

## ASX Release

### 24 July 2015

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

## QUARTERLY ACTIVITIES REPORT

### For the quarter ended 30 June 2015

#### Highlights:

##### Mt Marion Lithium Project

- Subsequent to the end of the quarter a binding conditional MoU was signed with Jianxgi Ganfeng Lithium Co., Ltd, China's second largest lithium producer for life of mine offtake and equity acquisition which at completion will trigger final investment decision to construct lithium concentrate operation.
- At completion Neometals will receive US\$19.5M and dilute from 70% to 45% of RIM.
- Transaction excludes downstream lithium processing intellectual property held in JV with Mineral Resources Ltd.

##### Barrambie Titanium Project

- Pre-feasibility Study continuing with estimated completion in August 2015

##### Corporate

- Evaluating divestment of nickel portfolio
- Cash and restricted access term deposits \$7.5 million

#### PROJECT LOCATIONS



For personal use only

## **MT MARION LITHIUM PROJECT**

### **(Neometals 70%, Mineral Resources Limited 30%)**

During the quarter, Reed Industrial Minerals Pty Ltd (**RIM**) continued to advance the Mt Marion Lithium Project (**Mt Marion**). RIM is owned 70:30 by Neometals Ltd (**Neometals**) and leading mining services provider Mineral Resources Limited (**MRL**). MRL fund and operate the project through their subsidiary, Process Minerals International Pty Ltd.

Mt Marion is a globally significant lithium deposit, containing total Measured, Indicated and Inferred Mineral Resources of 14.8Mt at 1.3% Li<sub>2</sub>O and 1.2% Fe<sub>2</sub>O<sub>3</sub>, at a cut-off grade of 0.3% Li<sub>2</sub>O (Appendix B). The project has a granted Mining Proposal and received its Works Approval for plant construction, on the 18<sup>th</sup> of December 2014.

### **Project Development and Corporate Strategy**

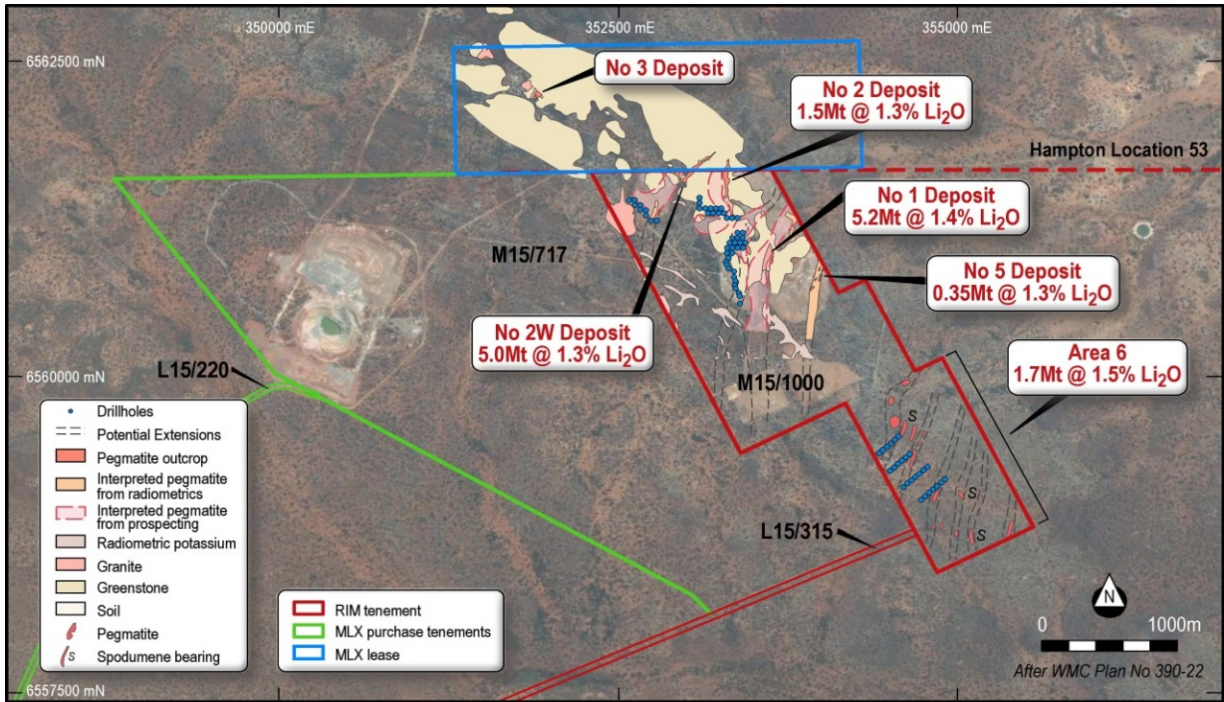
During the quarter RIM progressed completion of the transaction with Metals X Ltd (ASX: MLX) which was announced to the ASX on 22 January 2015. Under the agreement, RIM has agreed to lease the lithium mining rights over a portion of the Hampton Area Location 53, which adjoins the Mt Marion Lithium Project, and to purchase an adjoining mining lease and associated infrastructure from Metals X (Figure 1). Completion was announced on the 7 July 2015.

