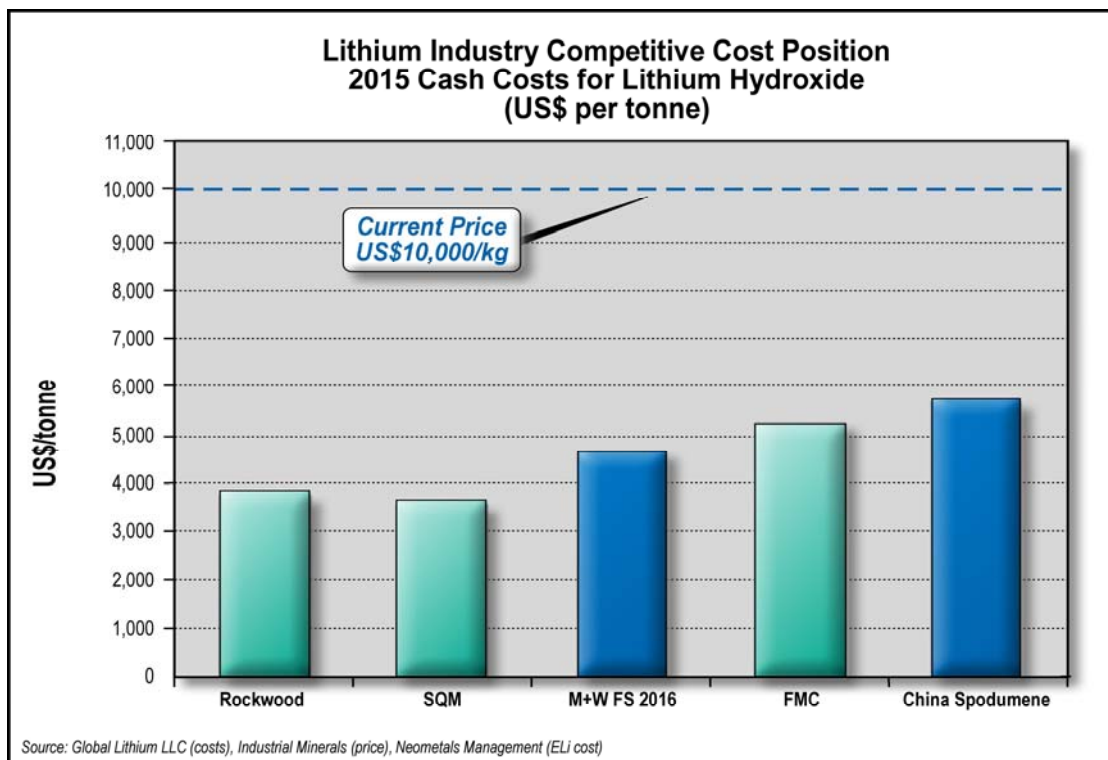


Figure 6. Benchmarking Feasibility Study with 2015 Industry Cash Costs

Lithium market

The current market for battery grade lithium hydroxide and lithium carbonate is in tight supply due to high demand growth and constrained supply resulting from low installed base of production capacity in the high purity product sector. The market demand is forecast to grow significantly for the next 4 years through to 2020 (the timeframe in which Neometals and MIN are aiming to commence production at the project) and continue thereafter.

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 volume transactions in excess of US\$20,000 per tonne (source: Industrial Minerals 21 July 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 completed the legal agreements 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 plans 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 September 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.

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 July 2016).

NEOMET PROCESSING TECHNOLOGY
(25% Net Profit Interest through Alphamet Management Pty Ltd)

NMT will be responsible for managing the commercialisation and development of the technology (“Neomet Process”). All revenue received from the commercialisation of the technology will be split 25:75 between NMT and the owners of the technology.

