Neometals Ltd

A.C.N. 099 116 631

Half-Year Report

for the 6 months ended 31 December 2017

The directors of Neometals Ltd ("Company") ("Neometals") submit herewith the financial report of Neometals and its subsidiaries ("Group") ("Consolidated Entity") for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

Mr S. Cole – Appointed 24 July 2008
Mr D. Reed – Appointed 20 December 2001
Mr C. Reed – Appointed 20 December 2001
Ms N. Streltsova – Appointed 14 April 2016
Mr D. Ritchie – Appointed 14 April 2016

REVIEW OF OPERATIONS

LITHIUM BUSINESS UNIT

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

Production ramp up continued during the period, achieving:

- 1,387,085 tonnes ore mined;
- 1,164,146 tonnes processed; and
- 221,388 tonnes concentrate produced.

Shipments of lithium concentrates to Ganfeng totalled 201,424 for the first half of FY18.

During the period 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 September Quarter was agreed at US$841/t CIF China and US$843/t CIF China for December Quarter 2017.

Construction of the upgrade to the concentrator circuits to facilitate production of only 6% Li_2O concentrate commenced during the period.

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).

WA LITHIUM HYDROXIDE PROJECT
(Neometals 100%)

During the half year 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.

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.

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 period, 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 been 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 period in preparation for the pilot operation which is scheduled for the March Quarter 2018.

LITHIUM TITANATE RESEARCH PROJECT
(Neometals 100%)

During the period 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 period 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.

The conceptual plan is to develop a process producing a superior Lithium Titanate anode material from feedstocks generated from the Company’s captive resources.

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 period, 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.

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.

A number of third-party ores were tested during the period. The first sub-licence for the technology was granted by Alphamet during the September 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 September 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.

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 period 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% TiO_2, 0.63% V_2O_5 and 46.7% Fe_2O_3, at a cut-off grade of 15% TiO_2.

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.

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% 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

The Company significantly strengthened its executive team with the appointment of experienced mining executive Mr Darren Townsend as Chief Development Officer. The appointment in the newly-created role comes as the Company pushes ahead with plans to develop the Barrambie Titanium Project in WA.

During the period, the Company announced assay results for the metallurgical diamond drill program that was conducted during the period 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 period.

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 period 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.

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$3,150 per tonne on a CIF basis to USA (source: Industrial Minerals 1 March 2018).

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$13.50 – 14.00 per pound ~ US$30,000 per tonne (source: Metal Bulletin 1 March 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.

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
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 period 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 closed on 21 February 2018.

Issued Capital
During the period 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.

Dividends
Dividends issued during the period: nil (2016: The Company formally declared a 2 cent unfranked dividend that was paid to shareholders on 26 August 2016).

MINERAL RESOURCE ESTIMATES

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.

Compliance Statement

The information in this report that relates to Mineral Resource Estimates at the Barrambie Titanium Project is extracted from the ASX Announcements 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 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the half-year report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors,

CReed.

Christopher Reed
Managing Director
Perth, 9 March 2018

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Neometals Ltd
Level 3, 1292 Hay Street
West Perth WA 6005

9 March 2018

Dear Board Members

Neometals Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Neometals Ltd.

As lead audit partner for the review of the financial statements of Neometals Ltd for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Members of Neometals Ltd

We have reviewed the accompanying half-year financial report of Neometals Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Neometals Ltd financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Neometals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Neometals Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Neometals Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants
Perth, 9 March 2018

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

CReed.

Christopher Reed
Managing Director
9 March 2018

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2017

	31 Dec 2017 $	31 Dec 2016 $
Continuing operations		
Revenue	-	-
Cost of sales	-	-
Gross profit/(loss)	-	-
Forex gain/(loss)	(30,982)	63,862
Other income	637,992	832,271
Administration expenses	(1,132,250)	(1,340,448)
Employee expenses	(1,560,516)	(1,464,558)
Finance costs	(30,735)	(66,973)
Occupancy expenses	(232,230)	(256,671)
Marketing expenses	(124,760)	(47,512)
Other (expense) / income	(609,266)	(296,644)
Write-off of non-current assets	-	(1,409)
Share of profit / (loss) joint venture	-	33,770
Share of profit / (loss) in associates	7,099,738	(18,849)
Gain on deconsolidation	-	9,487,577
Profit before income tax	4,016,991	6,924,416
Income tax benefit	568,605	342,311
Profit for the period from continuing operations	4,585,596	7,266,727
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net fair value gain on available-for-sale financial assets	-	74,113
Total comprehensive income for the period	**4,585,596**	**7,340,840**
Profit attributable to:		
Owners of the Company	**4,585,596**	**7,340,840**
Total comprehensive income attributable to:		
Owners of the Company	**4,585,596**	**7,340,840**
Profit per share		
From continuing and discontinued operations:		
Basic (cents per share)	0.84	1.29
Diluted (cents per share)	0.84	1.28

The condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

as at 31 December 2017

	Note	31 Dec 2017 $	30 Jun 2017 $
Current assets			
Cash and cash equivalents		35,876,745	42,129,157
Trade and other receivables		990,667	878,542
Loan to associate	4	8,208,916	-
		45,076,328	43,007,699
Assets classified as held for sale	4	-	8,433,162
Total current assets		**45,076,328**	**51,440,861**
Non-current assets			
Loan to joint venture		1,677,414	1,665,938
Property, plant and equipment		659,985	234,717
Exploration and evaluation expenditure		13,325,738	12,515,296
Intangibles		336,559	284,490
Investment in joint ventures		1	1
Investment in associates	4	20,645,411	13,226,310
Other financial assets		4,709,997	4,626,000
Other non-current assets		609,638	609,638
Total non-current assets		**41,964,743**	**33,162,390**
Total assets		**87,041,071**	**84,603,251**
Current liabilities			
Trade and other payables		642,427	1,044,574
Borrowings		10,928	11,278
Provisions		1,121,063	1,100,250
Total current liabilities		**1,774,418**	**2,156,102**
Non-current liabilities			
Borrowings		9,480	15,573
Provisions		3,171,326	3,562,808
Total non-current liabilities		**3,180,806**	**3,578,381**
Total liabilities		**4,955,224**	**5,734,483**
Net assets		**82,085,847**	**78,868,768**
Equity			
Issued capital		154,101,519	155,367,391
Reserves		6,749,288	6,851,933
Accumulated losses		(78,764,960)	(83,350,556)
Total equity		**82,085,847**	**78,868,768**

This condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

for the Half-Year ended 31 December 2017

	Issued Capital $	Investment revaluation reserve $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance as at 1/7/16	160,047,735	801,937	300,349	5,295,914	(76,836,283)	89,609,652
Profit (Loss) for the period	-	-	-	-	7,266,727	7,266,727
Other comprehensive income, net of tax	-	74,113	-	-	-	74,113
Total comprehensive income for the period	-	74,113	-	-	7,266,727	7,340,840
Recognition of share-based payments	-	-	-	145,006	-	145,006
Recognition of issue of shares under the employee rights plan	-	-	-	-	-	-
Issue of dividends	-	-	-	-	(11,260,017)	(11,260,017)
Share issue costs, net of tax	(7,262)	-	-	-	-	(7,262)
Balance at 31/12/16	**160,040,473**	**876,050**	**300,349**	**5,440,920**	**(80,829,573)**	**85,828,219**
Balance as at 1/7/17	155,367,391	1,019,637	300,349	5,531,947	(83,350,556)	78,868,768
Profit (Loss) for the period	-	-	-	-	4,585,596	4,585,596
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	4,585,596	4,585,596
Recognition of share-based payments	-	-	-	156,080	-	156,080
Recognition of issue of shares under the employee rights plan	258,725	-	-	(258,725)	-	-
Recognition of issue of shares under the share buy-back	(1,524,597)	-	-	-	-	(1,524,597)
Issue of dividends	-	-	-	-	-	-
Share issue costs, net of tax	-	-	-	-	-	-
Balance at 31/12/17	**154,101,519**	**1,019,637**	**300,349**	**5,429,302**	**(78,764,960)**	**82,085,847**

This condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

for the half year ended 31 December 2017

	Note	31 Dec 2017 $	31 Dec 2016 $
Cash flows from operating activities			
Tax refunds		231,495	47,805
Payments to suppliers and employees		(3,857,023)	(3,793,046)
Net cash used in operating activities		(3,625,528)	(3,745,241)
Cash flows from investing activities			
Exploration and evaluation costs		(864,905)	(253,768)
Payments for intangible assets		(94,646)	(86,812)
Payment for property, plant & equipment		(475,246)	(3,105)
Net cash outflow on disposal of subsidiary		-	(1,000,000)
Loan to Jointly Controlled Entities		(11,476)	(2,228,549)
Prepayment for investment in equity instruments		(97,894)	(203,000)
Interest received		526,278	709,779
Transfer (to) / from restricted deposits		-	1,000,000
Net cash (used in)/generated by investing activities		(1,017,889)	(2,065,455)
Cash flows from financing activities			
Interest and finance costs paid		(30,810)	(1,093)
Payment for share issue costs		-	(7,261)
Share buy-back		(1,541,335)	-
Dividends paid		-	(11,260,017)
Proceeds from repayment of borrowings		(5,740)	39,007
Net cash used in financing activities		(1,577,885)	(11,229,364)
Net (decrease)/increase in cash and cash equivalents		(6,221,302)	(17,040,060)
Cash and cash equivalents at the beginning of the period		42,129,157	74,228,721
Effects of exchange rate changes on the balance of cash held in foreign currencies		(31,110)	63,862
Cash and cash equivalents at the end of the period		35,876,745	57,252,523

This condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Index to notes to the condensed consolidated financial statements

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half year.