Subsequent to the end of the quarter the Company has entered into a binding conditional Memorandum of Understanding (“MoU”) with China’s second largest lithium producer Jiangxi Ganfeng Lithium Co., Ltd (“Ganfeng”).

The MOU sets out the key commercial terms for:

- Ganfeng to acquire an up-front 25% shareholding in RIM by way of share sale and equity subscription leaving Neometals with 45% of RIM and MIN with 30% of RIM. Neometals will net approximately US\$19.5 million from this initial transaction;
- PMI and Ganfeng to be granted options by Neometals pursuant to which they can elect to increase their respective shareholdings in RIM to 43.1% by around Q4 of 2016 by way of share purchase from Neometals. If these options are fully exercised, Neometals will be left holding 13.8% of RIM;
- MIN building, owning and operating the Mount Marion mining, crushing and beneficiation infrastructure and equipment pursuant to a fixed price mining services contract;
- Ganfeng entering into a long-term offtake for 100% of the spodumene produced from the Mt Marion Lithium Project at benchmarked market prices subject to an agreed price floor. Under the agreement, from year 4 onwards RIM reserves the right to take 51% of the total production if greater commercial benefit can be derived from such product; and
- prudential corporate governance arrangements for RIM between Ganfeng and RIM’s existing shareholders with equal board representation for all shareholders.

Financial close will trigger a Final Investment Decision for the Mt Marion lithium concentrate operation and commencement of full plant construction and assemblage as all necessary approvals for the project have been secured by RIM. MIN is already well advanced with development planning and procurement, with commissioning and production of lithium concentrate product anticipated by mid-2016.



**Figure 1.** Geology over existing RIM tenure (red) with new lithium rights lease area (blue) and tenements acquired (green).

### Downstream Lithium Processing

All downstream lithium processing technology and patents are being transferred to a dedicated vehicle, Reed Advanced Materials Pty Ltd (“RAM”) and are not part of the sale assets in the Ganfeng MoU. RAM is beneficially owned 70:30 by the Company and MRL. A partner selection process continues with the aim of developing an appropriate business structure for the commercialisation of RAM’s downstream processing technology. Discussions remain preliminary and there can be no assurance that a binding proposal will emerge. Neometals and MRL will keep the market informed as matters develop further.

During the quarter RAM continued the prosecution of new patent applications to cover improvements in its proprietary process to produce high-purity lithium hydroxide (“LiOH”) directly from spodumene (lithium) concentrates. RAM owns a granted Australian patent within its extensive patent family for lithium hydroxide, with other patents filed or under examination in the US, Argentina, Canada, Chile, China, Japan, Malaysia and South Korea.

### Lithium market

Prominent and respected lithium industry researchers continue to forecast a large and sustained increase in the demand for high-purity, battery-grade lithium hydroxide and carbonate at compound rates of approximately 20% pa. The growth is underpinned by continuing use of rechargeable batteries in consumer electronics and increased market penetration of battery electric and hybrid electric vehicles (EV and HEV) in commercial and private applications.

The current median prices for battery-grade lithium hydroxide and lithium carbonate are US\$8,250 and US\$6,400 per tonne, respectively, on a CIF basis to Europe and US respectively (source: Industrial Minerals 16 July 2015).

The price of chemical grade lithium concentrates (6% Li<sub>2</sub>O) are illustrated in Figure 2 below and gleaned from Official Chinese Import Volumes and Prices and independent marketing consultants, conversion to Australian currency is done at simple arithmetic average of daily rates reported by the Reserve Bank of Australia.

