



Neometals

ASX Release
22 April 2015

QUARTERLY ACTIVITIES REPORT **For the quarter ended 31 March 2015**

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Highlights:

Mt Marion Lithium Project

- Binding MoU signed with MetalsX Ltd to acquire and lease various adjoining tenements and infrastructure, increasing exploration potential and reducing capital costs.
- Discussions progressing for offtake commitments and partial sell-down of RIM equity to accelerate development of lithium concentrate operation at Mt Marion.
- Downstream intellectual property to be removed from potential RIM sale assets into dedicated special project vehicle owned 70:30 with Mineral Resources Ltd
- New patent applications lodged to protect improvements in lithium hydroxide technology

Barrambie Titanium Project

- Mini-pilot plant in Canada continues to produce high-purity titanium dioxide via a proprietary hydrometallurgical process
- Pre-feasibility Study continuing with estimated completion by end June 2015

Mt Finnerty Project

- Diamond drill hole intersects fine grained trace nickel and copper sulphides over significant thicknesses (27m @ 0.24% Ni) above intact basal footwall contact

Lake Johnston Project

- Diamond drill hole intersects finely disseminated nickel and copper sulphides in high-Magnesian ultramafic intrusive over large spatial extent (38m @ 0.24 % Ni and 44m @ 0.25% Ni)

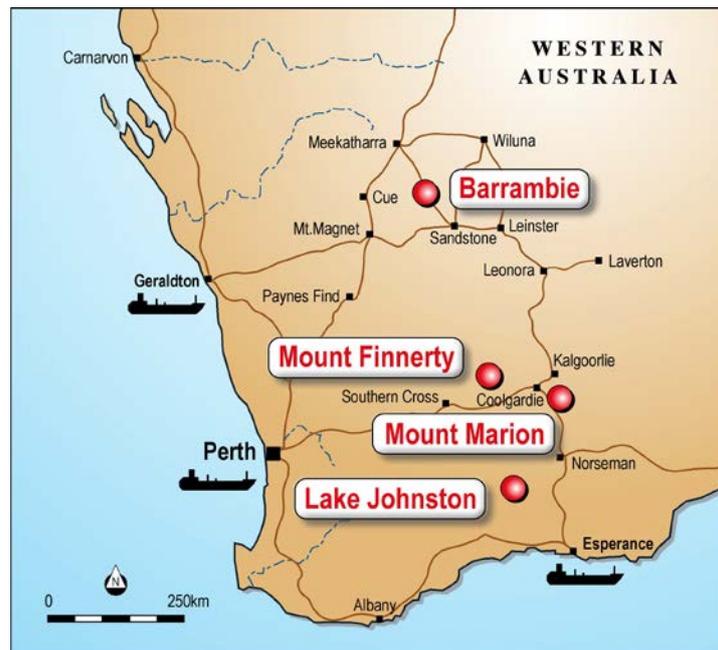
Corporate

- Non-core Asset Divestment Program yields \$200,000 from sale of gold rights at Forrestania and farm-out of gold rights at Barrambie
- Evaluating divestment of nickel portfolio
- Cash and restricted access term deposits \$9 million



All the right elements

PROJECT LOCATIONS



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**) with the successful expansion of its project landholding and optimisation testwork at its semi-pilot plant in the USA. 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.

Project Development and Corporate Strategy

During the quarter RIM entered into a binding Memorandum of Understanding (“MoU”) with Metals X Ltd (ASX:MLX) (“Metals X”) and its relevant subsidiaries, 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 infrastructure (the “Agreement”).

The Agreement enables RIM to explore and develop extensions of the Company’s No 2 and No 2 West Lithium Deposits, located on the northern boundary of the Mt Marion Project, with Metals X to retain the gold rights. Prior drilling at the No 2 and No 2 West deposits by RIM in 2010/11, was restricted due to the tenement boundary, however results showed the ore body remained open suggesting that lithium mineralisation continues into the newly leased tenements. The Hampton Area Location 53 hosts spodumene outcropping previously identified and mapped by Western Mining Corporation, including the No 3 Deposit.

The Agreement also includes the acquisition of an adjoining tenement (M15/717) and associated infrastructure which will provide potential tailings storage, optimal waste dump positioning and access to an existing heavy haul road, workshops, potable water and power infrastructure.

