Neometals Ltd

A.C.N. 099 116 631

Half-Year Report

for the 6 months ended 31 December 2014

The directors of Neometals Ltd, formerly Reed Resources Ltd ("Company")("Neometals") submit herewith the financial report of Neometals and its subsidiaries ("Group")("Consolidated Entity") for the half-year ended 31 December 2014. 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

REVIEW OF OPERATIONS

Neometals Ltd's (**ASX: NMT**) primary focus during the half year centred on advancing its advanced minerals projects, Mt Marion and Barrambie.

MT MARION LITHIUM PROJECT

(Neometals 70%, Mineral Resources Ltd 30%)

During the period Reed Industrial Minerals Pty Ltd (**RIM**) continued to advance the Mt Marion Lithium Project (**Mt Marion**) with the successful continuous production of lithium hydroxide (LiOH) catholyte from a semi-pilot plant in the USA. RIM is owned 70:30 by Neometals Ltd (**Neometals**) and leading mining services provider Mineral Resources Limited (**MRL**). MRL fund and operate the project through their subsidiary, Process Minerals International Pty Ltd(**PMI**).

The semi-pilot scale demonstration plant conducted by specialist chlor-alkali laboratory Process Technology Optimisation in Buffalo, USA has successfully achieved 200 hours of operation at 80% efficiency during the half year. The test work demonstrates the reproducibility of the successful purification and electrolysis of lithium chloride solutions, and the suitability and durability of the ion exchange membrane for commercial operation.

During the period RIM was granted a patent from IP Australia over its proprietary process to produce high-purity lithium hydroxide ("LiOH") directly from spodumene (lithium) concentrates. The patent is the first granted member of the extensive patent family for lithium hydroxide, with other patents filed or under examination in the US, Canada, Chile, China and Malaysia.

Advantages of the RIM process include:

- ability to utilise existing Chlor-alkali and new Chlor-Alkali package-plants to produce LiOH,
- high current efficiency in electrolysis that has the potential to deliver competitive unit production costs, and
- very low impurity levels in final product without additional purification phases.

The results to date are particularly encouraging with the purification of lithium chloride exceeding expectations and efficiency across the electrolysis membrane exceeding assumptions in the Pre-feasibility study ("PFS").

Project Development and Corporate Strategy

Neometals and MRL are working to develop RIM into an independently financed, advanced minerals company that will be an integrated lithium compound producer and supplier to the Lithium-ion battery industry. The project has a granted Mining Proposal and received its Works Approval for plant construction, on the 18th of December 2014.

The next step in the lithium concentrate project's development plan is to secure binding offtake agreement for lithium concentrates before the project partners can consider a final investment decision.

A partner selection process commenced in September 2014 with the aim of developing an appropriate business structure for the commercialisation of the RIM process technology to produce ligh-purity lithium compounds. Preliminary discussions continue with prospective partners and there can be no assurance that a binding proposal will emerge. Neometals and MRL will keep the market informed as matters develop further.

Lithium market

The prominent, respected lithium industry researchers forecast a large and sustained increase in the demand for high-purity, battery-grade lithium hydroxide and carbonate at compound rates of approximately 20% pa. The growth is underpinned by continuing use of rechargeable batteries in consumer electronics and increased market penetration of battery electric and hybrid electric vehicles (EV and HEV) in commercial and private applications. The current median prices for battery-grade lithium hydroxide and lithium carbonate are US$8,000 and US$6,400 per tonne, respectively, on a CIF basis to Europe and US respectively (source: Industrial Minerals 8 January 2015). Based on public announcements by an established global supplier, a market price increase of around 10% has been foreshadowed in 2015.

BARRAMBIE TITANIUM PROJECT
(Neometals 100%)
During the period the Company continued to advance its Barrambie Titanium Project with the continued optimisation of its mini-pilot plant testwork programme in Canada. The Company continued its Pre-feasibility study ("PFS") to assess the development of an open-pit mining and processing operation using a licensed proprietary technology to produce high purity titanium, vanadium and iron compounds. The PFS is being managed by Mr D.Michael Spratt, an experienced process/construction engineer and former COO of Minproc, and is expected to be completed in the June Quarter 2015.

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 currently preferred project development strategy is to advance the project to a suitable stage of evaluation to attract a joint venture partner to fund and operate the development of the Barrambie project.

