Neometals

Level 3, 1292 Hay 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 ACN 099 116 631

ASX Release
31 October 2017

QUARTERLY ACTIVITIES REPORT
For the quarter ended 30 September 2017

Highlights:

Mt Marion Lithium Operation

- Production ramp up continued during the quarter with 112,163t of concentrate produced, including 61,896t 6% Li_2O concentrate and 50,267t 4% Li_2O concentrate.
- Shipments totalled 90,189t.

Lithium Hydroxide Project

- Progressed project partner discussions and commenced vendor test work as part of the evaluation of producing Lithium Hydroxide in WA.

Lithium Battery Recycling Project

- Process flowsheet development and pilot plant design completed. Pilot plant construction at the facilities in Canada nearing completion. Used battery raw materials for the pilot tests procured.

Lithium Titanate Research Project

- Successful pouch cell tests completed on lithium titanate ("LTO") using Neometals' new process in the US. Provisional patent application lodged. Optimisation tests in progress.

Neomet Process Technology Agreement

- First sub-licence granted by the Company's 100% subsidiary for a steelmaker in Europe for recovery of metals from Electric Arc Furnace Dust using the Neomet process.

Barrambie Titanium Project

- Completed 20 core holes for Pilot scale beneficiation test work to prepare concentrates for Pilot scale hydrometallurgical test work in Canada in early 2018 and evaluation of direct shipping operation to supply Chinese titanium concentrators.

Corporate

- Cash and restricted access term deposits $42.1 million.
- Net receivables and listed securities $17.7 million.

PROJECT LOCATIONS

Figure 1: Neometals Lithium and Titanium Project locations

COMMODITY FOCUS

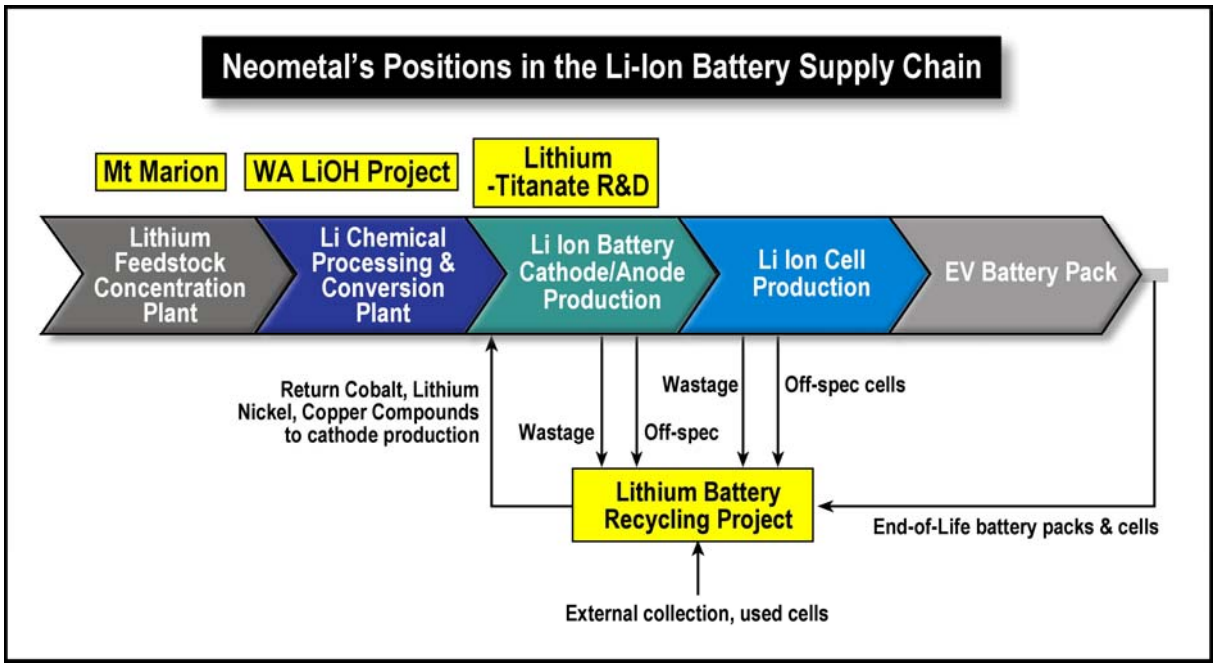

Figure 2: Schematic of Neometals' positions in the lithium ion battery supply chain

LITHIUM BUSINESS UNIT

MT MARION LITHIUM OPERATION
(Neometals Ltd 13.8%, Mineral Resources Limited 43.1% ("MRL"), Ganfeng Lithium Co., Ltd 43.1% ("GFL") through Reed Industrial Minerals Pty Ltd (RIM))

Image 1: Aerial View of Mt Marion Lithium Operation's Processing and Tailings Storage Facilities

Production ramp up continued during the quarter, achieving:

- 665,034 tonnes ore mined;
- 595,505 tonnes processed; and
- 112,163 tonnes concentrate produced

Shipments of lithium concentrates to Ganfeng increased during the quarter with 21,635 tonnes departing in July, 33,547 tonnes in August and 35,007 tonnes in September, totalling 90,189 tonnes for the quarter.