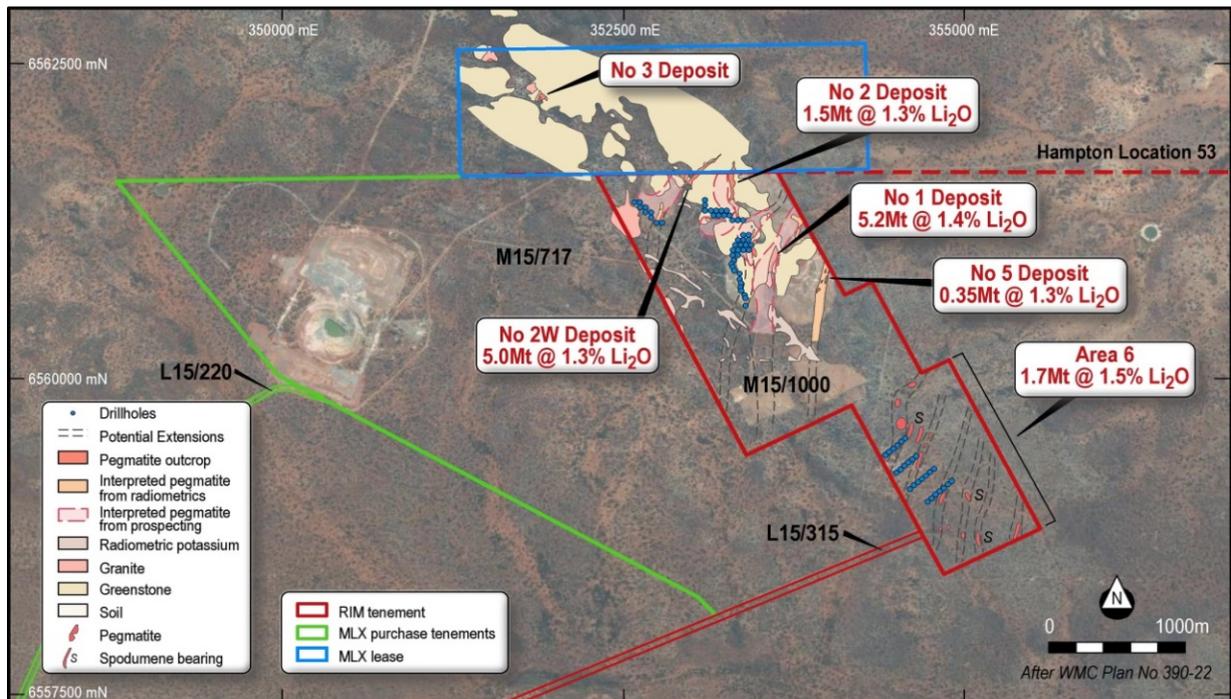


Figure 1. Geology over existing RIM tenure (red) with lease area (blue) and tenements being purchased (green).

In addition to the MoU with MetalsX, RIM has engaged with potential counterparties regarding potential transactions for:

- the acquisition by the counterparty of a minority equity stake in RIM (RIM is currently owned 70:30 by the Company and Mineral Resources Limited (“MRL”) (ASX: MIN)), diluting the existing shareholders’ interests pro rata; and
- an offtake agreement between the counterparty and RIM in respect of spodumene produced from the Mt Marion Lithium Project.

These discussions remain incomplete and non-binding and there is no certainty that a binding transaction will result.

However, if a transaction is agreed, it would represent a significant milestone in Neometals’ strategy to commence development of the Mt Marion Lithium Project and to transform RIM into a globally significant lithium concentrate producer and supplier to the lithium-ion battery industry.

Mt Marion is a globally significant lithium deposit, containing total Measured, Indicated and Inferred Mineral Resources of 14.8Mt at 1.3% Li₂O and 1.2% Fe₂O₃, at a cut-off grade of 0.3% Li₂O (Appendix B). The project has a granted Mining Proposal and received its Works Approval for plant construction, on the 18th of December 2014.

The start-up of a lithium concentrate operation at Mt Marion is now being considered independently of a decision to construct a downstream lithium compound operation.

Downstream Lithium Processing

The Company and MRL have agreed to transfer all downstream lithium processing technology and patents to a dedicated vehicle, Reed Advanced Materials Pty Ltd (“RAM”). 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.

