

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 January 2018

QUARTERLY ACTIVITIES REPORT

For the quarter ended 31 December 2017

Highlights:

Mt Marion Lithium Operation

- Production ramp up continued during the quarter with 109,225t of concentrate produced, including 61,191t 6% Li₂O concentrate and 48,034t 4% Li₂O concentrate.
- Shipments totalled 111,235t.

Lithium Hydroxide Project

- Progressed project partner discussions.
- Continued vendor test work for the evaluation of feasibility for producing Lithium Hydroxide in WA, report expected in March 2018.
- Evaluated FEED Study proposals.

Lithium Battery Recycling Project

- Process flowsheet development refined.
- Construction nearing completion and commenced the first phase of commissioning of the pilot plant facilities in Canada.
- Pilot operation scheduled during March 2018 quarter.
- Engineering Cost Study to follow pilot tests.

Lithium Titanate Research Project

- Larger scale samples of LTO from the optimised process were produced and sent to USA for pouch cell tests.

Barrambie Titanium Project

- Final assays received for the metallurgical drilling campaign and reported to ASX on November 8th 2017.
- Core sample received for evaluation by potential processor and beneficiation tests on the core were in progress in Perth.
- Mining proposal lodged to permit production of a bulk sample for DSO evaluation.
- POW was lodged to facilitate drilling at Virginia Hills prospect adjacent to Barrambie.

Corporate

- Cash and restricted access term deposits \$39.8 million.
- Net receivables and listed securities \$22.8 million.
- Neometals admitted to NASDAQ International designation (ASX:NMT, OTC – Nasdaq Intl: RDRUY)

PROJECT LOCATIONS



Figure 1: Neometals Lithium and Titanium Project locations

COMMODITY VALUE-ADD FOCUS

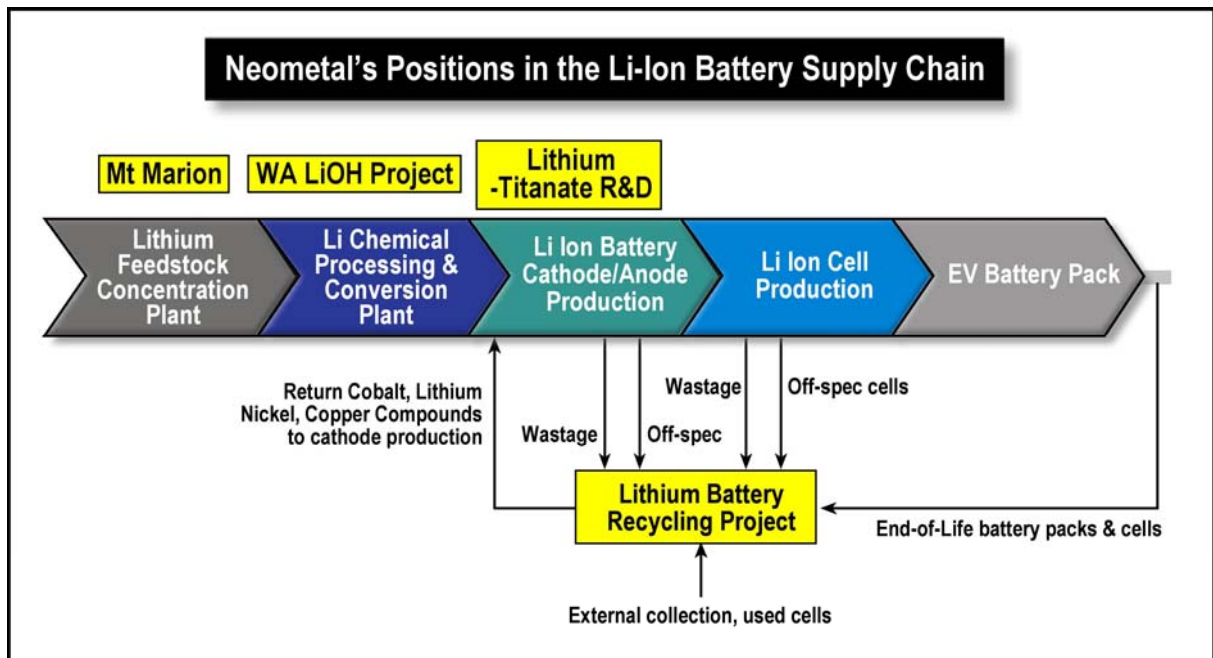


Figure 2: Schematic of Neometals' positions in the lithium ion battery supply chain

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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:

- 722,051 tonnes ore mined;
- 568,641 tonnes processed; and
- 109,225 tonnes concentrate produced including 61,191t 6% Li₂O and 48,034t of 4% Li₂O concentrates.