The group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date. The Group will assess the impact of these new standards during the reporting period to which they are applicable.

2. Segment information

Basis for segmentation:
AASB 8 Operating Segments requires the presentation of information based on the components of the entity that management regularly reviews for its operational decision making. This review process is carried out by the chief operating decision maker ("**CODM**") for the purpose of allocating resources and assessing the performance of each segment. The amounts reported for each operating segment is the same measure reviewed by the CODM in allocating resources and assessing performance of that segment.

For management purposes the Company now operates under four reportable operating segments comprised of the Company's lithium, titanium and vanadium, technology and 'other segments'. The lithium, titanium, technology and other operating segments are separately identified given they possess different competitive and operating risks, and meet the quantitative criteria as set out in AASB 8. The 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

For the six months ended 31 December 2017

Reportable operating segments	Lithium $	Titanium $	Technology $	Other $	Unallocated $	Total $
Continuing operations						
Revenue from external customers	-	-	-	-	-	-
Cost of sales	-	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-	
Other income	-	-	57	151,834	1,023,724	1,175,615
Forex gain / (loss)						
Total Expenses	(48,468)	(51,191)	(696,082)	(55,468)	(2,838,548)	(3,689,757)
Share of profit / (loss) in associates and joint ventures	-	-	-	(255,249)	7,354,987	7,099,738
Profit on deconsolidation	-	-	-	-	-	-
Consolidated profit(loss) before tax	(48,468)	(51,191)	(696,025)	(158,883)	5,540,163	4,585,596

As at 31 December 2017

Reportable operating segments	Lithium $	Titanium $	Technology $	Other $	Unallocated $	Total $
Movement in assets	7,377,413	620,498	399,900	(125,431)	(5,834,560)	2,437,820
Impairment	-	-	-	-	-	-
Consolidated additions / (deductions) to assets	7,377,413	620,498	399,900	(125,431)	(5,834,560)	2,437,820
Consolidated total assets	17,476,514	13,378,658	901,967	14,209,990	41,073,942	87,041,071

For the six months ended 31 December 2016

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit/(loss)	**-**	**-**	**-**	**-**	**-**
Other income	-	27,400	1,047	803,823	832,270
Forex gain / (loss)	-	-	-	63,862	63,862
Total Expenses	-	(551,763)	(2,307)	(2,920,144)	(3,474,214)
Share of profit / (loss) in associates and joint ventures	33,770	-	(18,849)	-	14,921
Profit on deconsolidation	-	-	9,487,577	-	9,487,577
Consolidated profit(loss) before tax	**33,770**	**(524,363)**	**9,467,468**	**(2,052,459)**	**6,924,416**

As at 31 December 2016

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Movement in assets	1,997,557	297,601	9,665,462	(16,455,493)	(4,494,873)
Impairment	-	-	(1,409)	-	(1,409)
Consolidated additions / (deductions) to assets	1,997,557	297,601	9,664,053	(16,455,493)	(4,496,282)
Consolidated total assets	**3,586,394**	**12,084,368**	**12,704,614**	**62,828,662**	**91,204,038**

3. Dividends

No dividend were paid to the holders of fully paid ordinary shares during the period (31 December 2016: 2 cents per share unfranked was paid to the holders of fully paid ordinary shares on 26 August 2016).

4. Investment in associates

Name of operation	Principal activity	Interest	
		31 December 2017 %	30 June 2017 %
Reed Industrial Minerals Pty Ltd[(i)]	Development of lithium project	13.8	13.8
Hannans Limited	Exploration of nickel and lithium	36.3	42.2

The Consolidated Entity's interest in assets employed in the above associates is detailed below.

4. Investment in associates (continued)

(i) Reed Industrial Minerals Pty Ltd

The associate is accounted for using the equity method in this consolidated financial report. As at 30 June 2017 the investment was classified as held for sale and was previously held as a joint venture.