Titanium and Vanadium market

The majority of titanium feedstocks (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$3,175 per tonne on a CIF basis to USA (source: Industrial Minerals 8 January 2015).

MT FINNERTY PROJECT

(Neometals 100%)

The Mt Finnerty Project located about 65km east of Koolyanobbing is currently being explored for iron ore and nickel mineralisation in its own right.

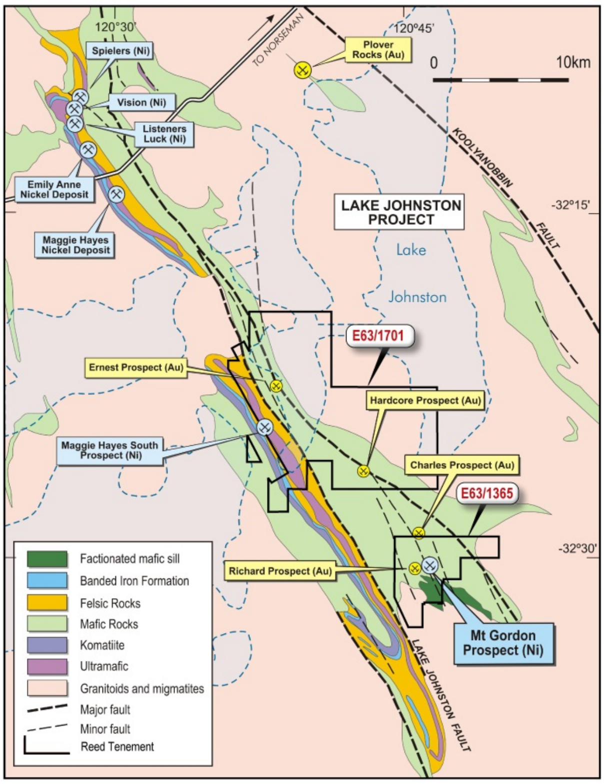
Nickel (Barranco 100%, Neometals option to acquire 100%)

During the period a single diamond drill hole, GDD009, confirmed the stratigraphy intersected in GDD007 and establishes that the Green Dam Ultramafic Complex is a massive extrusive unit that is generally the one continuous eruptive event. The hole has failed to penetrate the massive sulphides on contact that have been hypothesised to have sourced the strong geochemical anomalism in the shear systems, including the hypogene nickel sulphides in the quartz vein of GDD005. The detailed geochemistry of the core-samples (in progress) will however be assessed for their fertility potential to have sampled a primary geochemical halo from the relatively intact basal ultramafic. The most prospective serpentinites and high-magnesian talc-carbonated have been submitted for multi-element wet chemistry analysis with results released in the Company's quarterly report dated 16 January 2015.

LAKE JOHNSTON NICKEL PROJECT
(Neometals 80%, Hannans Reward 20% free carried to DTM)

During period two diamond drill holes tested a new geophysical model (3D magnetic inversion) prepared in the previous quarter. MGD001 targeted the northern apophysis, MGD002 tested the southern apophysis that had the stronger soil geochemical response in Ni, Cu & Cr. Both are interpreted to have been sourced from the larger Medcalf chonolith located 3-4km to the south.

Stratigraphy intersected was similar in both holes, viz:- massive gabbro from surface down grading into a cummingtonite amphibolite with almost massive serpentinite in the lower 10 metres of MGD001 and for 200m of MGD002. Both holes have very fine grained sulphides associated with the more massive serpentinised zones. Geological similarities with other apophysis/chonolith environments such as at the Santa Rita nickel sulphide mine in Brazil and the PGE deposit at Munni Munni in WA have been confirmed.