Shipments of lithium concentrates to Ganfeng increased during the quarter with 33,336 tonnes departing in October, 35,524 tonnes in November and 42,375 tonnes in December, totalling 111,235 tonnes for the quarter.

During the quarter RIM shipped concentrates to Ganfeng at pricing linked to international lithium carbonate and hydroxide prices under the previously-agreed formula. The SC6 price for the December Quarter was agreed at US\$843/t CIF China and US\$900/t CIF China for the March Quarter.

During the quarter the crushing plant achieved a milestone of crushing and processing 2 Mt of spodumene, consistently achieving in excess of 200 kt per month.

Construction of the upgrade to the concentrator circuits to facilitate production of only 6% Li₂O concentrate commenced.

Lithium market

Lithium prices have remained high and have stimulated construction of new concentrate conversion capacity in China. New concentrate production capacity is under construction in Australia and Brazil with a view to supplying the new conversion capacity and the first concentrators are expected to complete commissioning in 2018. Lithium demand continues to increase at a rate that stretches supply capability and prices are firm as a result. The market demand is forecast to grow significantly for the next 4 years through to 2021.

The current median prices for battery-grade lithium hydroxide are approximately USD19,000/t, on a CIF basis to Europe and US. Prices in these regions have now converged with Chinese prices (source: Industrial Minerals, 25 January 2018).

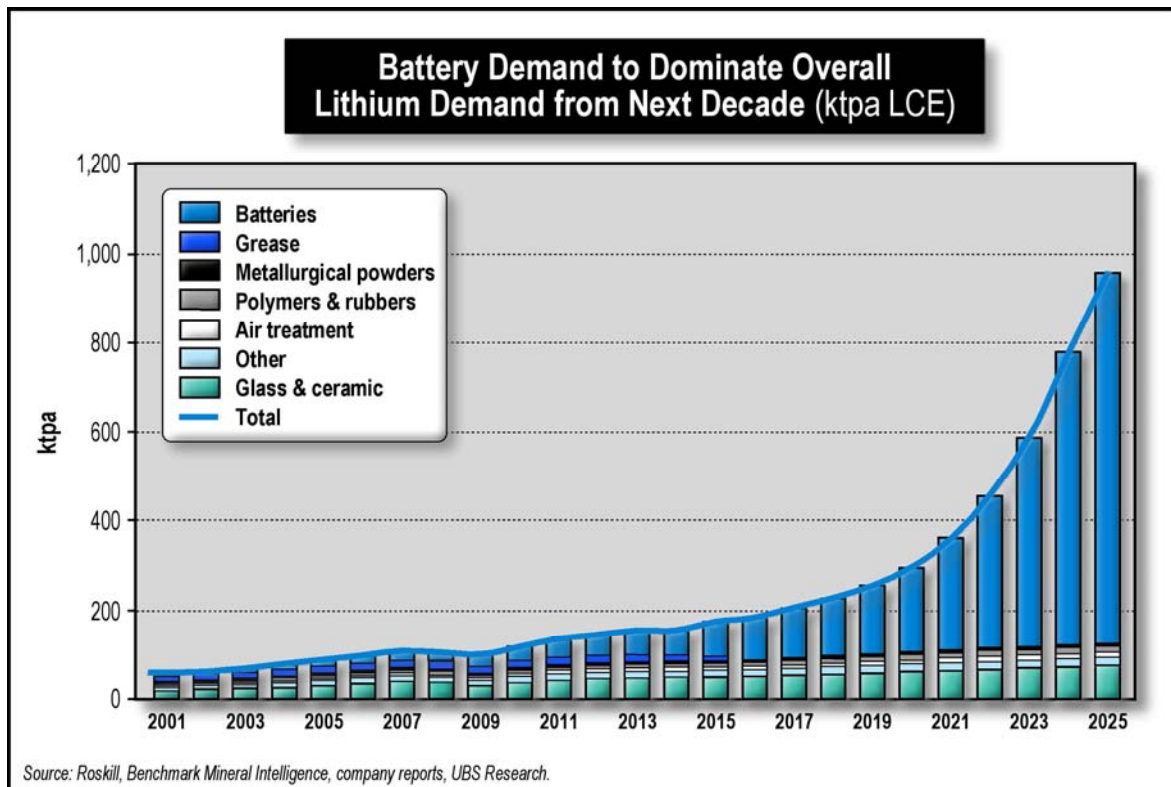


Figure 3: Lithium Battery Demand by Use

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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.