Successful optimisation testwork at RAM’s semi-pilot scale demonstration plant in Buffalo, USA has identified superior electrolysis cell membrane materials which have reduced the power consumption required to produce a tonne of LiOH from 3,800 kWh to 3,300kWh without degradation in the condition of the membrane. The results to date are particularly encouraging and indicate potentially higher current efficiency than the reported results from competitor’s experimental sulphate ion electrolysis production of lithium hydroxide. The performance of the lithium chloride solution purification process has exceeded expectations. Current efficiency across the electrolysis membrane has outperformed the assumptions used in the Pre-feasibility study (“PFS”) and indicates there is potential for reduced operating costs.

During the quarter RAM filed 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 it’s 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\$8,000 and US\$6,400 per tonne, respectively, on a CIF basis to Europe and US respectively (source: Industrial Minerals 9 April 2015).

The price of chemical grade lithium concentrates (6% Li₂O) 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.

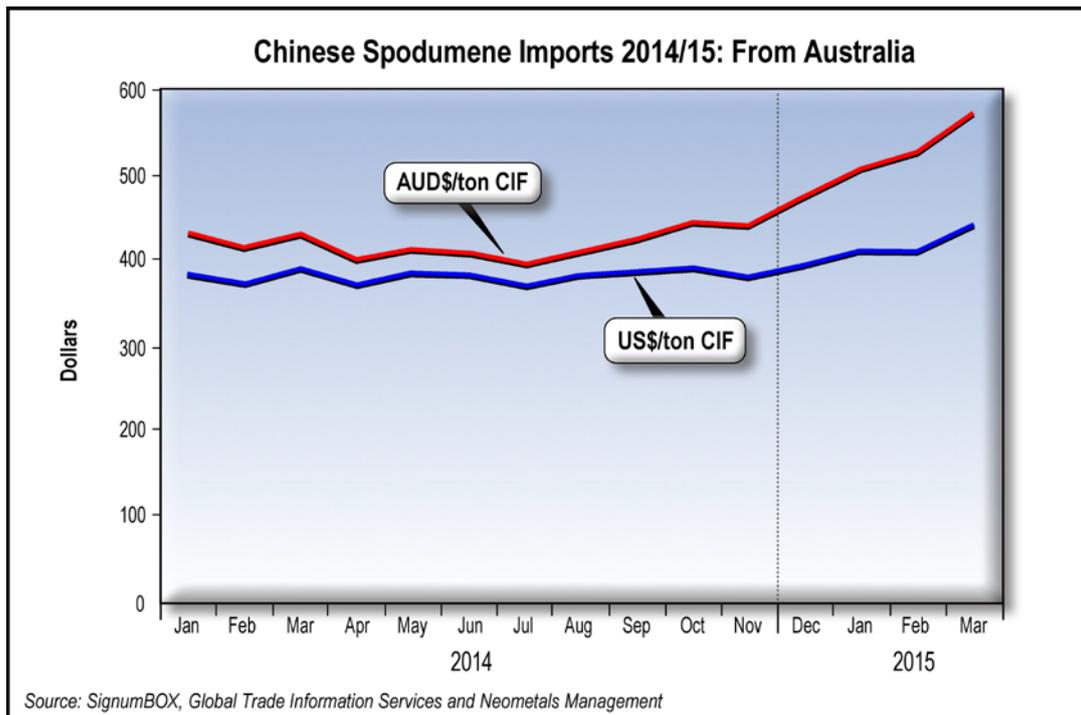


Figure 2. Chinese SC6 Grade Spodumene Prices

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 D.Michael Spratt, an experienced process/construction engineer and former COO of Minproc, and is expected to be completed in the June Quarter 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% TiO₂, 0.63% V₂O₅ and 46.7% Fe₂O₃, at a cut-off grade of 15% TiO₂ (Appendix B).

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 9 April 2015).

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

During the quarter the Company announced the results of the second diamond drill hole testing a new geophysical model (3D magnetic inversion). MGD001 targeted the northern apophysis and MGD002 tested the southern apophysis that had the stronger soil geochemical response in nickel, copper and chromium.