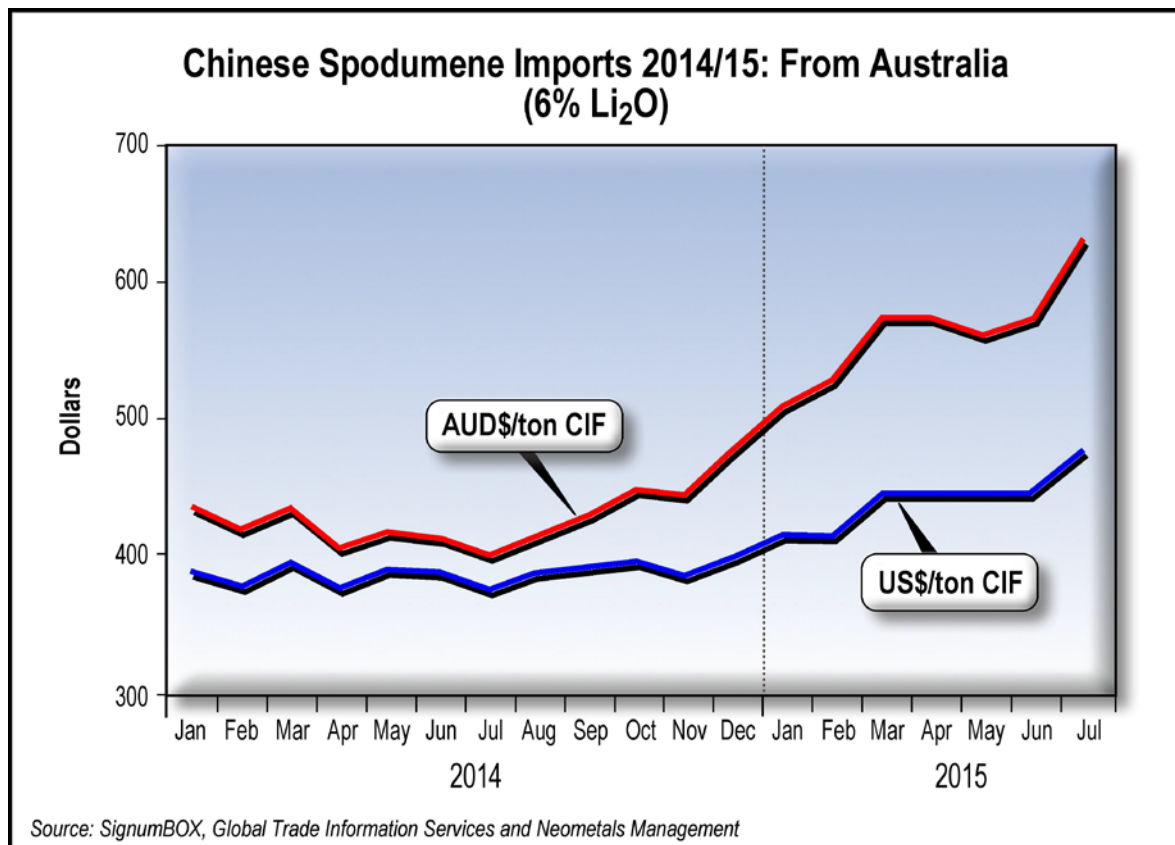


Figure 2. Chinese SC6 Grade Spodumene Prices

**BARRAMBIE TITANIUM PROJECT  
(Neometals 100%)**

During the quarter the Company continued to advance its Barrambie Titanium Project with the further optimisation of its mini-pilot plant testwork programme in Canada. The Company continued its Pre-feasibility study (“PFS”) to assess the development of an open-pit mining and processing operation using a licensed proprietary technology to produce high purity titanium, vanadium and iron compounds. The PFS is being managed by Mr Michael Spratt, an experienced process/construction engineer and former COO of Minproc, and is expected to be completed in August 2015.

Barrambie is one of the world’s highest grade titanium deposits, containing total Indicated and Inferred Mineral Resources of 47.2Mt at 22.2% TiO<sub>2</sub>, 0.63% V<sub>2</sub>O<sub>5</sub> and 46.7% Fe<sub>2</sub>O<sub>3</sub>, at a cut-off grade of 15% TiO<sub>2</sub> (Appendix B).

For personal use only

The currently preferred development strategy is to demonstrate the technical feasibility and economic viability of the project to attract a joint venture partner to fund and operate the development of the Barrambie project.

#### **Titanium and Vanadium market**

The majority of titanium feedstocks (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\$2,900 per tonne on a CIF basis to USA (source: Industrial Minerals 16 July 2015).

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

No activity undertaken in the quarter.

#### **MT FINNERTY PROJECT Green Dam Prospect (Barranco 100%, Neometals option to acquire 100%)**

No activity undertaken in the quarter.

#### **NON-CORE ASSET DIVESTMENT PROGRAM**

With Neometals focus being on the Mt Marion Lithium and Barrambie Titanium Projects, the Company has committed to divesting non-core assets from its portfolio. In line with this strategy The Company is evaluating options to divest its nickel portfolio.