During the quarter RIM implemented a re-negotiated offtake pricing mechanism with offtake partner Ganfeng Lithium Co, delivering pricing linked to international lithium carbonate and hydroxide prices rather than bilateral spodumene market prices. The SC6 price for the September Quarter was agreed at US$841/t up from US$750/t CIF China.

Development for mining in Pit 1 – Stage 3 continued while 665,034t of ore was mined in the quarter using Pit 2 West.

Construction and commissioning of the flotation circuit is nearing completion.

The Mt Marion Project is operated by MRL and is a joint project between MRL (43.1%), Neometals (13.8%) and one of the world's largest lithium producers, Ganfeng Lithium Co (43.1%).

Lithium market

Lithium prices have remained high and are stimulating interest in construction of new processing capacity. The market demand is forecast to grow significantly for the next 4 years through to 2021.

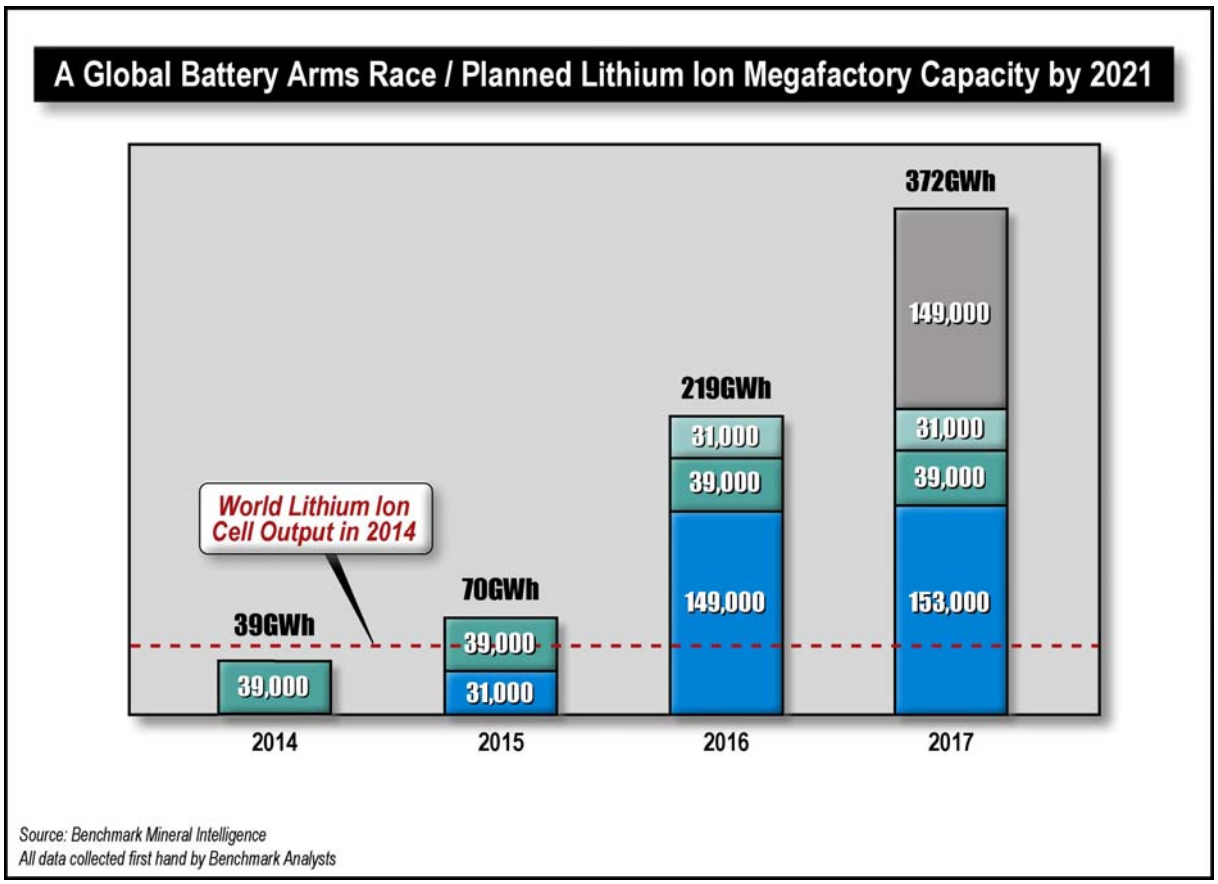

Figure 3: Planned Lithium ion megafactory capacity by 2021

The current median prices for battery-grade lithium hydroxide are approximately USD17,500/t, on a CIF basis to Europe and US. Prices in these regions have now converged with Chinese prices (source: Industrial Minerals, 26 October 2017).