Summarised financial information for the associate:

	31 December 2017 $	30 June 2017 $
Carrying value of investment in the associate	7,579,233	224,246
Loan to associate	8,208,916	8,208,916
Share of (profit) / loss of associate recognised in profit or loss(i)	(7,354,987)	-
Cash and cash equivalents	43,382,600	4,938,000
Trade and other receivables	36,592,200	29,802,000
Inventories	6,917,300	11,174,000
Current assets	**86,892,100**	**45,914,000**
Property, plant and equipment	13,784,700	14,450,000
Mine properties	57,997,100	55,157,000
Non-current assets	**71,781,800**	**69,607,000**
Trade and other payables	(26,355,400)	(31,027,000)
Shareholder loans	(55,061,600)	(55,061,600)
Current liabilities	**(81,417,000)**	**(86,088,600)**
Rehabilitation provision	(7,794,400)	(7,712,000)
Deferred tax liability	(2,840,000)	(3,048,000)
Non-current liabilities	**(10,634,400)**	**(10,760,000)**

(i) The equity accounted share of the associates gain / (loss) is adjusted against the carrying value of the investment in the associate. The asset was classified as held for sale at 30 June 2017.

The Group's share of the capital commitments made jointly with other partners relating to its investment in RIM, is as follows:

	31 December 2017 $	30 June 2017 $
Development expenditure commitments		
Not longer than 1 year	350,416	262,000
Longer than 1 year and not longer than 5 years	-	2,727,000
Longer than 5 years	-	1,806,000
	350,416	4,795,000

4. Investment in associates (continued)

(ii) Hannans Limited

The associate is accounted for using the equity method in this consolidated financial report.

Summarised financial information for the associate:

	31 December 2017 $	30 June 2017 $
Carrying value of investment in associate	13,066,178	13,226,310
Share of (profit)/loss of associate recognised in profit or loss[(i)]	256,561	(511,810)
Current assets	4,644,481	1,766,574
Non-current assets	2,717,612	2,841,239
Current liabilities	334,971	457,634
Non-current liabilities	9,079	121,885

(i) The equity accounted share of the associate's loss is credited against the carrying value of the investment in the associate.

Shares held in associate are set out in the table below.

	31 December 2017		30 June 2017	
	No.	$	No.	$
Shares held in Hannans prior to disposal of REX[(i)]	63,750,000	1,147,500	63,750,000	1,147,500
Consideration shares received on disposal of REX[(i)]	620,833,333	11,175,000	620,833,333	11,175,000
Exercise of options[(ii)]	25,250,000	392,000	25,250,000	392,000
Share purchases / (sales)	8,166,667	95,117	-	-
Share of profit in associate	N/A	256,561	N/A	511,810
Balance at the end of the period	**718,000,000**	**13,066,178**	**709,833,333**	**13,226,310**

(i) Shares have been valued at the market value on settlement date, 26 September 2016.

(ii) Shares valued at market rate on date of trade.

5. Share capital

During the half-year reporting period, Neometals Ltd issued the following share capital:

6 months to 31 December 2017:

During the 6 months to 31 December 2017 2,802,919 ordinary shares were issued to eligible employees following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan (2016: 3,911,608).

During the 6 months to 31 December 2017 no share options over the company's ordinary shares were issued during the reporting period (2016: Nil).

During the 6 months to 31 December 2017 3,390,828 performance rights were issued to Neometals employees during the current half-year period (2016: 1,096,599) for nil cash consideration. These performance rights may result in the issue of a total of 3,390,828 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

6 months to 31 December 2016:

During the 6 months to 31 December 2016 3,911,608 ordinary shares were issued to eligible employees following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan.

During the 6 months to 31 December 2016 no share options over the company's ordinary shares were issued during the reporting period (2015: Nil).

During the 6 months to 31 December 2016 1,096,599 performance rights were issued to Neometals employees during the current half-year period (2015: 2,188,564) for nil cash consideration. These performance rights may result in the issue of a total of 1,096,599 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

6. Financial Instruments

The fair value of the Group's financial assets and liabilities are determined on the following basis.

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable. Levels are defined as follows:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2017, the Group has no material financial assets and liabilities that are measured on a recurring basis.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 31 December 2017 and 31 December 2016, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

7. Commitments

(a) Exploration and evaluation and associate commitments

Tenement commitments for the group total $383,693.

(b) Lease commitments

Non-cancellable operating lease commitments at reporting date total $1,106,276 (2016: 776,025). Finance lease commitments at reporting date total $20,408 (2016: $33,297).

(c) Other

As referred to in Note 16 (i) to the Annual Financial Report for the year ended 30 June 2017, Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, previously entered into a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. As part of the agreement the Group was required to procure a “blocked” term deposit for $4.0 million (30 June 2016: $5.0 million) as security a bank guarantee, which represented the present value of the Group’s commitment under the agreement. The obligations under the gas transmission agreement commenced on 1 July 2010.

8. Events subsequent to balance date

No matters have arisen since 31 December 2017 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.