Mt Marion Integrated Strategy

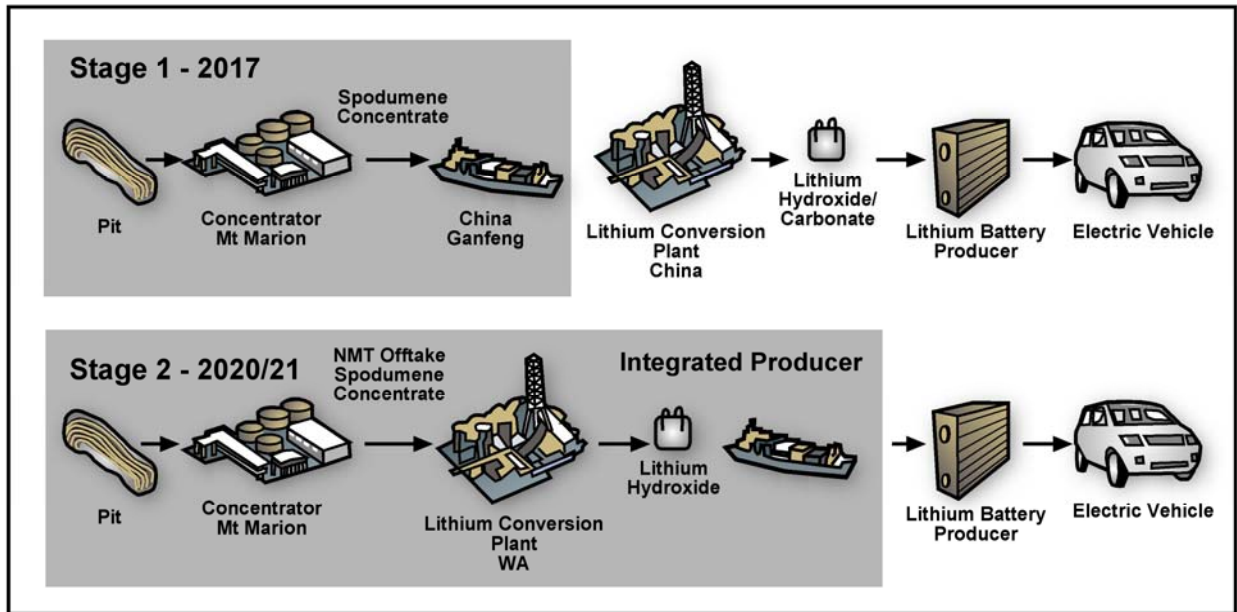


Figure 4: Schematic of the WA Lithium Hydroxide Project integration

The Company has progressed the vendor equipment test work in North America and expects the results of this test work will be delivered in March 2018. Progress results have been positive and in line with expectations. Work continued on flow sheet design, process design criteria and mass balance analysis.

A search for potential project partners has resulted in discussions with several globally 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. Detailed proposals from two leading Study/EPC engineering contractors have been evaluated with a view to making an appointment, subject to Board approval for funding of the Study, once the vendor test report has been received and assessed internally.

The FEED Study report is expected to be delivered by late 2018 to facilitate an investment decision for the project. Site selection studies were advanced as were studies aimed at developing potential alternatives to residue disposal with the objective of offsetting or minimising disposal costs.



Figure 5: 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 recycled 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 advanced construction of the pilot facility for cobalt extraction from LCO batteries with early commissioning work. The advanced design for extraction of multiple metallic elements from NMC batteries will be subsequently incorporated into the 100kg/day mini-max pilot plant and tested.

Laboratory development of the main and by-product purification processes continued during the quarter in preparation for the pilot operation which is scheduled for the March Quarter 2018.