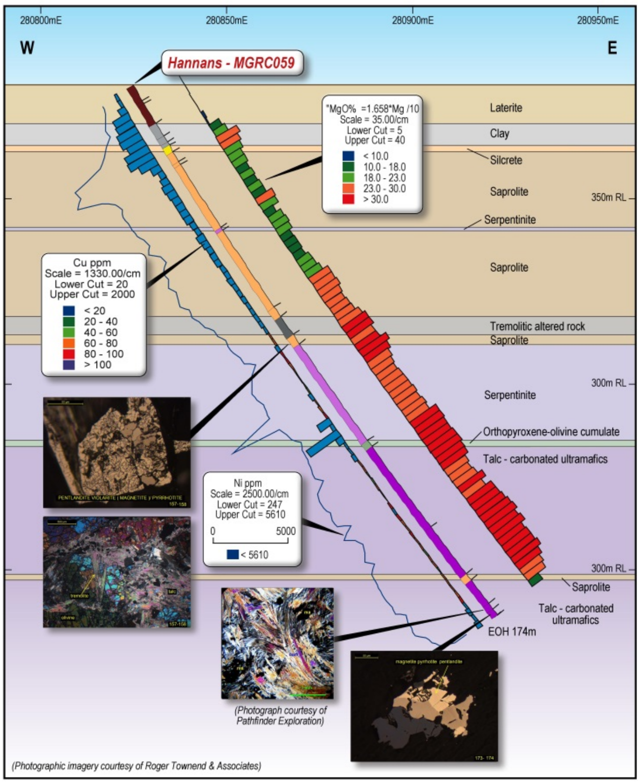


Figure 1. Tenement Plan on Interpreted Geology

Figure 2. Cross section on Interpreted Geology

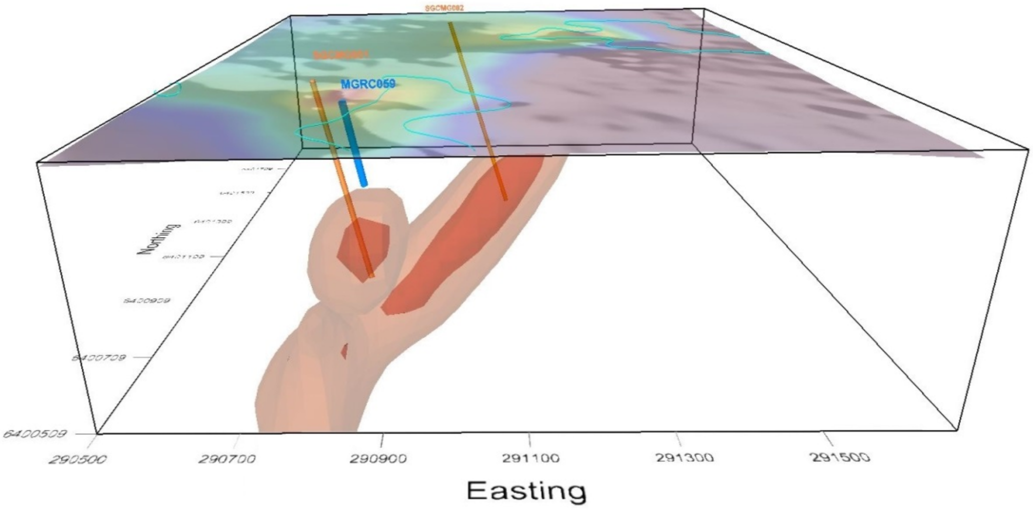


Figure 3. Historic (blue) and current holes (orange) and magnetic anomalies over magnetic model and 80ppm Cu geochemistry (light blue).

Results from MGD001 indicate that ultramafic rocks, both black massive serpentinites and the altered cummingtonite-orthopyroxenite cumulates contain impressively high MgO levels (exceeding 40% volatile free basis) over significant widths. Anomalous nickel contents are coincident with these magnesian rocks and an initial intersection width from 335m to 373m (38m) @ 0.24% Ni is consistently elevated (Appendix A). It is worthwhile emphasising that the thickness of strongly serpentinised ultramafic cumulate in MGD001 is far less than that in the second hole - MGD002 (located 755m away from MGD001).

The most prospective serpentinites and high-magnesian talc-carbonated equivalents have been submitted for multi-element wet chemistry analysis, with results released in the Company's quarterly report dated 16 January 2015 .

The Company is evaluating options to divest its nickel portfolio.

Table 1 – Hole Locations 2014 Q2 Drilling

Hole No.	MGA Northing	MGA Easting	Collar Dip	Collar Azimuth Magnetic	End of Hole Depth m	Comments
GDD009 (Green Dam)	6608050	219000	-60	270.0	861.40m	Down hole surveyed and cased 50mm full length for future geophysics. High magnesian Green Dam Ultramafic Complex intact basal contact over granite-intruded footwall basalts. Trace sulphides mainly in shear zones.
MGD001 (Mt Gordon)	6401696	290945	-60	142.6	511.00	Down hole surveyed and cased 50mm full length for future geophysics. Gabbroic unit over amphibolite with cg sulphides at interface, overlying layered orthopyroxene-olivine cumulates and intact chill zone base with disseminated sulphides. Chonolith intruded into pillowed basalt flows. Trace sulphides and anomalous Ni values throughout cumulates.
MGD002 (Mt Gordon)	6400973	290736	-60	142.6	394.00	Down hole surveyed and cased 50mm full length for future geophysics. Gabbroic unit over amphibolite with cg sulphides at interface, overlying layered orthopyroxene-olivine cumulates and intact chill zone base with disseminated sulphides. Chonolith intruded into pillowed basalt flows. Trace sulphides throughout cumulates, assays available Q3.