WA LITHIUM HYDROXIDE PROJECT
(Neometals 100%)

During the Quarter the Company continued to assess the development of a lithium processing facility close to its Mt Marion Lithium Operation. 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, will provide a secure supply of feedstock at the Company's discretion, to support the prospective development of its own downstream processing plant.

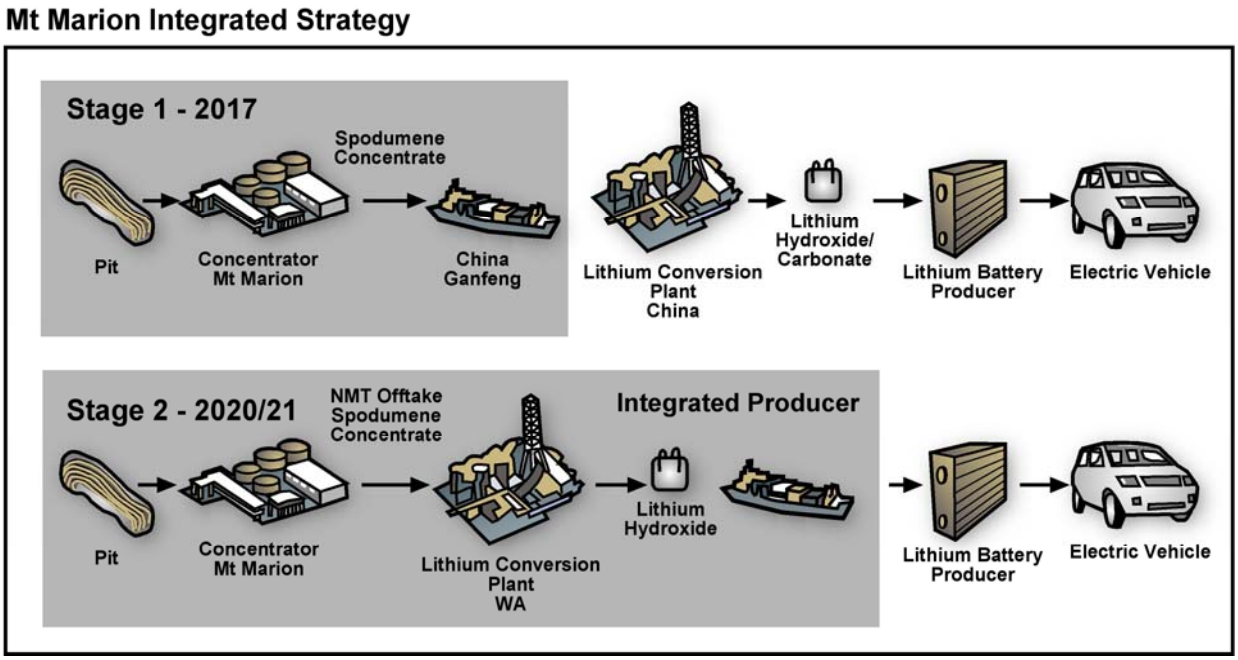

Figure 3: Schematic of the WA Lithium Hydroxide Project integration

The Company has progressed the vendor equipment test work in North America and expects the results of this test work will be delivered in late 2017 or early 2018.

A search for potential project partners has resulted in discussions with several significant companies in the battery and car industries and the Company will advise the market of any material developments.

Next Steps

Subject to the evaluation of the test work, it is the Company's intention to proceed with a Front-End Engineering Design (FEED) Study to complete the technical and economic evaluation of a decision to proceed with the construction of a Commercial Plant.