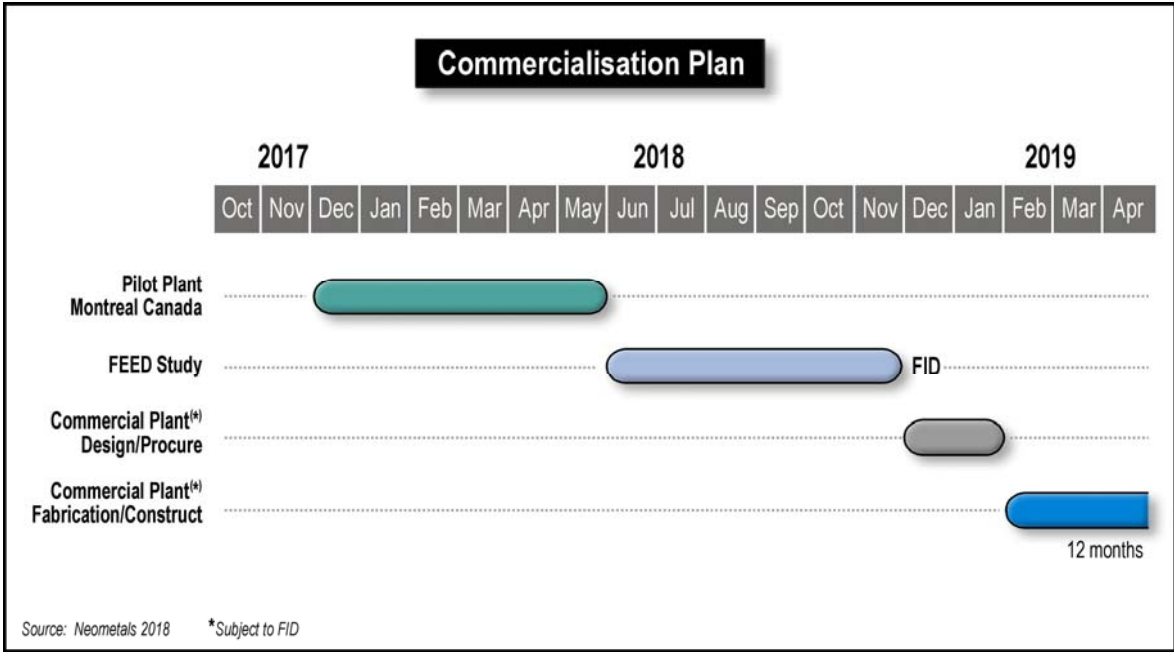


Figure 6: Commercialisation Plan

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 LTO production 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 during the previous Quarter so the Company commissioned work on the production process to optimise product grade and to produce larger samples for pouch cell testing. The samples were despatched to the test facility and the test results are expected in the March Quarter 2018.

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.

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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 7.



Figure 7: Downstream processing maximises the value of a lithium unit

Next Steps

Currently test work is being completed in USA to test the optimised product sample performance in pouch cells with NMC811 cathode and LTO anode.

The Company is in preliminary discussions with potential commercialisation partners across the lithium battery supply chain. The Company will keep the market updated on all material developments with commercialisation partners.