The stratigraphy intersected was similar in both holes, viz:- massive gabbro from surface down grading into a cummingtonite amphibolite with almost massive serpentinite in the lower 10 metres of MGD001 and lower 200m of MGD002. Both holes have very fine grained sulphides associated with the more massive serpentinitised zones. Geological similarities with other apophysis/chonolith environments such as at the Santa Rita nickel sulphide mine in Brazil and the PGE deposit at Munni Munni in WA have been confirmed.

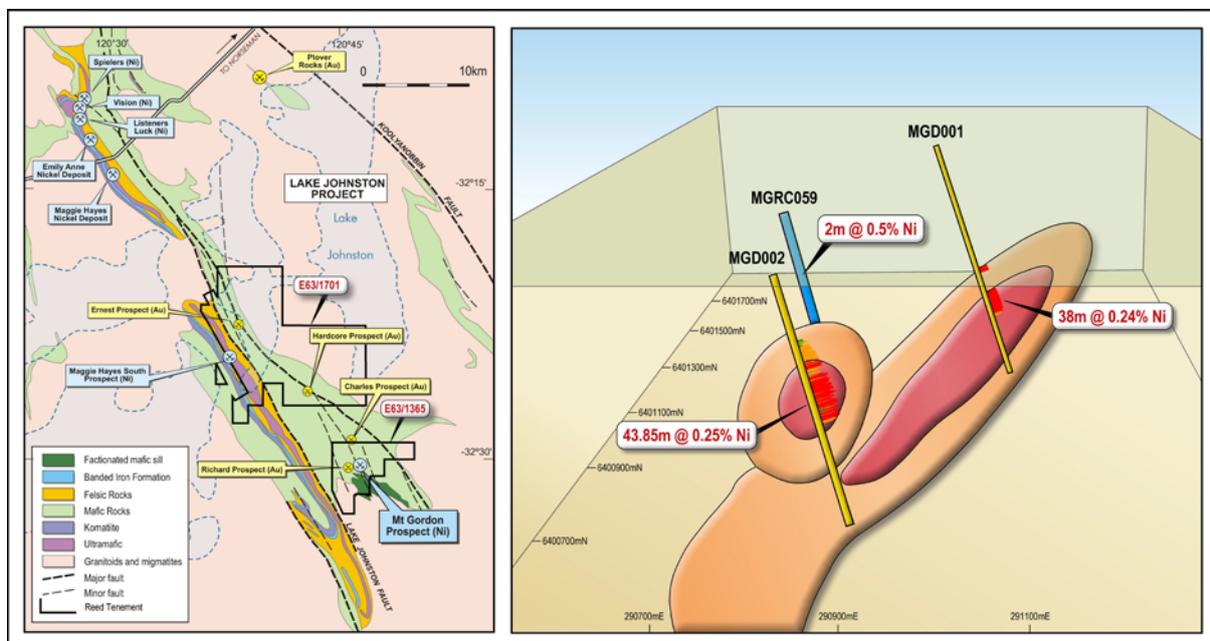


Figure 3. Tenement Plan on Interpreted Geology **Figure 4.** Historic (blue) and current holes (yellow) and magnetic anomalies over magnetic model (orange/red).

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

During the quarter the Company announced the results of a single diamond drill hole, GDD009, confirmed that the Green Dam Ultramafic Complex is a massive extrusive unit that is generally the one continuous eruptive event. Wide, intact basal chill zones of amphibole-chlorite assemblages confirm the massive nature to the flow. The detailed geochemistry of the core-samples are being assessed for their fertility potential to have sampled a primary geochemical halo from the relatively intact basal ultramafic.

Results to hand for GDD009 include 25m (from 679-704m down hole) averaged 2485ppm Ni, including a narrow 1m wide zone analysis from 679m; of 4157ppm Ni, 6516ppm S, 364ppm Cu, 792ppb Pd and 142ppb Pt. Figure 7 attached illustrates this intersection and its relationship to stratigraphy. A full geological and geochemical synthesis is in progress.