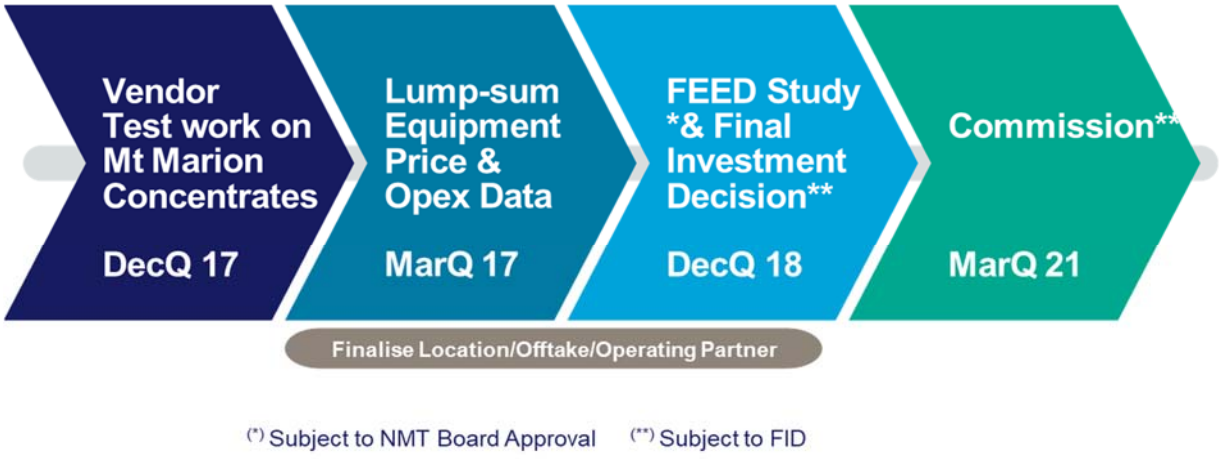

Figure 4: Commercialisation Plan

TECHNOLOGY BUSINESS UNIT

LITHIUM BATTERY RECYCLING TECHNOLOGY
(Neometals 100% Commercialisation Rights through Urban Mining™ Pty Ltd, 50% Ownership in IP)

Neometals is co-developing a technology to economically recover high-value cobalt that can be re-cycled within the battery manufacturing chain. The cobalt supply chain is under stress due to the rapid increase in demand from battery manufacturing and a supply chain that is dominated by co-production in high sovereign risk locations. Currently less than 5% of used lithium-ion batteries are recycled as disposal is typically either paid-for recycling or landfill.

During the Quarter, Neometals completed process flowsheet design to extract cobalt, nickel, manganese, copper and lithium from spent lithium-ion laptop, phone and EV batteries (LCO, NMC and NCA) and the design has been used to fabricate a 100kg/day mini-max pilot plant using the technology. Construction was nearing completion at the end of the quarter and commissioning is expected to commence in late November 2017.

Laboratory development of the main and by-product purification processes continued during the quarter in preparation for the pilot operation.

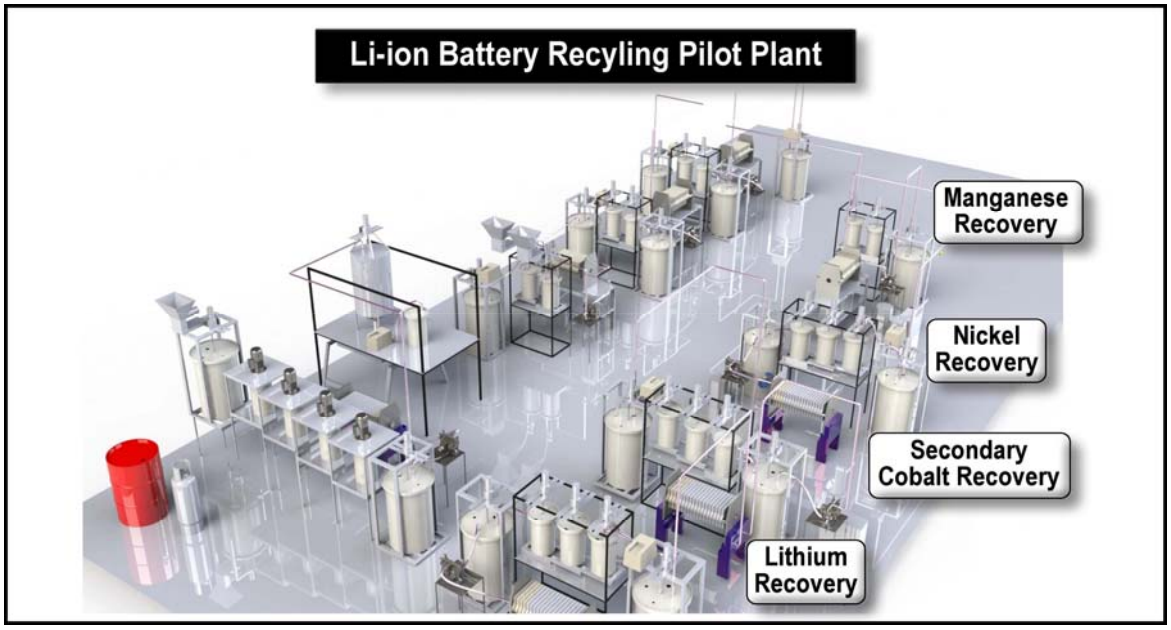

Figure 5: Pilot Plant layout.