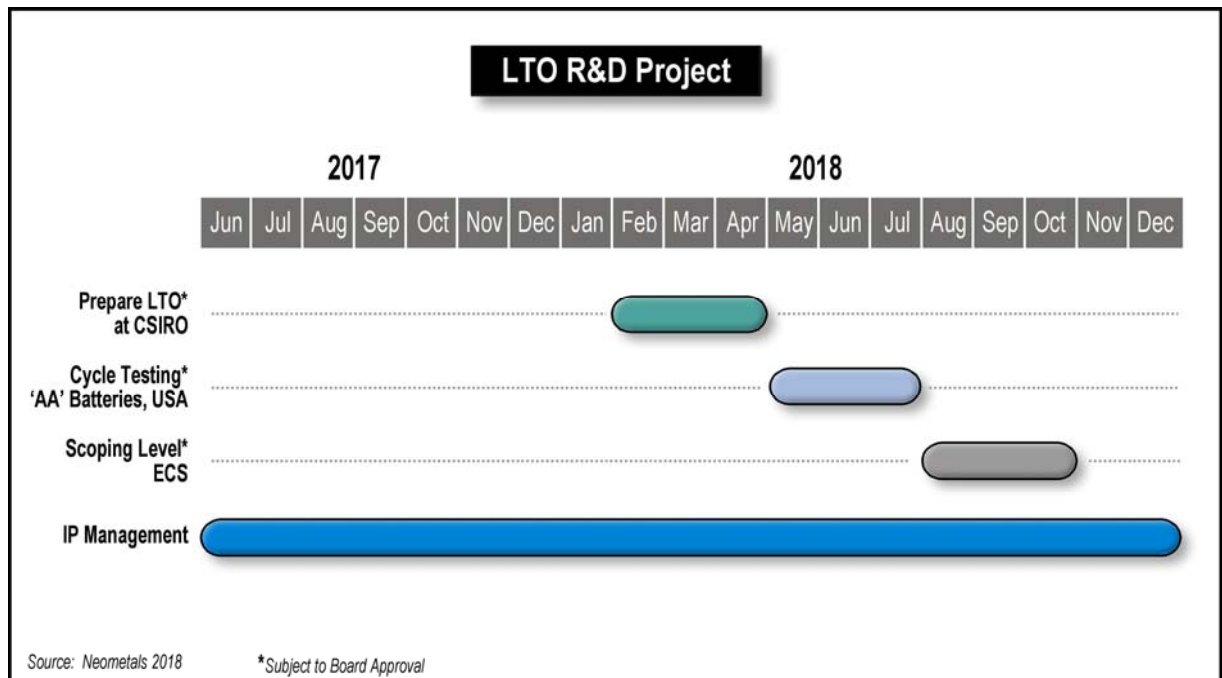


Figure 8: LTO Research and Development Plan

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**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 RAM’s JV Partners’ patented ELi process is directed to its application to both traditional salar brines and to spodumene/hard rock supply sources. Deployment of ELi to replace carbonation and subsequent causticisation circuits in a brine processing operation to directly produce lithium hydroxide has the potential to substantially reduce operating costs, reagent consumption and logistics.

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)**

Further test work on a titanium-based adsorbent developed by the Company was continued to optimise the production process for the adsorbent during the Quarter, develop production mass balance and unit cost estimates and to produce 3 batches of adsorbent for more detailed testing of adsorption performance and durability. The testing of the 3 sample batches is scheduled for 6 months in Q1 and Q2 2018.

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.

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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. 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.

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.

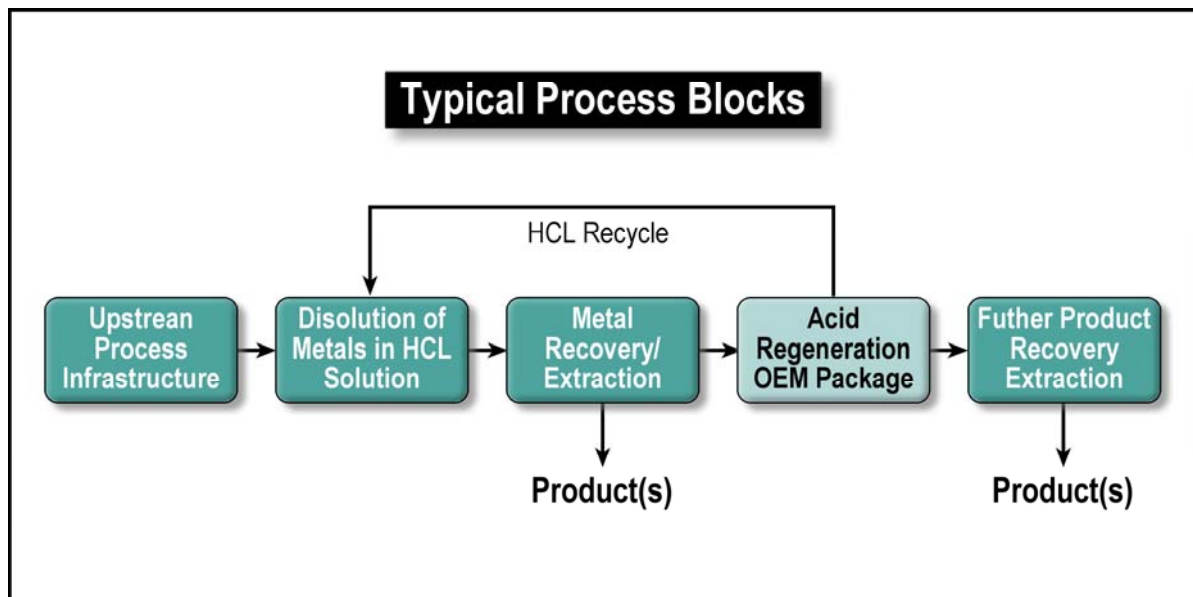


Figure 9: Neomet Process Flowsheet

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. A number of third-party ores were tested in the Quarter and construction of the Minimax pilot plant continued with the aim of testing Barrambie and other third party ores immediately following the lithium battery recycling pilot test work.

