

Neometals issues quarterly activities report

Neometals {ASX: NMT} has issued its quarterly activities report for the period ended 30th September 2015.

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QUARTERLY ACTIVITIES REPORT For the quarter ended 30 September 2015 Highlights:

Mt Marion Lithium Project.

- Construction of Mt Marion Lithium concentrate operation commences following positive Final Investment Decision and financial completion of Offtake and Equity Investment by Jiangxi Ganfeng Lithium Co. Ltd, China's second largest lithium producer. Neometals received US\$19.75M, with Mt Marion project equity decreasing to 45%.
- First production of lithium concentrate expected mid-2016.
- Project development including Mine-to-Port solution fully funded by Mineral Resources Ltd on a Build-Own-Operate basis.
- New Mineral Resource Estimate increases contained lithium by 60%. Barrambie Titanium Project
- Pre-feasibility Study confirms technical feasibility and financial viability of a licenced proprietary process to produce +99% pure titanium dioxide (TiO₂).
- Potential lowest quartile operating cost per tonne of pure TiO₂ produced after by-product credits. Pre-tax

NPV12% US\$355 million.

- **Corporate**

- Cash and restricted access term deposits \$34 million.
- Ongoing evaluation of opportunities to divestment nickel portfolio.

PROJECT LOCATIONSMT MARION LITHIUM PROJECT

(Neometals 45%, Mineral Resources Limited 30%, Jiangxi Ganfeng Lithium Co. 25%)

During the quarter, the Company and **Mineral Resources Limited {ASX: MIN}** announced the start of the construction phase of the Mt Marion Lithium Project following the Final Investment Decision.

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). The project has a granted Mining Proposal and received its Works Approval for plant construction, on the 18th of December 2014.

First production is expected by mid-2016 from the Project, which is designed to produce more than 200,000tpa of chemical grade spodumene concentrate.

Project Offtake and Equity Investment

On 28 September the Company announced financial completion of the Share Sale, Subscription and Option Agreement, and life-of-mine Offtake Agreement with Jiangxi Ganfeng Lithium Co., Ltd.

Neometals received a net amount of US\$19.75 million from Ganfeng in respect to the equity investment in RIM.

A Mining Services Agreement with MIN for the construction and operation of the Project on a Build- Own-Operate basis.

A summary of the key terms of the agreements are set out on the next page.

Share Sale, Subscription and Option Agreement

Following financial close, the shareholdings in RIM are as follows:

- Neometals – 45% □ PMI – 30%
- Ganfeng – 25%

Neometals has also granted PMI and Ganfeng options pursuant to which they can elect to increase their respective shareholdings in RIM by around Q4 of 2016 by acquiring shares from Neometals at an agreed price. If these options are fully exercised, Neometals will be left holding 13.8% of RIM and PMI and Ganfeng will each hold 43.1%.

Offtake Agreement

Ganfeng will purchase 100% of spodumene production from the Mount Marion Lithium Project for the life of the mine ('LOM') at market prices on a CIF basis, subject to an agreed floor.

After the first three years of production, MIN/Neometals can exercise options to collectively purchase up to 51% of spodumene production, with Ganfeng purchasing the remaining production.

Mining Services Agreement

MIN (via its wholly owned subsidiary, Process Minerals International Pty Ltd) will build, own and operate the mining, crushing and beneficiation infrastructure and equipment for the Mount Marion Lithium Project.

New Mineral Resource Estimate

A new Mineral Resource Estimate has increased Indicated and Inferred Mineral Resources to 23.24Mt at 1.39% Li₂O and 1.43% Fe₂O₃, at a cut-off grade of 0% Li₂O (Table 1 and Appendix A), compared to 14.8Mt at 1.3% Li₂O, at a cut-off grade of 0.3% Li₂O previously. This represents a substantial increase in the size of the mineral resource, equating to a 60% increase in the total contained lithium at the Project. The zero cut-off grade reflects the strategy of mining to the lithium-bearing pegmatite contacts. A grade-tonnage curve is included for transparency.