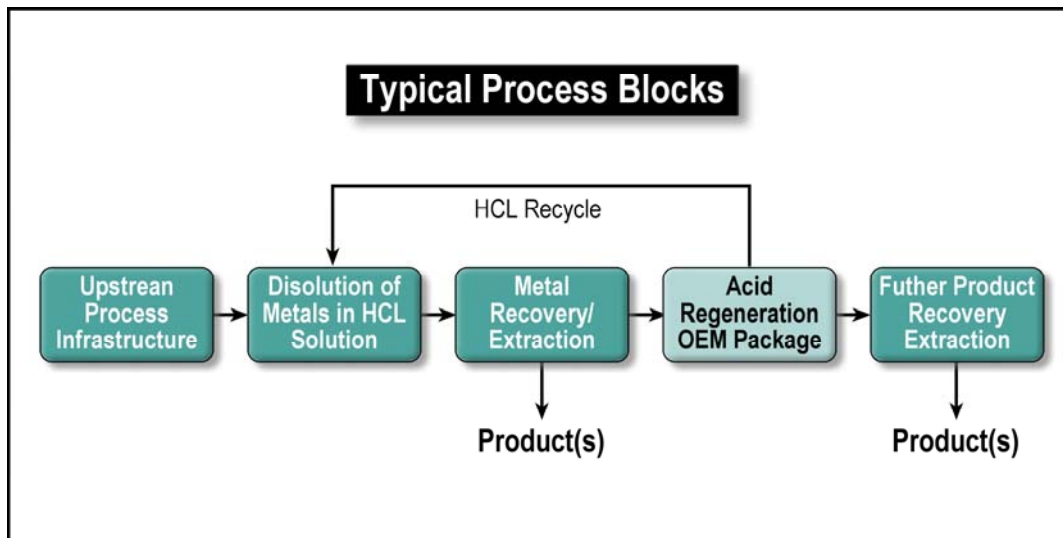
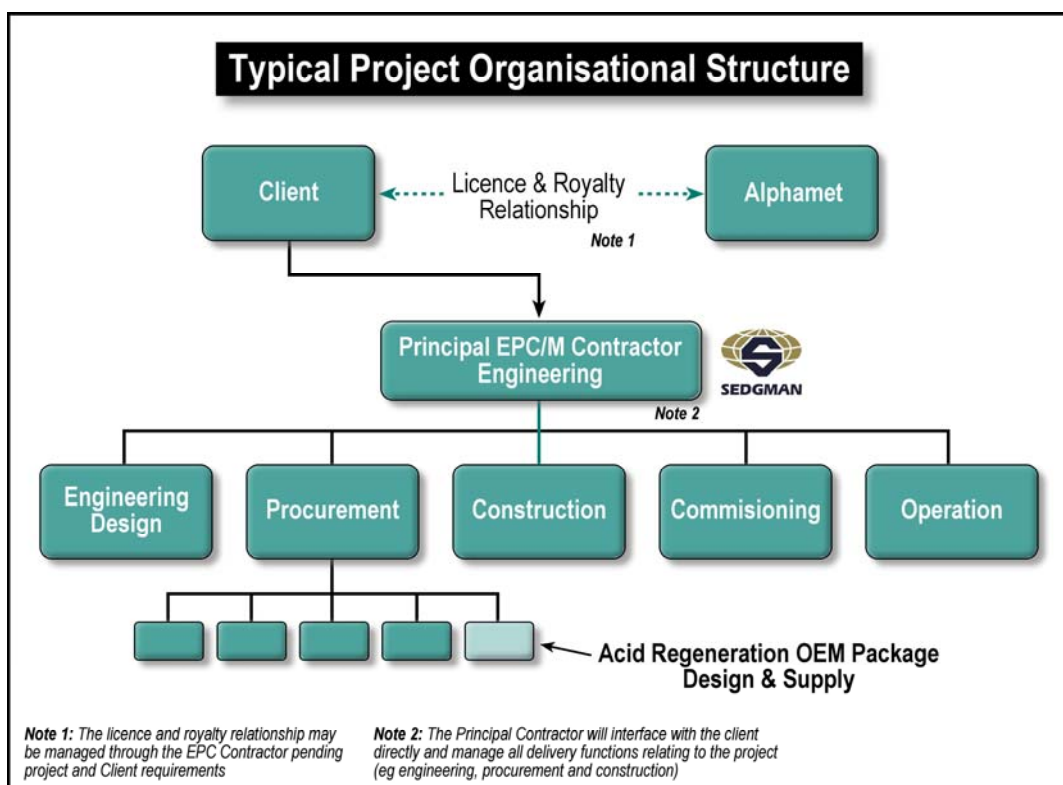


Figure 7. Neomet Proprietary Acid Regeneration Technology Process Model

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.



Note 1: The licence and royalty relationship may be managed through the EPC Contractor pending project and Client requirements

Note 2: The Principal Contractor will interface with the client directly and manage all delivery functions relating to the project (eg engineering, procurement and construction)

Figure 8. Structure of Strategic Alliance with Sedgman Limited.