The Company has a non-binding Memorandum of Understanding with Andritz AG with respect to Andritz marketing the technology to its users and supplying its 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% TiO₂, 0.63% V₂O₅ and 46.7% Fe₂O₃, at a cut-off grade of 15% TiO₂.

The Company’s project engineers, Sedgman Ltd, continue refinement of the titanium hydrolysate flowsheet design which will be stabilised in preparation for the Minimax pilot plant for operation expected to commence, subject to board approval, in the September Quarter 2018 following reconfiguration of the facilities after the battery recycling process testing has been completed.

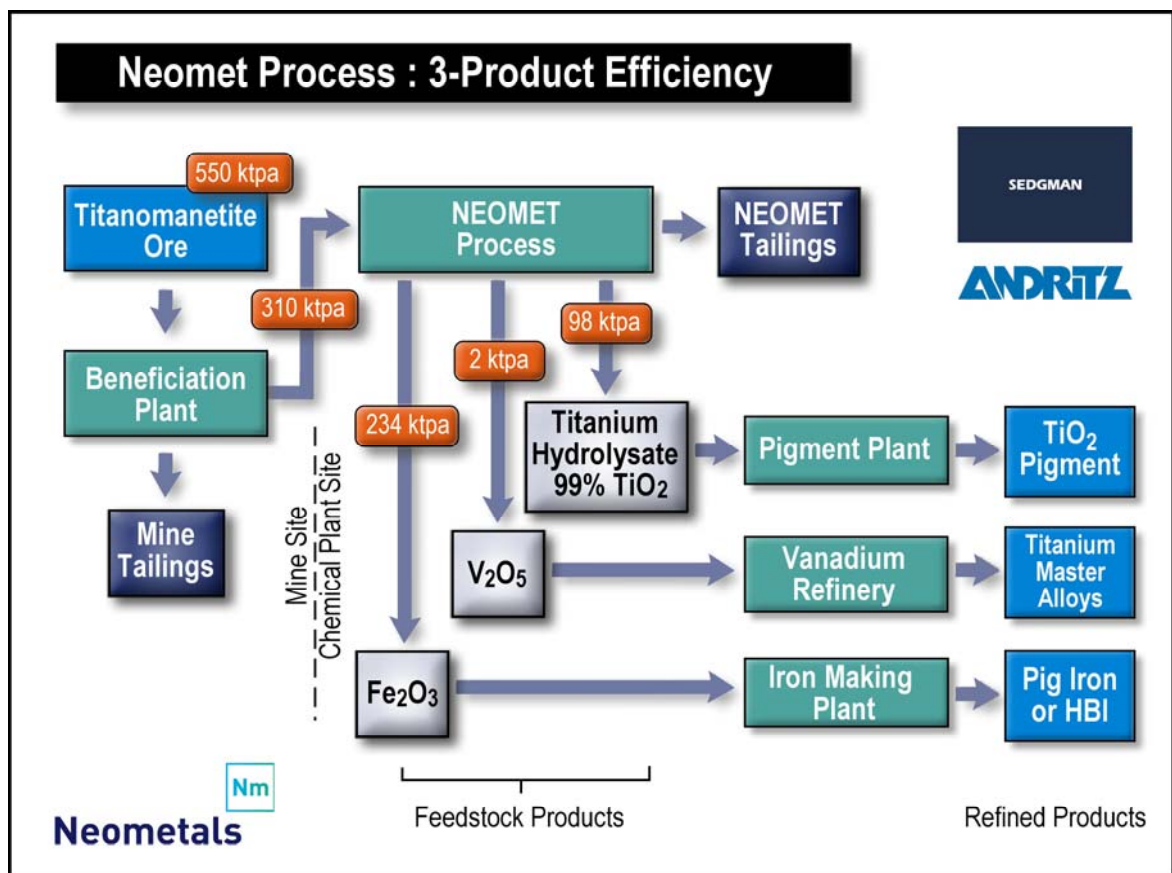


Figure 10: Pre-Feasibility Study - Physical Inputs and Outputs

The advantages of the revised process are reduced production cost, more easily operated process, high specification 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% TiO₂ “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.