Next Steps

Subject to the success of the testwork, it is the Company's intention to proceed with an Engineering Cost Study (±15% accuracy) to complete the technical and economic evaluation of a decision to proceed with the construction of a 10t/day Commercial Plant. Neometals has internal financial resources with which to fund evaluation, construction and commissioning of the commercial-scale plant and is in preliminary discussions with a number of interested parties from the lithium battery supply chain. The pilot plant will also test batteries supplied by consumer electronics manufacturers and car makers.

LITHIUM TITANATE RESEARCH PROJECT
(Neometals 100%)

During the quarter the Company lodged a provisional patent to obtain protection of the IP. A leading US test facility successfully conducted testing of pouch cell batteries using Lithium Titanate ("LTO") anode material made by the Company at the CSIRO and NMC cathode material.

Lithium Titanate is an anode (negative electrode) material, which can replace graphite. The primary advantage over graphite is the surface area of the anode of LTO being around 100 square metres per gram in contrast to typically 3 square metres for graphite.

The conceptual plan is to develop a process producing a superior Lithium Titanate anode material from feedstocks generated from the Company's captive resources. The Company's lithium strategy to add value through downstream processing of lithium feedstocks is represented in Figure 6.

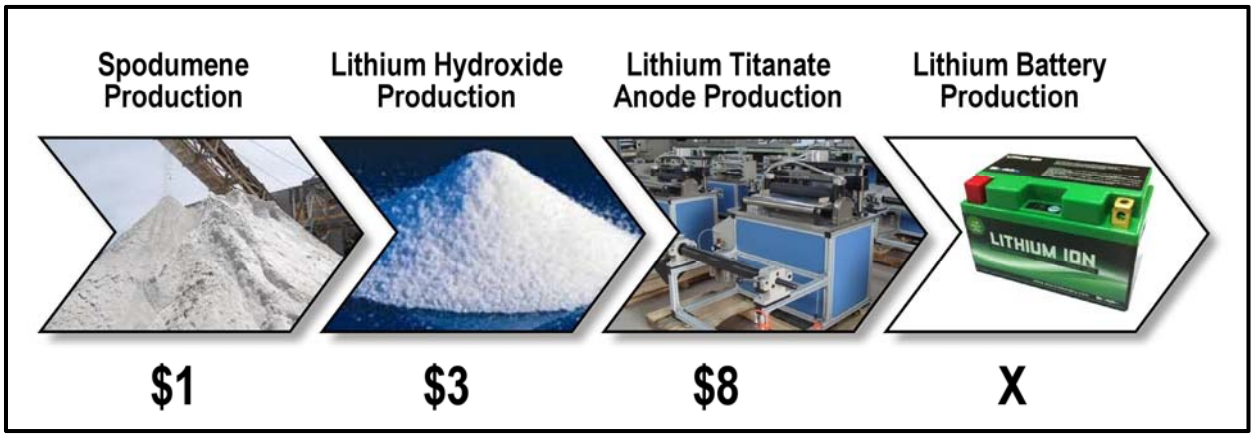

Figure 6: Downstream processing maximises the value of a lithium unit

Next Steps

Currently test work is being undertaken at the CSIRO to optimise the production process for the specific sample material that displayed the leading performance in pouch cell tests, prior to testing the product from the optimised process in more extensive pouch cell tests.

The Company plans to commence discussions with potential commercialisation partners.

Figure 7: LTO Research and Development Plan

LITHIUM HYDROXIDE PROCESSING TECHNOLOGY – ELi Process™
(Neometals 70% through Reed Advanced Materials Pty Ltd)

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 MRL respectively.

The commercialisation program of the JV Partners patented ELi process is focussing on its application to traditional salar brines as well as to spodumene/hard rock supply sources. Deployment of ELi to replace carbonation then causticisation circuits in a brine processing operation to directly produce lithium hydroxide has the potential to substantially reduce operating costs.

RAM remains in discussions with potential users regarding sub-licensing the ELi Process to produce lithium hydroxide and will advise the market of any material developments.

LITHIUM BRINE PROCESSING TECHNOLOGY – Dexter Process™
(Neometals 100% through Inneovation Pty Ltd)

Following previously announcing successful results of test work on a titanium-based adsorbent developed by the Company, further work was performed to optimise the production process for the adsorbent during the Quarter and develop mass balance and unit cost information.

Testwork conducted by a leading independent Australian research facility has confirmed that Neometals' adsorbent technology is able to successfully recover lithium and potassium from salar brines while rejecting all of the sodium in solution.

The continuous cycle testing demonstrates that the technology has the potential to replace the sodium removal by the conventional solar evaporation process stage used in typical brine processing flowsheets, such as those used in the Andes region of South America.

The conventional solar evaporation phase requires significant capital expenditure to construct a series of large evaporation ponds, significant maintenance of the operating ponds to harvest and store salt and has an approximate 12 months processing period. Water in the brine that has been extracted from aquifers and salars is lost to the atmosphere through evaporation.