Table 2 – Sampling / Analytical Details 2014 Q2 Drilling

Hole No.	Sampled From	Sampled To	Laboratory	Sampling Method ology	Comments
GDD009 (Green Dam)	400.00	810.00	Intertek Labs (Maddington)	Quarter core cut	192 Samples (Fire Assay low level Au, Pd & Pt plus 4 acid digest ICPOES or ICPMS finish for Ag, Al, As, Ba, Bi, Ca, Co, Cr, Cu, Fe, K, Li, Mg, Mn, Mo, Ni, Pb, Rb, S, Sb, Se, Sn, Sr, Te, Ti, VV, W & Zn – results in ppm). Results pending.
MGD001 (Mt Gordon)	185.27	384.00	Intertek Labs (Maddington)	Quarter core cut	117 Samples (Fire Assay low level Au, Pd & Pt plus 4 acid digest ICPOES or ICPMS finish for Ag, Al, As, Ba, Bi, Ca, Co, Cr, Cu, Fe, K, Li, Mg, Mn, Mo, Ni, Pb, Rb, S, Sb, Se, Sn, Sr, Te, Ti, VV, W & Zn – results in ppm). Results received.
MGD002 (Mt Gordon)	104.90	298.15	Intertek Labs (Maddington)	Quarter core cut	156 Samples (Fire Assay low level Au, Pd & Pt plus 4 acid digest ICPOES or ICPMS finish for Ag, Al, As, Ba, Bi, Ca, Co, Cr, Cu, Fe, K, Li, Mg, Mn, Mo, Ni, Pb, Rb, S, Sb, Se, Sn, Sr, Te, Ti, VV, W & Zn – results in ppm). Results pending.

Iron Ore

Interest in the sale process for wholly owned subsidiary Mount Finnerty Pty Ltd ("MFPL"), which holds the tenements and iron rights, has waned with the fortunes of the iron ore price. A Retention Licence Application was lodged during the quarter, which upon grant, will remove the expenditure obligations from the relevant areas of the Mount Finnerty Project without incurring the costs and risks involved in continuing to apply for exemptions.

COMPETENT PERSONS STATEMENT (continued)

The Company confirms that it is not aware of any new information or data that materially affects the information included in the following ASX Releases during the period and subsequently reported herein:

13/11/2013	Barrambie Scoping Study Results
02/12/2013	Mt Marion - Breakthrough test work results
06/12/2013	Barrambie - Amended JORC 2012 Mineral Resource Estimate
16/01/2015	Quarterly Activities Statement – Lake Johnston Nickel Project Exploration Update

The Company confirms that all the material assumptions underpinning the production target and the forecast financial information derived from the production target in the Barrambie Scoping Study continue to apply and have not materially changed.

CORPORATE

Following shareholder approval at the Company's Annual General Meeting (**AGM**) on 28 November 2014, the Company changed its name from Reed Resources Ltd to Neometals Ltd effective 12 December 2014.

Finances

Cash and term deposits on hand as of 31 December 2014 totalled $10.3 million, including $6.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

The Chairman, David Reed committed to provide a standby facility to support the Company's working capital position, with definitive agreements executed and announced on the 27th September 2013. Following shareholder approval at the 2014 AGM the terms of 2 million convertible notes issued to David Reed on 21 November 2013 were varied. The terms of the convertible notes are as follows:

Term:	22 November 2015
Number of notes:	2,000,000
Face value:	$1
Coupon rate:	11% per annum (previously floating rate that is 3% above the rate paid by noteholder under the noteholder's external financing arrangements). Interest is payable monthly in arrears.
Conversion price:	$0.04 (previously $0.03)
Conversion date:	Any time prior to the redemption date, being 22 November 2015.

The 2 million convertible notes may be converted into 50,000,000 fully paid ordinary shares.