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Titanium hydrolysate can be used as feedstock to replace sulphate-grade ilmenites (40-50% TiO₂) 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.

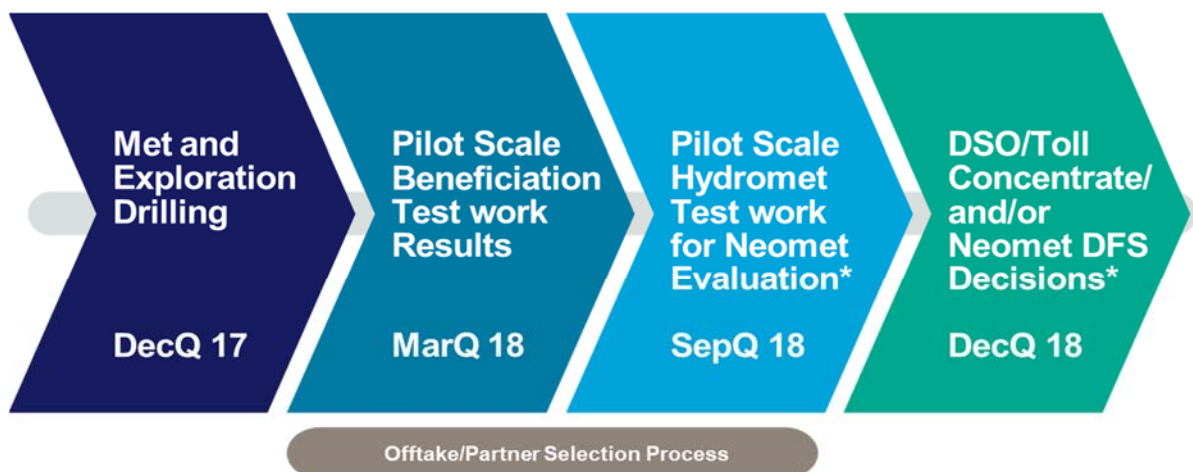
Project Development and Corporate Strategy

During the quarter, the Company announced assay results for the metallurgical diamond drill program that was conducted during the previous quarter at Barrambie to provide feed for variability testwork. 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 and the concentrate production was nearing completion at the end of the quarter.

The Company despatched, and the potential customer in China received, the representative sample of Barrambie ore material from the planned starter pit for evaluation. If the potential customer can viably make a suitable concentrate product, the Company will negotiate terms that recognise contained value for a parallel fast-track Barrambie start-up as a direct shipping operation (DSO) (that involves concentration of the ore into a titaniferous magnetite concentrate in China by the potential customer). The Company commenced during the Quarter logistic studies and lodged a Mining Proposal for Small Operation (MPSO) for the extraction of a bulk ore sample to study feasibility for DSO. The Company proposes to negotiate the sale of ore to selected concentrators in the sulphate process pigment converter supply chain and the vanadium supply chain to take advantage of current supply constraints in both the titanium and vanadium supply chains.

A Program of Work (POW) for a 30 hole RC drilling campaign to further delineate and assess the potential of the Virginia Hills prospect adjacent to Barrambie. Drilling was completed in January 2018 with results expected during the March quarter 2018.

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.



(*) Subject to Board Approval

Figure 11: Commercialisation Plan

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Marketing

The Company appointed Mr Paul Wallwork, an experienced executive in titanium and lithium mineral marketing as GM – Marketing and Product Development to lead the development of the potential DSO 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\$3,400 per tonne on a CIF basis to USA (source: Industrial Minerals 25 January 2017).

The majority of vanadium feedstocks (annual consumption of 88.6kt V or 91% by volume) are used in steel production with the balance (8.9kt V or 9% by volume) used to produce non-ferrous alloys and chemicals for energy storage.

The current FOB China price for vanadium pentoxide is US\$13.00 – 13.30 per pound or US\$28,742 – 29,216 per tonne (source: Metal Bulletin January 2018), which has nearly trebled over the last 12 months. Global vanadium pentoxide (V₂O₅) and ferro-vanadium prices have continued their upward trend in 2018, with prices rising strongly in response to concerns about supply availability.