The conceptual plan is to return "stripped" brine to the salar or aquifer and use a large processing volume coupled with short cycle time to extract lithium/potassium on a suitable scale.

Next Steps

The Company has filed a Provisional Patent and PCT Application. The strategy is to develop related technologies and commercialise the technologies with suitable partners. The commercial strategy is to licence the technology for royalties and to retain the rights to deploy it as principal. The Company will keep the market updated on all material developments with commercialisation partners.

NEOMET PROCESSING TECHNOLOGY

(25% Net Profit Interest through Alphamet Management Pty Ltd - 100% Neometals)

Neometals is 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 Neometals and the owners of the technology. Neometals's 100% subsidiary Alphamet Management is responsible for the commercialisation. Alphamet's plans include licencing the technology to the Company's Barrambie Titanium Project and other metals industry users.

A number of third-party ores were tested in the Quarter. The first sub-licence for the technology was granted by Alphamet during the Quarter to recover zinc, copper, iron, silver and lead from electric arc furnace dust at a steel mill in Serbia. The sub-licensee must pay Alphamet a royalty on the gross proceeds from metals and minerals produced from the plant. The plant will be built, subject to satisfactory pilot testing in Montreal in the March Quarter of 2018 and negotiation of satisfactory EPC contracts for construction of the plant.

This patented, environmentally friendly process technology has broad application in the recovery of a wide range of metal oxides from chloride leach solutions other than titanium. The energy-efficient recovery and regeneration of hydrochloric acid with minimal effluent is an environmentally sustainable, competitive advantage over conventional processing flowsheets.

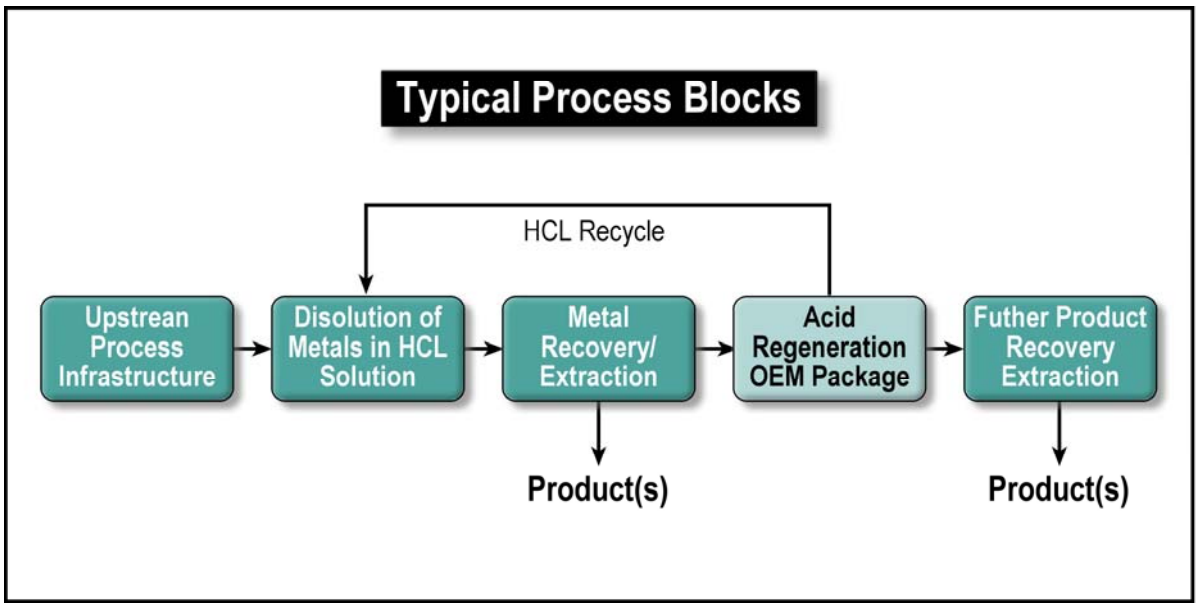

Figure 8: Neomet Process Flowsheet

Neometals has 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 Neometals. Sedgman's project team has been marketing the Acid Regeneration Plant and process technology, identifying initial QuickTest evaluation customers and readying the laboratory facilities. Neometals' 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.

The Company has also executed a non-binding Memorandum of Understanding with Andritz AG with respect to marketing the technology to its users and supplying process equipment as preferred manufacturer. Andritz is one of the world's leading suppliers of process technologies, equipment, plants and systems for special industries. It is headquartered in Graz, Austria and has over 25,000 employees at 250 sites worldwide.

TITANIUM BUSINESS UNIT

BARRAMBIE TITANIUM PROJECT
(Neometals 100% through Australian Titanium Pty Ltd)

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_2, 0.63% V_2O_5 and 46.7% Fe_2O_3, at a cut-off grade of 15% TiO_2 (Appendix B).

