

NEOMETALS TO DEMERGE BARRAMBIE TITANIUM-VANADIUM PROJECT

Highlights

- Neometals to demerge Barrambie Titanium-Vanadium Project and associated non-lithium technology assets, subject to shareholder/regulatory approvals and third-party consents
- Demerger will allow Neometals to focus on developing its fully-integrated lithium business, underpinned by offtake rights to Mt Marion lithium concentrate
- New ASX-listed entity to focus on initial development of Barrambie as a direct shipping ore operation with continued evaluation of subsequent on-site production of high – purity titanium and vanadium chemicals
- Neometals shareholders to receive shares in the new entity via an in-specie distribution. Demerger expected to be completed in the March 2019 quarter, subject to approvals and consents

Neometals Ltd (ASX: NMT) (“Neometals” or “the Company”) is pleased to announce that the Board has approved plans to demerge its Barrambie Titanium-Vanadium Project (“Barrambie”) and associated technology assets into a new ASX-listed company (“NewCo”). The move will allow Neometals and NewCo to separately focus on development of their respective integrated lithium and titanium/vanadium strategies. Both companies will be targeting conversion of captive resources into long-life, higher margin operations through vertical integration (i.e. higher-value downstream products) and innovative cost advantages via process technology.

The proposed demerger will see Neometals continue to aggressively pursue development of multiple positions in the lithium supply chain. Neometals plans to maximise returns from its share of the Mt Marion Lithium Operations (“Mt Marion”) through the development of the Kalgoorlie Lithium Refinery Project (“KLR”), which will convert the Company’s lithium offtake rights into higher-value lithium hydroxide. Neometals will also continue to advance its Lithium Battery Recycling Project to recover lithium, cobalt and other metal by-products from the processing of off-specification and end-of-life batteries, potentially providing the business with a significant competitive advantage in the future.

NewCo will prioritise the development of Barrambie, which hosts one of the world’s highest-grade hard-rock titanium-vanadium deposits. NewCo believes a first stage direct shipping ore (“DSO”) project is well positioned to feed China’s titanium and vanadium supply chains at a time of global supply shortage of high-grade titanium feedstocks relative to demand and strong commodity pricing. NewCo will also continue to evaluate a longer-term integration strategy through the application of both conventional and proprietary in-house processing technologies to produce separate high-purity titanium and vanadium chemicals.

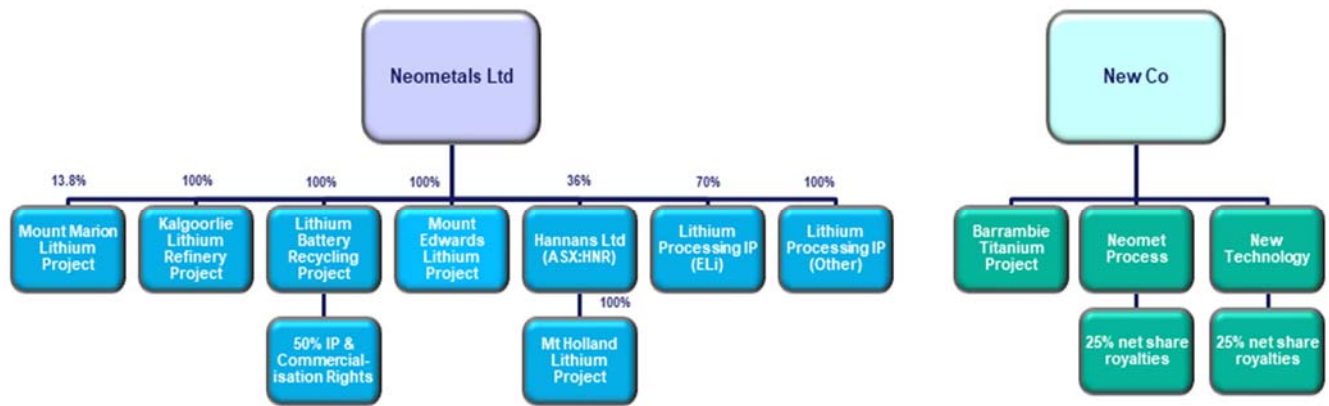
The Neometals Board believes that two separate ASX-listed companies will provide the most effective platforms to unlock the full value of all assets for the benefit of its shareholders. It is apparent to the Neometals Board that Barrambie and the associated non-lithium technology assets are not attracting fair value while housed in the current Neometals structure.

Neometals Managing Director, Christopher Reed said: “The Company has reached an inflection point where both business arms need dedicated management, independent corporate structures and financial resources to realise optimal value. Neometals has an enviable lithium portfolio and a disciplined strategy to minimise risk and maximise returns from its lithium feedstocks. We understand the incredible potential of Barrambie, and with the application of the same staged development strategy we have used in the lithium business, we have every confidence it will become a globally significant operation. The demerger creates an opportunity for shareholders to retain exposure to both businesses and capital markets will gain clarity, courtesy of simplified commodity focus and corporate structure.”