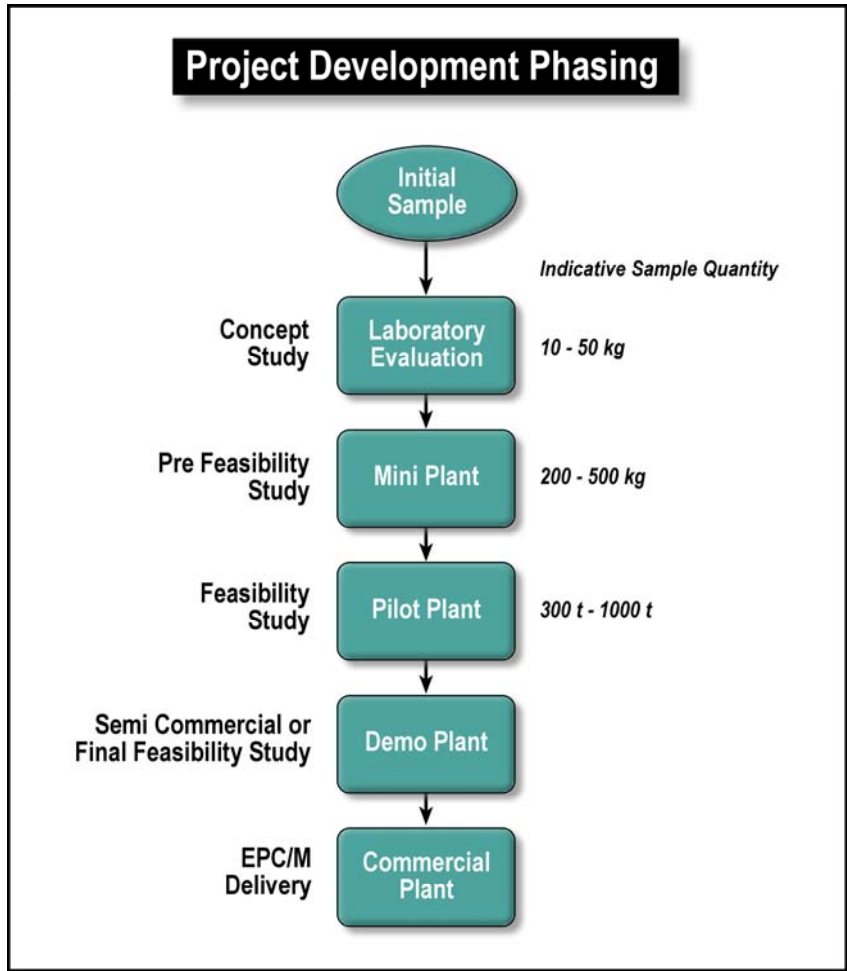


Figure 9. Structure of Testing/Evaluation Stages for Third Party testing

NMT has entered into a long term lease for the commercial laboratory facilities from one of the owners of the technology for use by the Strategic Alliance partners to test third party material.



Image 3. Neometals’ Leased Laboratory at 5800 Thimens, Montreal, Canada



Image 4. Pilot Plant at 5800 Thimens, Montreal, Canada



Image 5. One of four bench-scale laboratories at 5800 Thimens, Montreal, Canada

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

During the quarter, the Company completed a ground geophysical survey (IP) survey to identify any coincident geochemical and geophysical anomalies 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 received approval for a POW for diamond drilling to test the centres of with closely spaced IP lines. Drilling commenced on 27 July 2016.

CORPORATE

Divestment of Reed Exploration Pty Ltd

On 4 March 2016 the Company announced the execution of a binding termsheet with Hannans Limited (“Hannans” or “HNR”) under which Neometals will divest its Forrester 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 took a placement of \$250,000 worth of HNR shares at 0.4c per share (approximately 8% of HNR’s issued capital) and as part of the placement received 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, which was completed in May 2016;
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 Co) to shareholders of which Neometals will receive at least 13.5%;
5. Neometals will assist Scandinavian Co 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, 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.

As at 30 June 2016 the mark to market book profit on Neometal’s holding in HNR is \$1.1M and the current value of the shares to be received by Neometals for REX upon completion is \$9.9M.

Finances (unaudited)

Cash and term deposits on hand as of 30 June 2016 totalled A\$79.25 million, including \$5.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

Director Appointment

The Company expanded its Board to drive strategic objectives by appointing two new independent directors effective from 14 April 2016:

- Mr Doug Ritchie; and
- Dr Natalia Streltsova.

Capital Management

The dividend that was formally declared on 14 March 2016 was paid to shareholders on 7 April 2016.

The Company has not acquired any shares through the on-market share buy-back (to acquire up to a maximum of 5% of the Company's current shares) that is currently open or initiated the unmarketable parcel sale facility as previously foreshadowed.