During the previous Quarter, the Company's project engineers, Sedgman Ltd, completed an internal review of operating and capital costs for the revised flowsheet producing Titanium Hydrolysate ($Ti(OH)_4$) and presented a draft Pre-feasibility report for the revised project scope. Further work to refine the PFS was completed during the September Quarter. Flowsheet design will be stabilised prior to the preparation of the "mini-max" pilot plant for operation expected to commence, subject to board approval, in the March Quarter 2018.

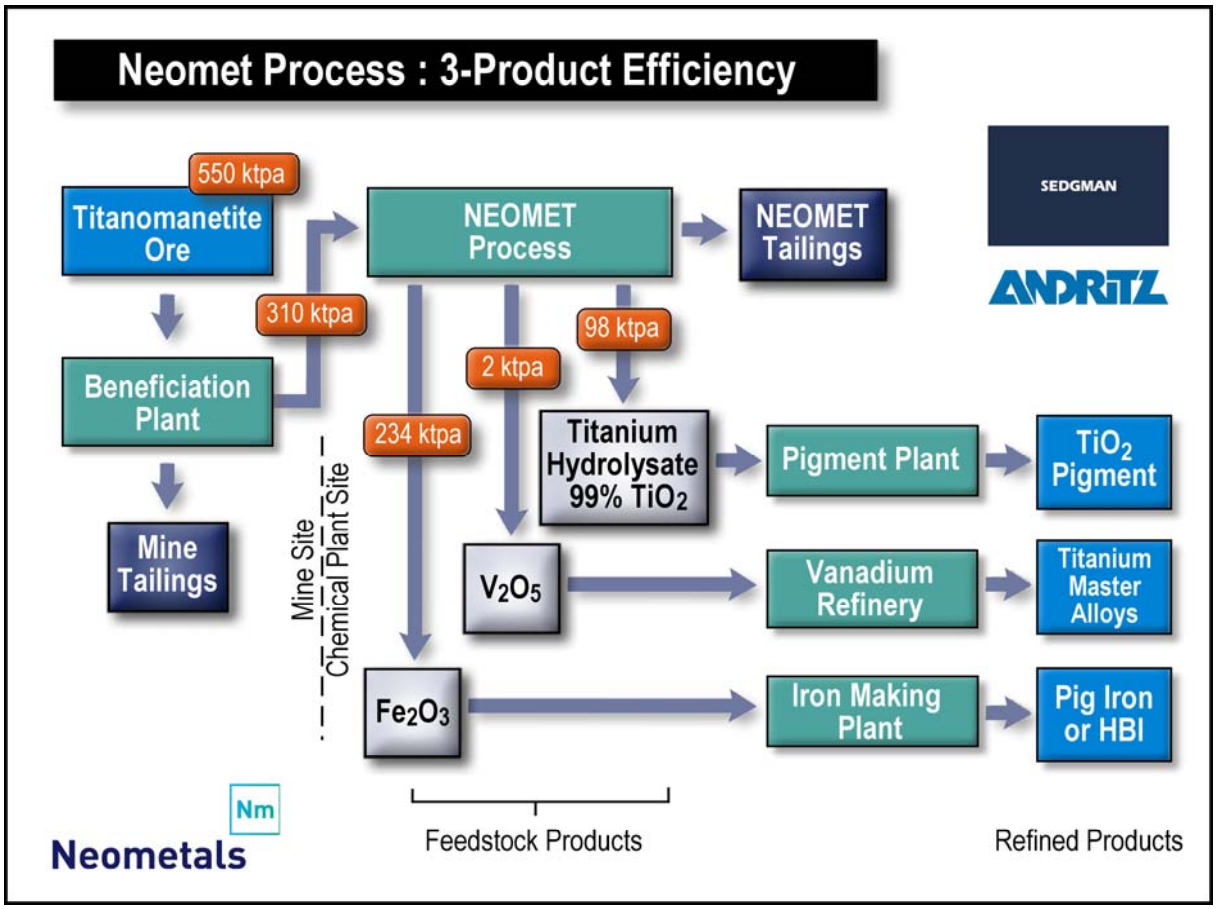

Figure 9: Pre-Feasibility Study - Physical Inputs and Outputs

The advantages of the revised process are reduced production cost, more easily operated process, high spec chemical analysis product and improved environmental footprint. Engineering studies to date indicate the process can be integrated with the "front end" of existing sulphate process plants at minimal cost and modification to existing plant.

High purity titanium hydrolysate (+99.5% TiO_2 "hydrolysate") offers potential operating cost and environmental benefits to both western and Chinese pigment producers and the Company has commenced discussions with potential industry partners.