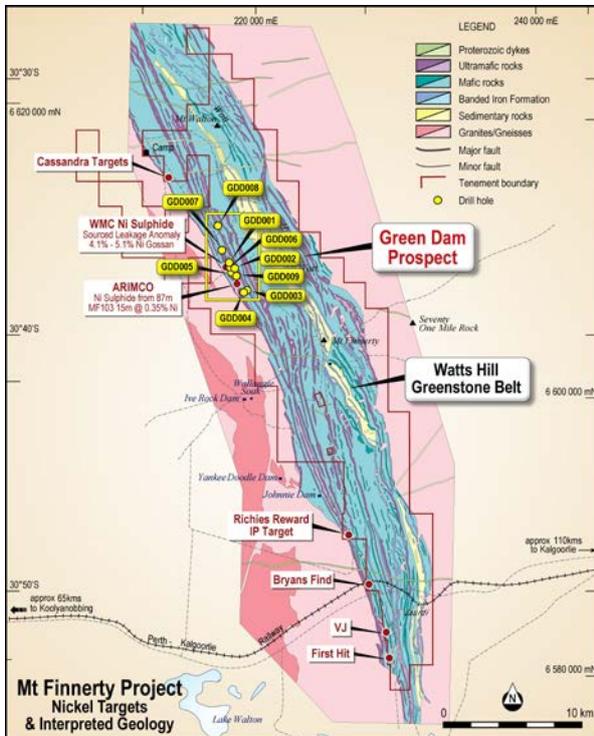


Figure 5. Cross Section of GDD009 on Interpreted Geology

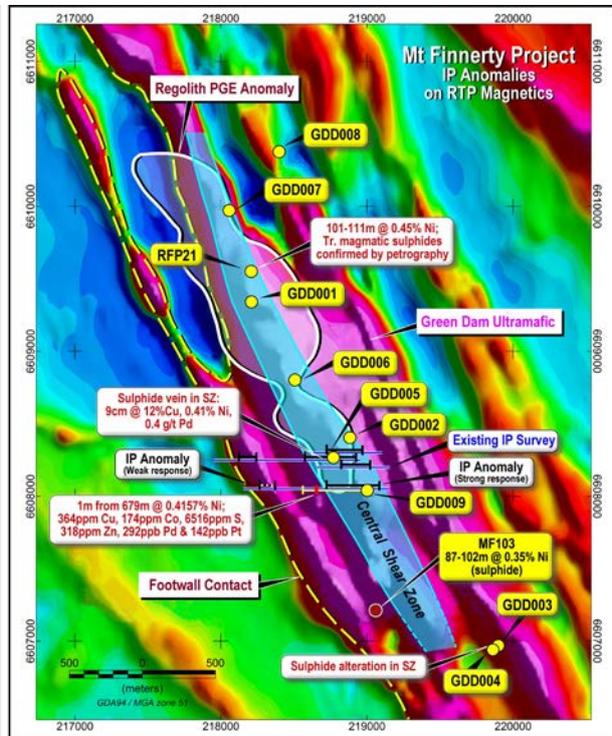


Figure 6. Cross Section of GDD009 on Interpreted Geology

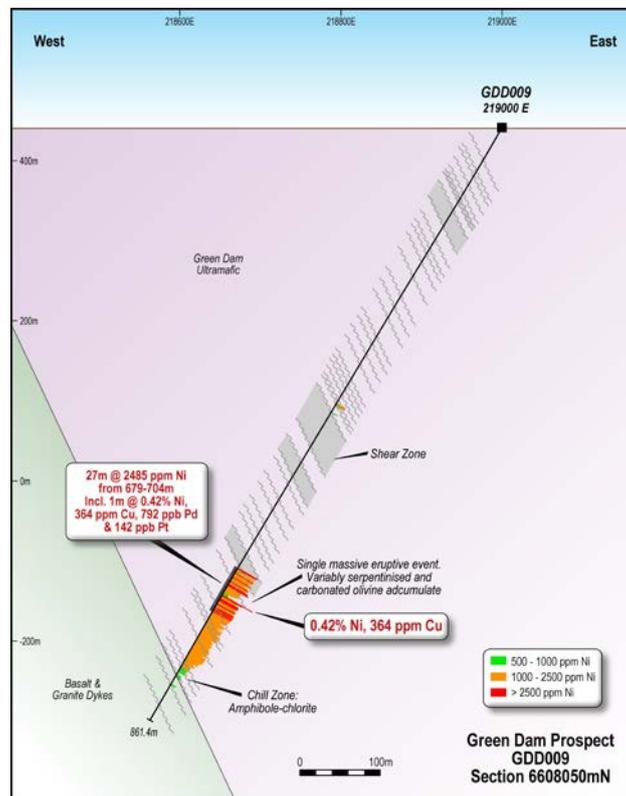


Figure 7. Cross Section of GDD009 on Interpreted Geology

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, during the quarter the Company executed a binding Memorandum of Understanding (“MoU” or the “Agreement”) with a private mining group regarding the acquisition and farm-in of the gold rights over the Company’s Forrestania Nickel and part of the Barrambie Titanium projects.

