

# Neometals to progress integrated lithium chemical production strategy

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The Company believes that these factors have materially enhanced the Project's intrinsic value. Specifically, in order of impact on the valuation, the factors were:

- The successful finalisation of re-negotiations of the offtake pricing mechanism with project and offtake partner Ganfeng Lithium Co, which will deliver pricing linked to international lithium carbonate and hydroxide prices rather than bilateral spodumene market prices. Based on analysis of market trends, the supply/demand balance of the lithium compounds will be more robust than that of the spodumene concentrates which are forecast to be more volatile against commodity pricing supply cycles.

This fundamental shift should provide less variability in long-term pricing and greater returns from the Project as the new pricing model takes effect from 1 July 2017. • The retention by the Company of its binding offtake option rights for a minimum of 12.37% of production from Mt Marion from February 2020. This will provide a secure supply of feedstock, at the Company's discretion, for the prospective development of its own downstream processing plant.

The current evaluation is progressing vendor equipment test work programs in North America, in parallel with site selection studies. • The ramp-up in plant performance and product quality from Mt Marion exceeding expectations with the shipment of 30,055 dmt (majority 6% Li<sub>2</sub>O) in May and late June/early July shipments totalling 50,000 dmt. • Subject to Project's operating board and JV shareholder approval, the

anticipated commitment to modify the Project's process plant to facilitate production of all 6% Li<sub>2</sub>O spodumene concentrate, removing the discount applied to the current 4% Li<sub>2</sub>O concentrate prices and improving Project profitability.

The Company has engaged advisers to assist it in considering demerging and separately listing the Company's technology and titanium assets. The Company will keep the market informed as to progress of this initiative and the timing of its implementation, if any.

**Neometals' Managing Director, Chris Reed, commented:** *"Since we originally offered to sell the stake in Mt Marion, we've been impressed by the production performance from site which, combined with the enhanced pricing structure and levels, makes a compelling case for retaining the stake and offtake rights. We will now focus on developing the next step in the lithium value chain, a downstream processing plant to produce Lithium Hydroxide, the key component in cathode chemistries for the EV and stationary storage battery revolution."*

ENDS

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