Dividends

No dividends were paid, proposed or declared during the half year to 31 December 2014 (2013: Nil).

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,

Christopher Reed
Managing Director
Perth, 11 March 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Neometals Ltd
Level 1
672 Murray Street
West Perth WA 6005

11 March 2015

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 2014, 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

M. Gover

Mark Gover
Partner
Chartered Accountants

Deloitte.

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

Report on the Half-Year Financial Report

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 2014, 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 as set out on pages 10 to 21.

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 2014 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.

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 2014 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*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of $3,604,565 and experienced net cash outflows from operating and investing activities of $2,763,261 during half-year ended 31 December 2014. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Gover

Mark Gover
Partner
Chartered Accountants
Perth, 11 March 2015

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

Christopher Reed
Managing Director
11 March 2015

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2014

	Note	31 Dec 2014 $	31 Dec 2013 $
Continuing operations			
Revenue		207,455	7,725,495
Cost of sales		(80,278)	(9,898,030)
Gross profit/(loss)		127,177	(2,172,535)
Other income		330,262	270,534
Administration expenses		(687,471)	(318,487)
Employee expenses		(853,307)	(929,611)
Finance costs		(249,986)	(566,560)
Occupancy expenses		(153,710)	(190,064)
Other expenses		(684,773)	(276,373)
Impairment of non-current assets	2	(1,432,757)	(977,282)
Loss on deconsolidation	8	-	(11,971,580)
Loss before income tax		(3,604,565)	(17,131,958)
Income tax benefit		-	-
Loss for the period from continuing operations		(3,604,565)	(17,131,958)
Discontinued operations			
Profit/(loss) for the period from discontinued operations, net of income tax	7	-	(1,719,623)
Loss for the period		**(3,604,565)**	**(18,851,581)**
Other comprehensive income, net of income tax			
Total comprehensive income for the period		**(3,604,565)**	**(18,851,581)**
Loss attributable to:			
Owners of the Company		**(3,604,565)**	**(18,851,581)**
Total comprehensive income attributable to:			
Owners of the Company		**(3,604,565)**	**(18,851,581)**
Loss per share			
From continuing operations:			
Basic and diluted (cents per share)		(0.69)	(3.28)
From continuing and discontinued operations:			
Basic and diluted (cents per share)		(0.69)	(3.61)

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 2014

	Note	31 Dec 2014 $	30 Jun 2014 $
Current assets			
Cash and cash equivalents		4,193,556	7,064,800
Trade and other receivables		442,054	771,243
Total current assets		**4,635,610**	**7,836,043**
Non-current assets			
Loan to jointly controlled entity		1,122,705	1,042,617
Property, plant and equipment	4	239,098	205,244
Exploration and evaluation expenditure		10,270,079	10,761,411
Investment in jointly controlled entity		1,453,421	1,495,399
Other financial assets		6,155,001	6,135,000
Total non-current assets		**19,240,304**	**19,639,671**
Total assets		**23,875,914**	**27,475,714**
Current liabilities			
Trade and other payables		505,038	159,665
Borrowings	5	1,866,724	1,926,998
Provisions		1,162,651	1,206,300
Total current liabilities		**3,534,413**	**3,292,963**
Non-current liabilities			
Borrowings	5	46,234	-
Provisions		441,323	499,151
Total non-current liabilities		**487,557**	**499,151**
Total liabilities		**4,021,970**	**3,792,114**
Net assets		**19,853,944**	**23,683,600**
Equity			
Issued capital	6	157,860,130	158,292,130
Reserves		5,544,752	5,337,843
Accumulated losses		(143,550,938)	(139,946,373)
Total equity		**19,853,944**	**23,683,600**

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

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Condensed consolidated statement of changes in equity