Issued Capital

The total number of shares on issue at 30 June 2016 was 559,089,257.

ENDS

For further information, please contact:

Chris Reed

Managing Director

Neometals Ltd

T: +61 8 9322 1182

E: info@neometals.com.au

Media

Michael Weir / Richard Glass

Citadel MAGNUS

T: +61 8 6160 4900

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 "160% increase in Mt Marion Resource Estimate" lodged 6 July 2016, 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.

APPENDIX A: TENEMENT INTERESTS

As at 30 June 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%	Live
Barrambie	L57/30	100%	Live
Barrambie	L20/55	100%	Live
Barrambie	M57/173	100%	Live
Barrambie	E57/1046	100%	Pending
Mount Marion	E15/1190	13.8% (*)	Live
Mount Marion	L15/315	13.8% (*)	Live
Mount Marion	L15/316	13.8% (*)	Live
Mount Marion	L15/317	13.8% (*)	Live
Mount Marion	L15/321	13.8% (*)	Live
Mount Marion	L15/0220	13.8% (*)	Live
Mount Marion	L15/360	13.8% (*)	Live
Mount Marion	M15/999	13.8% (*)	Live
Mount Marion	M15/1000	13.8% (*)	Live
Mount Marion	M15/717	13.8% (*)	Live
Mount Marion	E15/1496	13.8% (*)	Pending
Mount Marion	E15/1504	13.8% (*)	Pending
Mount Marion	P15/6050	13.8% (*)	Pending
Mount Marion	P15/6042	13.8% (*)	Pending

Mount Marion	P15/6043	13.8% (*)	Pending
Mount Marion	P15/6044	13.8% (*)	Pending
Mount Marion	P15/6045	13.8% (*)	Pending
Mount Marion	P15/6046	13.8% (*)	Pending
Mount Marion	P15/6047	13.8% (*)	Pending
Mount Marion	P15/6041	13.8% (*)	Pending
Mount Marion	P15/6049	13.8% (*)	Pending
Mount Marion	L15/0360	13.8% (*)	Pending
Mount Marion	P15/6052	13.8% (*)	Pending
Mount Marion	P15/6053	13.8% (*)	Pending
Mount Marion	P15/6054	13.8% (*)	Pending
Mount Marion	P15/6055	13.8% (*)	Pending
Mount Marion	P15/6056	13.8% (*)	Pending
Mount Marion	P15/6057	13.8% (*)	Pending
Mount Marion	P15/6058	13.8% (*)	Pending
Mount Marion	P15/6048	13.8% (*)	Pending
Pilgangoora	P45/3003	70% (**)	Pending
QVR	E15/1416	80%	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
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* - registered holder is Reed Industrial Minerals Pty Ltd (Neometals Ltd 13.8%, Mineral Resources Ltd 43.1%, Jiangxi Ganfeng Lithium Co.,Ltd 43.1%).

** - 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	E57/1041	Granted 4 May 2016
Mount Marion	P15/6050	Application 13 May 2016
Mount Marion	P15/6042	Application 13 May 2016
Mount Marion	P15/6043	Application 13 May 2016
Mount Marion	P15/6044	Application 13 May 2016
Mount Marion	P15/6045	Application 13 May 2016
Mount Marion	P15/6046	Application 13 May 2016
Mount Marion	P15/6047	Application 13 May 2016
Mount Marion	P15/6041	Application 13 May 2016
Mount Marion	P15/6049	Application 13 May 2016
Mount Marion	L15/0360	Application 30 June 2016
Mount Marion	P15/6052	Application 16 May 2016
Mount Marion	P15/6053	Application 16 May 2016
Mount Marion	P15/6054	Application 16 May 2016
Mount Marion	P15/6055	Application 16 May 2016
Mount Marion	P15/6056	Application 16 May 2016
Mount Marion	P15/6057	Application 16 May 2016
Mount Marion	P15/6058	Application 16 May 2016
Mount Marion	P15/6048	Application 13 May 2016

Interests in mining tenements relinquished, reduced or lapsed

PROJECT NAME	LICENCE NAME	RELINQUISHED, REDUCED OR LAPSED
Mount Finnerty	E16/341	Surrendered 30 June 2016
Mount Finnerty	E15/1430	Surrendered 6 April 2016

APPENDIX B: MINERAL RESOURCE ESTIMATES

Mt Marion Resource Table for 0.3% Li₂O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li ₂ O (%)	Fe (%)
Indicated	26.4	1.33	1.09
Inferred	34.1	1.39	1.08
Total	60.5	1.36	1.09

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.