Details of the MoU include:

- **Forrestania Project: Sale of gold rights**
Under the Agreement, the private mining group will acquire Neometals’ gold rights over the Forrestania Project which are held by Neometals’ subsidiary, Reed Exploration Pty Ltd. Full sale proceeds of \$200,000 has been received.
- **Barrambie Project: Earn-in agreement for gold rights**
The private mining group will earn a 75% interest in the gold rights of two exploration licences within the Barrambie Project which is 100% owned by Neometals’ subsidiary, Australian Vanadium Corporation (Holdings) Pty Ltd (“AVC”). The 75% interest will be earned via spending \$500,000 on exploration on the Barrambie Project over 2 years, with a minimum spend of \$150,000 in the first year. AVC can elect to participate or revert to a 2% net smelter royalty, AVC will retain the rights to all other minerals over the tenement areas which adjoin the main granted mining lease which is the subject of the current Pre-feasibility Study.

The Company is evaluating options to divest its nickel portfolio.

CORPORATE

Finances (unaudited)

Cash and term deposits on hand as of 31 March 2015 totalled \$9 million, including \$6.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

Issued Capital

During the quarter 2,758,862 shares were issued to Chris Reed following the vesting of Performance Rights pursuant to the Company’s Performance Rights Plan.

The total number of shares on issue at 31 March 2015 was 502,212,757.

ENDS

COMPETENT PERSONS STATEMENT

The Company confirms that it is not aware of any new information or data that materially affects the information included in the following ASX Releases subsequently referred to herein:

18/2/2015	Yilgarn Nickel - Final Drill Results
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APPENDIX A: TENEMENT INTERESTS

As at 31 March 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	E15/836	100%	Live
Mount Finnerty	E15/1408	100%	Live
Mount Finnerty	E15/1416	100%	Live
Mount Finnerty	E15/1430	100%	Pending
Mount Finnerty	E16/260	100%	Live
Mount Finnerty	E16/272	100%	Live
Mount Finnerty	E16/305	0% (**)	Live
Mount Finnerty	E16/308	100%	Live
Mount Finnerty	E16/330	0% (**)	Live
Mount Finnerty	E16/341	100%	Live
Mount Finnerty	E16/375	100%	Live
Mount Finnerty	E16/455	100%	Live
Mount Finnerty	M15/978	100%	Live
Mount Finnerty	M15/1371	100%	Live
Mount Finnerty	M16/506	100%	Live
Mount Finnerty	M16/507	100%	Live
Mount Finnerty	M16/511	100%	Live
Mount Finnerty	M16/522	100%	Live
Mount Finnerty	P16/2823	100%	Live
Mount Finnerty	P16/2824	100%	Live
Mount Finnerty	R16/1	100%	Pending
Mount Finnerty	R16/2	100%	Pending

Lake Johnston	E63/1363	80%	Live
Lake Johnston	E63/1701	100%	Live
Lake Johnston	P63/1961	100%	Live
Lake Johnston	P63/1964	100%	Live
Lake Johnston	P63/1965	100%	Live
Lake Johnston	P63/1966	100%	Live
Lake Johnston	P63/1967	100%	Live
Forrestania	E77/2207	100%	Pending
Forrestania	E77/2219	100%	Pending
Forrestania	E77/2220	100%	Pending
Forrestania	E77/2239	100%	Live
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	P77/4290	Applied for 23/02/2015
Forrestania	P77/4291	Applied for 23/02/2015

Interests in mining tenements relinquished, reduced or lapsed

PROJECT NAME	LICENCE NAME	RELINQUISHED, REDUCED OR LAPSED
Mount Finnerty	M15/1371	Surrendered 09/01/2015

APPENDIX B: MINERAL RESOURCE ESTIMATES

Mt Marion Resource Table for 0.3% Li₂O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li ₂ O (%)	Fe ₂ O ₃ (%)
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% 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 – 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.