for the Half-Year ended 31 December 2014

	Issued Capital $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance as at 1/7/13	**158,046,134**	**-**	**5,574,092**	**(123,279,947)**	**40,340,279**
Loss for the period	-	-	-	(18,851,581)	(18,851,581)
Total comprehensive income for the period	-	-	-	(18,851,581)	(18,851,581)
Recognition of share-based payments	250,646	-	(429,267)	-	(178,621)
Recognition of convertible note equity (see Note 5)	-	158,629	-	-	158,629
Issue of share capital	-	-	-	-	-
Share issue costs, net of tax	(4,650)	-	-	-	(4,650)
Balance at 31/12/13	**158,292,130**	**158,629**	**5,144,825**	**(142,131,528)**	**21,464,056**
Balance as at 1/7/14	158,292,130	158,629	5,179,214	(139,946,373)	23,683,600
Loss for the period	-	-	-	(3,604,565)	(3,604,565)
Total comprehensive income for the period	-	-	-	(3,604,565)	(3,604,565)
Recognition of share-based payments	-	-	65,190	-	65,190
Recognition of convertible note equity (see Note 5)	-	141,719	-	-	141,719
Recognition of share buy back	(432,000)	-	-	-	(432,000)
Issue of share capital	-	-	-	-	-
Share issue costs, net of tax	-	-	-	-	-
Balance at 31/12/14	**157,860,130**	**300,348**	**5,244,404**	**(143,550,938)**	**19,853,944**

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 2014

	Note	31 Dec 2014 $	31 Dec 2013 $
Cash flows from operating activities			
Receipts from customers		373,121	10,935,660
Payments to suppliers and employees		(1,988,569)	(17,714,734)
Net cash used in operating activities		(1,615,448)	(6,779,074)
Cash flows from investing activities			
Exploration and evaluation costs		(1,275,089)	(1,044,615)
Payment for property, plant & equipment		(871)	(16,007)
Proceeds from sale of Nimbus royalty		-	185,107
Interest received		148,147	166,371
Transfer from restricted deposits		-	2,700,000
Purchase of financial assets		(20,000)	-
Net cash used in investing activities		(1,147,813)	1,990,856
Cash flows from financing activities			
Interest paid		(95,743)	(78,746)
Proceeds from borrowings	5	-	3,000,000
Repayment of borrowings		(12,240)	(1,390,809)
Net cash provided by/(used in) financing activities		(107,983)	1,530,445
Net increase in cash and cash equivalents		(2,871,244)	(3,257,773)
Cash and cash equivalents at the beginning of the period		7,064,800	7,214,138
Cash and cash equivalents at the end of the period		4,193,556	3,956,365

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 2014 except for the impact of Standards and Interpretations described below. 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.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- **AASB 1031 '***Materiality' (2013)*
- **AASB 2012-3 '***Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'*
- **AASB 2013-3 '***Amendments to AASB 136 Recoverable Amount Disclosures for Non Financial Assets'*
- **AASB 2013-4 '***Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'*
- **AASB 2013-5 '***Amendments to Australian Accounting Standards –Investment Entities'*
- **AASB 2013-9 '***Amendments to Australian Accounting Standards –Part B: Materiality'*
- **AASB 2014-1 '***Amendments to Australian Accounting Standards'*
    - Part A: '*Annual Improvements 2010-2012 and 2011-2013 Cycles*'
    - Part B: *'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119')'*
    - Part C: *'Materiality'*

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the amounts reported for the current or prior half years for the Group.

Going Concern Assumption

The half year financial report for Neometals Ltd has been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax of $3,604,565 (December 2013 Loss: $18,851,581) and had net cash outflows from operating and investing activities of $2,763,261 for the half year ended 31 December 2014 (December 2013: outflow of $4,788,218). At 31 December 2014 the Consolidated Entity had net current assets of $1,101,197 (June 2014: net current assets of $4,543,080).

The Directors have reviewed the Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis remains appropriate given the following:

(i) The Consolidated Entity is required to repay the remaining $2,000,000 convertible note to interests associated with the non-executive chairman, David Reed by 22 November 2015 unless previously converted to equity at a conversion price of $0.04 (50,000,000 ordinary shares). The Company believes there to be a reasonable prospect that the convertible notes will be converted or refinanced by their due redemption date;

(ii) The Directors are progressing towards development decisions on Neometals core projects, with a view to entering into binding agreements in the next 12 months. Whilst a binding proposal is yet to emerge, the Directors are focusing on securing an offtake and equity participant as soon as possible;

(iii) The directors have identified other non-core assets which are intended to be disposed of, with completion expected to occur progressively over the next 12 months from the date of signing the financial report. There exists a high level of uncertainty with respect to the timing and quantum of proceeds that may be realised as a result of these proposed asset sales;

(iv) Should it be required, the Consolidated Entity has the ability to seek to raise additional funds through the issue of shares or other securities; and

(v) The directors have reviewed the amounts and timing of expenditure required to execute the Consolidated Entity's business strategy, and the funds required in order for it to prudently commit to certain work programs. Should the Consolidated Entity be unable to raise the funds required to execute tasks in the forecast timeframes, management would be required to implement a revised strategy of reduced activity and expenditure until such time as funds become available.