Titanium hydrolysate can be used as feedstock to replace sulphate-grade ilmenites (40-50% TiO_2) in sulphate-process pigment production and thereby eliminate nearly all of the large volumes of iron sulphate waste that are generated by the traditional sulphate process.

Project Development and Corporate Strategy

During the quarter, the Company completed a diamond drill program for metallurgical (variability) testwork at Barrambie. The majority of the drill core samples have been used to produce concentrates for the scheduled pilot plant testing of the Neomet Process in Canada. The Company plans to commence pilot testing in the March Quarter 2018 after the Battery Recycling pilot campaign.

The Company generated, and has subsequently despatched, representative sample Barrambie ore material to China that will be evaluated by a potential concentrator operator. If a viable concentrate product can be made by them, the Company will evaluate in parallel a fast-track Barrambie start-up as a direct shipping operation (DSO)(with concentration of the ore into a titaniferous magnetite concentrate in China). If the customer performance tests of the concentrate are positive and logistic studies show it is viable, the Company will negotiate the sale of ore to selected concentrators in the sulphate process pigment converter supply chain. A draft Mining Proposal for Small Operation (MPSO) has been prepared and will be lodged in early November to cover extraction of a bulk sample.

The current Barrambie project development strategy is to advance the titanium hydrolysate chemical processing plant to a suitable stage of evaluation so that it can attract titanium industry partner. Neometals plans to licence the Neomet Process to titanium industry partners conditional on the entry into a long-term, take-or-pay offtake agreement for Barrambie titanium concentrates.

Figure 10: Commercialisation Plan

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$2,950 per tonne on a CIF basis to USA (source: Industrial Minerals 26 October 2017).

CORPORATE

Personnel

During the Quarter the Company announced the appointment of experienced mining engineer Mr Darren Townsend as Chief Development Officer to drive the feasibility studies being undertaken by the Company.

Hannans Limited (ASX:HNR) (Yilgarn Nickel/Lithium/Gold)

As at 30 September 2017 Neometals holds 709,833,333 ordinary fully paid shares (42% of the issued capital) in Hannans Limited on an undiluted basis. At 30 September 2017 Hannans shares closed at 1.2c.

Critical Metals Limited (Unlisted)(Scandinavian Lithium/Cobalt/Base Metals)

Neometals holds 13.5% of unlisted public company Critical Metals Ltd, a company which now houses the Scandinavian mineral assets previously held by Hannans. Neometals will assist Critical Metals to realise lithium, cobalt and carbon opportunities in Scandinavia through a technical assistance arrangement.

Finances (unaudited)

Cash and term deposits on hand as of 30 September 2017 totalled A$42.1 million, including $4.0 million in restricted use term deposits supporting performance bonds and other contractual obligations. The Company has net receivables and listed securities totalling approximately $17.7 million and holds debt instruments with a face value of A$0.3M.

Capital Management

As at the end of the Quarter the Company has acquired 22,271,311 shares through the on-market share buy-back (to acquire up to a maximum of 5% of the Company's issued capital – 28,150,043 shares) that is currently open.

Issued Capital

The total number of shares on issue at 30 September 2017 was 544,093,874 including 561,401 shares purchased under the buy back that were not yet cancelled.

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 "Mt Marion Resource Upgrade" lodged 27 October 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 form the original market announcement.

APPENDIX A: TENEMENT INTERESTS

As at 30 September 2017 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%	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% (*)	Live
Mount Marion	E15/1504	13.8% (*)	Live
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% (*)	Live
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
Mount Marion	E15/1599	13.8% (*)	Pending
Pilgangoora	P45/3003	70% (**)	Pending

* - registered holder is Reed Industrial Minerals Pty Ltd (Neometals Ltd 13.8%, Mineral Resources Ltd 43.1%, Ganfeng Lithium Co.,Ltd 43.1%).

** - registered holder is Reed Advanced Materials Pty Ltd (Neometals Ltd 70%, Mineral Resources Ltd 30%).

Changes in interests in mining tenements

Interests in mining tenements acquired or increased

PROJECT NAME	LICENCE NAME	ACQUIRED OR INCREASED
n/a	n/a	n/a

Interests in mining tenements relinquished, reduced or lapsed

PROJECT NAME	LICENCE NAME	RELINQUISHED, REDUCED OR LAPSED
n/a	n/a	n/a

APPENDIX B: MINERAL RESOURCE ESTIMATES

Mt Marion Resource Table for 0.5% Li_2O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li_2O%	Fe %
Indicated	28.9	1.35	1.06
Inferred	48.9	1.38	1.10
Total	**77.8**	**1.37**	**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% TiO_2 cut-off

Category (JORC, 2012)	Tonnage (Mt)	TiO_2 (%)	V_2O_5 (%)	Fe_2O_3 (%)	Al_2O_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.