

Neometals agrees the sale of Mt Marion equity for \$A104 million and retains offtake rights

Highlights

- Neometals to sell its Mt Marion project equity to Ganfeng and Mineral Resources for ~A\$104 million
- 'Life of Mine' offtake option rights for 57,000 tpa of spodumene concentrate
- Strategy to produce higher value lithium chemicals underpinned by certainty from proven feed supply
- Balance sheet strengthened to support project development financing and offtake processes

Neometals Ltd (ASX: NMT) ("Neometals" or "the Company") is pleased to advise that it has executed a sale agreement ("Sale Agreement") to divest its 13.8% equity interest in the Mt Marion Lithium Project ("Mt Marion") to its co-shareholders, Ganfeng Lithium Co., Ltd ("Ganfeng") and Mineral Resources Limited ("Mineral Resources") (together "Mt Marion Partners") for A\$103.8 million cash ("Mt Marion Divestment"). The transaction includes a binding life of mine offtake option agreement for 57,000 tpa of Mt Marion 6% spodumene concentrate production at market-linked prices. The Sale Agreement is subject to Ganfeng obtaining Australian Foreign Investment Review Board ("FIRB") approval, making necessary filings with Chinese regulatory authorities and obtaining Chinese regulatory approvals (if required), for its part of the transaction. Completion of the Mt Marion Divestment is anticipated by the beginning of February 2019.

Neometals was approached by its Mt Marion co-shareholders to negotiate the divestment of its shareholding in Reed Industrial Minerals Pty Ltd ("RIM"), the joint venture company that owns Mt Marion. The finalised price and terms for the Mt Marion Divestment reflects strong growth in the valuation of RIM. Pursuant to the Company's downstream integration strategy, Neometals intends to migrate to higher value lithium chemical production and to capture value from recovery of critical metals (including lithium) from end of life lithium-ion battery recycling. It is intended that the Company's proposed lithium chemical refinery will process Neometals' future share of Mt Marion spodumene concentrates.

Neometals realised approximately A\$89 million in cash from its initial equity sales in RIM to Ganfeng and Mineral Resources which facilitated the development of what is now a globally significant lithium mine. Total sale proceeds, including the current Mt Marion Divestment and the Neometals October profit dividend will total circa A\$200 million on a Neometals investment with a historical cost of approximately A\$3 million. To date, Neometals has distributed approximately A\$34 million by way of shareholder dividends and share buy-backs. At completion of the Mt Marion Divestment, Neometals' cash balance is expected to be approximately A\$130 million.

Neometals Managing Director, Chris Reed commented:

“We are delighted to have negotiated a strong outcome for Neometals shareholders. Neometals has realised significant further value from Mt Marion but of equal importance is the retention of our valuable offtake right which guarantees access to an industry proven feed material for future lithium downstream processing.

We believe the timing is right to realise the value of Mt Marion and strengthen our balance sheet as we finalise multiple evaluation studies over downstream projects. The Company is changing its focus and exposure away from upstream concentrates and pursuing a more holistic and integrated approach to the lithium battery thematic”.

Transaction terms

The Mt Marion Divestment is documented in two agreements, a Sale Agreement and an agreed form revised offtake agreement which will be entered into as part of the completion of the divestment (“**Offtake Agreement**”) (together the “**Divestment Agreements**”). Key terms under the Divestment Agreements are as follows:

1. Neometals has agreed to sell its 13.8% shareholding in Reed Industrial Minerals Pty Ltd (**RIM**), to GFL International Co., Ltd (**GFL**) and Mineral Resources subsidiary, Process Minerals International Pty Ltd (**PMI**), in equal proportions, for total cash consideration of A\$103.8 million.
2. Completion is conditional upon GFL obtaining approval from FIRB and also receiving all necessary authorisations from the relevant Chinese regulatory bodies. Completion will occur 5 business days after the conditions are satisfied. The conditions must be satisfied by 31 January 2019 – however this cut-off date may be extended to 28 February 2019 if Ganfeng’s Chinese regulatory authorisations have not been received by 31 January and Ganfeng has used its best endeavours to obtain those authorisations.
3. From completion, Neometals and RIM will be party to an offtake option agreement under which Neometals will have the life of mine annual option to purchase up to 57,000 dry metric tonnes per annum of 6% spodumene concentrate from Mt Marion from February 2020. The offtake pricing will be linked to the price payable by GFL under its Mt Marion offtake arrangements, adjusted to a Mt Marion mine-gate basis. Under those arrangements pricing is determined via a formula linked to the prevailing price of lithium compounds. Spodumene acquired by Neometals must be used in a downstream lithium business in which Neometals holds at least a 25% corporate or economic interest.

Impact on Proposed Demerger

Given the size and nature of this transaction, the currently proposed demerger of Neometals’ Barrambie vanadium/titanium project will not be advanced until the Board has an opportunity to fully consider the impacts of the Mt Marion Divestment with respect to the proposed demerger structure, and its timing, so as to optimize ongoing shareholder value.

The board of Neometals will also consider its approach with respect to capital management having regards to its future strategic needs and outlook and anticipates being in a position to better inform the market following financial close of the Sale Agreement.

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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 (currently the subject of Divestment Agreements). 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 Vanadium-Titanium Project in WA's Mid-West is one of the world's highest-grade hard-rock vanadium-titanium 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.