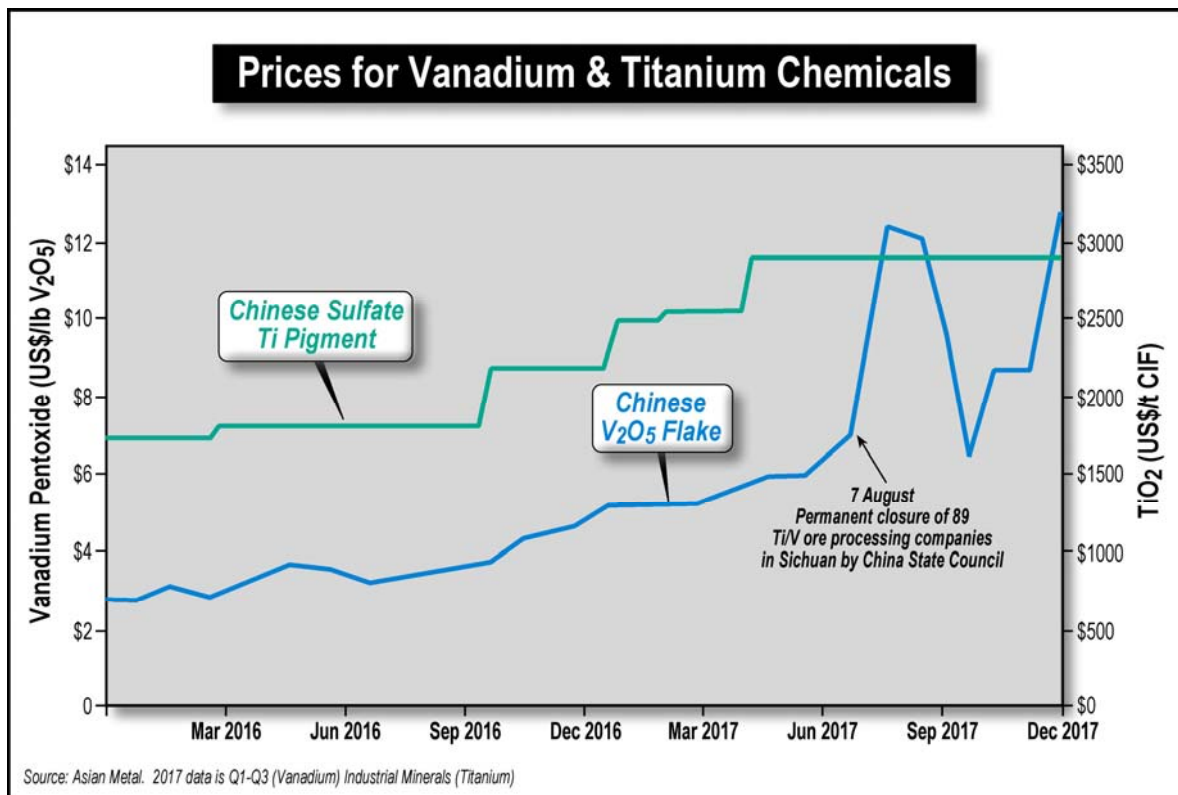


Figure 12: Titanium and Vanadium pricing

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CORPORATE**Nasdaq International Designation**

On 6 December 2017 the Company advised that it was admitted to the Nasdaq International Designation: *Neometals Ltd (ASX: NMT, OTC – Nasdaq Intl: RDRUY)*

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

As at 31 December 2017 Neometals holds 718,000,000 ordinary fully paid shares (36% of the issued capital) in Hannans Limited on an undiluted basis. At 31 December 2017 Hannans shares closed at 1.9c.

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 31 December 2017 totalled A\$39.8 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 \$22.8 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

During the quarter the Company granted a total of 3,390,828 Performance Rights to eligible executives, employees and contractors pursuant to their employment and engagement agreements.

The total number of shares on issue at 31 December 2017 was 543,532,473.

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 / Cameron Gilenko

Citadel MAGNUS

T: +61 8 6160 4900

Compliance Statement

The information in this report that relates to Mineral Resource Estimates Barrambie Titanium Project are extracted from the ASX Announcement entitled "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 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.

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APPENDIX A: TENEMENT INTERESTS

As at 31 December 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 |
| 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 |

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| | | | |
|--------------|----------|-----------|---------|
| 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 |

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

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 |
|--------------|--------------|---------------------------------|
| Barrambie | E57/1046 | Surrendered |
| Pilgangoora | P45/3003 | Application withdrawn |

APPENDIX B - 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 |

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