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Neometals Ltd ABN 89 099 116 631

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Mt Marion anticipated sale provides a firm foundation for an electric future

Dear Shareholders,

We are delighted to advise shareholders that your Company is on the brink of one of the most exciting and transformative events in its history.

The Board has resolved to divest Neometals' residual 13.8% interest in the Mt Marion Lithium Project, for approximately US\$96 million (c. A\$125 million) with contractual completion potentially early May 2017, assuming that the Company's Mt Marion partners exercise their pre-emptive rights to acquire the Neometals' shareholding.

Although fully committed to the ongoing strength of the lithium battery thematic, leveraging against the continuing unprecedented demand for battery storage minerals, it is timely for Neometals to re-direct its capital and energies to higher margin downstream opportunities, as well as the Company's titanium assets, where the Company's proprietary technologies add significant value.

Mt Marion has been an excellent investment for Neometals. Your Company takes pride in having identified the significant opportunity presented by the lithium market and having successfully co-developed Mt Marion into the most significant new source of lithium feedstocks in decades. Mt Marion, at steady state production, will be the world's second largest source of lithium units behind Greenbushes.

Throughout this journey, Neometals introduced key project partners, Mineral Resources and Ganfeng Lithium, as part of a deliberate strategy to accelerate project development, production and cashflow while minimising the operating, financial and marketing risk.

To date, before this currently proposed final sell-down of Mt Marion equity, Neometals has realised US\$66.55 million (c. A\$88 million) in cash, which when aggregated with a successful divestment, will result in total sale proceeds of US\$162.55 million (c. A\$213 million) on an investment with a historical cost of approximately A\$3 million. Neometals has already distributed A\$22.5 million of that return to shareholders by way of dividends in 2016.

Assuming acceptance and timely completion by the remaining Mt Marion partners of their pre-emptive opportunity to acquire Neometals' residual 13.8% equity interest, Neometals' projected unrestricted cash balance will be c. A\$184 million. The Company also has listed investments of c. A\$10 million.

All the right elements





Accordingly, the Company has commenced a review of its strategic funding requirements and capital management initiatives, including its recently renewed on-market buyback program and other potential shareholder return initiatives.

Following, and subject to, completion of the sale transaction, Neometals will be in an enviable financial position to maintain its exposure to the lithium and battery commodities supply chains through selective investment in higher-margin downstream processing opportunities including deployment of the Company's patented technologies and ongoing research into new technologies.

ELi Process™

Our fully-patented ELi Process (ELi) provides hard-rock and brine lithium producers a solution to convert their feedstocks into lithium hydroxide (LiOH) at highly competitive operating and capital costs. Neometals intends to exploit the technology as principal, partner or by licensing this technology to producers in return for a royalty stream. Neometals owns 70% of the intellectual property.

Lithium Battery Recycling

Neometals has co-developed a technology which has outstanding potential to cost effectively recover cobalt from spent lithium batteries. A Scoping Study completed in 2016 demonstrated the technology can potentially extract cobalt at a very low operating cost, with potential for further cost reductions through the recovery of lithium, nickel and copper co-products. Neometals expects to complete mini-pilot plant testwork at its R&D facility in Montreal, Canada in this September quarter.

Barrambie Titanium

The wholly-owned Barrambie deposit is the second highest grade hard rock titanium deposit globally. Neometals controls the global rights to the Neomet Process (see below), a patented technology that delivers high purity titanium pigment feedstock at lowest quartile costs, as indicated in a pre-feasibility study. Neometals is in the process of generating samples for both the pilot plant testing of Barrambie feedstocks at the Montreal facility, and for evaluation by customers as a feedstock into existing titanium pigment plants in China. Titanium feedstock prices have more than doubled in the past year.

Neomet Process

The Company is advancing the commercialisation of the Neomet Process with leading Australian engineering company, Sedgman Ltd, part of CIMIC Group. The test work on third-party orebodies continues as part of the business plan to licence the technology and share royalties collected with the Canadian owners of the intellectual property.

All the right elements



In summary, the divestment of the Company's minority interest in the upstream Mt Marion mine and concentrator at this point in the cycle makes strategic sense and, assuming acceptance by its Mt Marion partners as well as contractual completion, represents an outstanding result for Neometals shareholders. The proceeds from the sale will enable optimal value to be realised from the Company's exciting pipeline of other growth options.

On behalf of the Board I would like to personally thank all shareholders for your ongoing support. Let's together make the future even better.

Yours sincerely,

Steven Cole
Chairman

Chris Reed
Managing Director & CEO

All the right elements