#### **CORPORATE**

##### **Finances (unaudited)**

Cash and term deposits on hand as of 30 June 2015 totalled \$7.5 million, including \$6.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

##### **Issued Capital**

The total number of shares on issue at 30 June 2015 was 502,212,757.

**ENDS**

## APPENDIX A: TENEMENT INTERESTS

As at 30 June 2015 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	E58/471	100%	Pending
Barrambie	L57/30	100%	Live
Barrambie	L20/55	100%	Live
Barrambie	M57/173	100%	Live
Mount Marion	E15/1190	70% (*)	Live
Mount Marion	L15/315	70% (*)	Live
Mount Marion	L15/316	70% (*)	Live
Mount Marion	L15/317	70% (*)	Live
Mount Marion	L15/321	70% (*)	Live
Mount Marion	M15/999	70% (*)	Live
Mount Marion	M15/1000	70% (*)	Live
Mount Finnerty	E15/1408	100%	Live
Mount Finnerty	E15/1416	100%	Live
Mount Finnerty	E15/1430	100%	Pending
Mount Finnerty	E16/305	0% (**)	Live
Mount Finnerty	E16/330	0% (**)	Live

Mount Finnerty	E16/341	100%	Live
Mount Finnerty	M15/978	100%	Live
Mount Finnerty	P16/2824	100%	Live
Lake Johnston	E63/1363	80%	Live
Forrestania	E77/2207	100%	Live
Forrestania	E77/2219	100%	Live
Forrestania	E77/2220	100%	Live
Forrestania	E77/2239	100%	Live
Forrestania	E77/2303	100%	Pending
Forrestania	P77/4290	100%	Pending
Forrestania	P77/4291	100%	Pending

\* - registered holder is Reed Industrial Minerals Pty Ltd (Neometals Ltd 70%, Mineral Resources Ltd 30%).

\*\* - registered holder is Barranco Resources NL, Neometals Ltd has option to purchase 100%

**Changes in interests in mining tenements**

Interests in mining tenements acquired or increased

PROJECT NAME	LICENCE NAME	ACQUIRED OR INCREASED
Forrestania	E77/2303	Applied for 12/06/2015

Interests in mining tenements relinquished, reduced or lapsed

PROJECT NAME	LICENCE NAME	RELINQUISHED, REDUCED OR LAPSED
Mount Finnerty	E15/836	Surrendered 9/06/2015
Mount Finnerty	M15/506	Surrendered 24/06/2015
Mount Finnerty	M15/507	Surrendered 24/06/2015
Mount Finnerty	M15/511	Surrendered 24/06/2015
Mount Finnerty	M15/522	Surrendered 24/06/2015
Mount Finnerty	E16/260	Surrendered 1/04/2015
Mount Finnerty	E16/272	Surrendered 9/06/2015
Mount Finnerty	E16/308	Surrendered 9/06/2015
Mount Finnerty	E16/375	Surrendered 1/04/2015
Mount Finnerty	E16/455	Surrendered 24/06/2015
Mount Finnerty	P16/2823	Surrendered 24/06/2015
Mount Finnerty	R16/1	Surrendered 24/06/2015
Mount Finnerty	R16/2	Surrendered 24/06/2015
Lake Johnston	E63/1701	Surrendered 12/06/2015
Lake Johnston	P63/1961	Surrendered 12/06/2015
Lake Johnston	P63/1964	Surrendered 12/06/2015
Lake Johnston	P63/1965	Surrendered 12/06/2015
Lake Johnston	P63/1966	Surrendered 12/06/2015
Lake Johnston	P63/1967	Surrendered 12/06/2015

For personal use only



## APPENDIX B: MINERAL RESOURCE ESTIMATES

### Mt Marion Resource Table for 0.3% Li<sub>2</sub>O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li <sub>2</sub> O (%)	Fe <sub>2</sub> O <sub>3</sub> (%)
Measured	2.0	1.45	0.93
Indicated	4.8	1.39	1.22
Inferred	8.0	1.3	1.3
Total	14.8	1.3	1.2

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% TiO<sub>2</sub> cut-off

Category (JORC, 2012)	Tonnage (Mt)	TiO <sub>2</sub> (%)	V <sub>2</sub> O <sub>5</sub> (%)	Fe <sub>2</sub> O <sub>3</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	SiO <sub>2</sub> (%)
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 – JORC 2012 Mineral Resource Estimate” lodged 9 December 2013, 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.