Neometals Chairman, Steven Cole said: “This announcement marks the culmination of extensive planning and hard-work, and places Neometals and its shareholders in a very strong position moving forward. Neometals has always viewed Barrambie and its portfolio of processing technologies as significant strategic assets. NewCo will be an independent and separately run business with access to expertise from Neometals management who have a proven track record in project development.”

Proposed Corporate Structures

Figure 1 - Indicative Corporate Structure Post-Demerger



Neometals

Neometals will retain its strategic 13.8% stake in Mt Marion near Kalgoorlie, which hosts one of the world’s largest lithium mining and concentration operations.

Neometals is currently progressing evaluation of development of the KLR to downstream process its spodumene offtake rights from Mt Marion into high-purity lithium hydroxide. The Front-End Engineering and Design (“FEED”) and Feasibility Studies are on track for completion by the end of this financial year. Subject to finalising financing, it is expected that a Final Investment Decision for KLR will be considered by the Board mid-2019.

The Company’s Lithium Battery Recycling Pilot Plant test work in Montreal is on track for completion this calendar year before moving on to the final engineering study stage.

In parallel, Neometals will continue to pursue an organic growth strategy through the exploration and evaluation of its portfolio of brownfields and greenfields lithium interests to provide scalability for the business, plus continue to develop its lithium related processing technologies, leveraging the anticipated future demand from the electric vehicle and electric static storage lithium battery markets.

NewCo

Barrambie is one of the world’s highest-grade titanium deposits and also hosts high grade vanadium mineralisation. Neometals is undertaking a dual track evaluation of development alternatives for Barrambie, with a staged

development approach afforded by distinct high-grade zones and co-product streams. At present, Neometals is investigating DSO from Barrambie being toll beneficiated and smelted in China as a phase 1 operation, with a subsequent phase 2 development utilising on-site processing options also being investigated.

Preliminary test work in China on core samples from Barrambie has confirmed the production of high grade concentrates with excellent recoveries, and the subsequent conversion to high purity titanium and vanadium slags from a traditional process flowsheet. Barrambie bulk samples have now been shipped to China for pilot scale metallurgical test-work. Successful completion will determine the value-in-use of Barrambie ores and final process flowsheet required to enable development of an initial DSO project.

NewCo will also be responsible for advancing the development of a range of mineral processing technologies which can be utilised as on-site processing options for Barrambie, as well as being capable of treating a range of different feed materials. Neometals is preparing to complete a pilot program in the first half of CY2019 utilising its most advanced hydrometallurgical processes (the patented '*Neomet Process*').

Neometals will ensure NewCo is appropriately funded at the time of implementation of the demerger. Executive management, director appointments and Board composition considerations for both entities are well advanced. The balance between the need for continuity in stable leadership and the need for skills refreshment to match future demands has been analysed. Further detail, including the NewCo's proposed capital structure, funding, management, governance arrangements and indicative timelines for the demerger, will be provided to shareholders in due course.

Demerger mechanics, timing and execution

If the demerger is implemented, Neometals shareholders will receive shares in NewCo proportional to their existing Neometals holdings. It is anticipated that the distribution of NewCo shares to shareholders will qualify for demerger tax relief; an ATO Class Ruling is being sought to confirm this.

The demerger is subject to final Board approval, third party consents, and regulatory and shareholder approvals. If approved, the demerger would be expected to be completed in the March quarter of 2019. It is intended that NewCo will seek admission to join the official list of ASX.

Azure Capital has been appointed as the financial adviser to Neometals in relation to the demerger.

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About Neometals Ltd

Neometals Ltd ("Neometals" - ASX:NMT) is a developer of industrial mineral and advanced materials projects. Neometals has two key divisions – a fully integrated Lithium business and a Titanium-Vanadium development business. Both are supported by proprietary technologies that assist downstream integration through revenue enhancement and cost efficiencies.

Neometals owns a 13.8% stake in the Mt Marion lithium mine near Kalgoorlie, which operates one of the world's biggest lithium concentrators. Neometals holds an offtake option, which forms the backbone to its fully-integrated lithium business aspirations which include a Lithium Hydroxide Refinery and Lithium-ion Battery Recycling process. The 100%-owned Barrambie Titanium-Vanadium Project in WA's Mid-West is one of the world's highest-grade hard-rock titanium-vanadium deposits.

Neometals' strategy focuses on de-risking and developing long life projects with strong partners and integrating down the value chain to increase margins. The company aims to leverage its cashflows to grow opportunities that provide sustainable mineral and material solutions to customers and to return value to shareholders.