Should the Consolidated Entity be unable to secure adequate additional funding from the sources referred to in either one or a combination of (i), (ii), (iii) or (iv) above by October 2015, and should the Consolidated Entity not be able to contain its expenditure commitments within its available cash flows and liquid reserves, there is a material uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity be unable to continue as a going concern.

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 two reportable operating segments comprised of the Company's titanium and vanadium and 'other segments'. Titanium and vanadium 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 2014

Reportable operating segments	Titanium & Vanadium $	Other $	Unallocated $	Total $
Revenue from external customers	207,455	-	-	207,455
Cost of sales	(80,278)	-	-	(80,278)
Gross profit/(loss)	**127,177**	**-**	**-**	**127,177**
Other income	-	5	330,257	330,262
Total income	**207,455**	**5**	**330,257**	**537,717**
Impairment	-	(1,432,757)	-	(1,432,757)
Depreciation and amortisation	-	-	(21,602)	(21,602)
Other Expenses	(767,392)	(6,457)	(1,833,797)	(2,607,646)
Total expenses	**(847,669)**	**(1,439,214)**	**(1,855,399)**	**(4,142,282)**
Consolidated Profit/(loss) before tax	**(640,214)**	**(1,439,209)**	**(1,525,142)**	**(3,604,565)**
Income tax benefit	**-**	**-**	**-**	**-**
Consolidated loss after tax	**(640,214)**	**(1,439,209)**	**(1,525,142)**	**(3,604,565)**

As at 31 December 2014

Reportable operating segments	Titanium & Vanadium $	Other $	Unallocated $	Total $
Increase/(decrease) in non-current assets	69,575	891,850	(360,036)	601,389
Impairment	-	(1,432,757)		(1,432,757)
Consolidated movement in non-current assets	69,575	(540,907)	(360,036)	(831,368)
Total segment assets	10,902,054	137,340	12,836,520	23,875,914
Assets classified as held for sale	-	-	-	-
Consolidated total assets	**10,902,054**	**137,340**	**12,836,520**	**23,875,914**

For the six months ended 31 December 2013

Reportable operating segments	Gold $	Titanium & Vanadium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	7,570,850	154,645	-	-	7,725,495
Cost of sales	(9,849,479)	(48,551)	-	-	(9,898,030)
Gross profit/(loss)	**(2,278,629)**	**106,094**	**-**	**-**	**(2,172,535)**
Other income	1,606	-	(101,401)	370,328	270,534
Impairment	-	(575,143)	(402,139)	-	(977,282)
Depreciation and amortisation	-	-	-	(80,091)	(80,091)
Total income	7,572,456	154,645	(101,401)	370,328	7,996,029
Total expenses	(10,127,666)	(1,067,472)	(278,822)	(1,682,446)	(13,156,407)
Loss on deconsolidation	**(11,971,580)**				**(11,971,580)**
Profit/(loss) before tax	**14,526,790)**	**(912,827)**	**(380,223)**	**(1,312,118)**	**(17,131,958)**
Discontinued operations					
Total revenue	598	-	-	-	598
Total expenses	(1,720,221)	-	-	-	(1,720,221)
Loss before tax	**(1,719,623)**	**-**	**-**	**-**	**(1,719,623)**
Consolidated loss before tax					
Income tax benefit	-	-	-	-	-
Consolidated loss after tax	**(16,246,413)**	**(912,827)**	**(380,223)**	**(1,312,118)**	**(18,851,581)**

As at 30 June 2014

Reportable operating segments	Gold $	Titanium & Vanadium $	Other $	Unallocated $	Total $
Movement in non-current assets	(28,409,998)	211,031	580,906	(3,010,301)	(30,628,362)
Impairment	-	-	-	-	-
Re-classification as held for sale					
Consolidated additions to non-current assets	(28,409,998)	211,031	580,906	(3,010,301)	(30,628,362)
Total segment assets	-	10,475,917	697,330	16,302,467	27,475,714
Assets classified as held for sale	-	-			
Consolidated total assets	**-**	**10,475,917**	**697,330**	**16,302,467**	**27,475,714**

3. Dividends

No dividends were paid, proposed or declared during the half-years to 31 December 2014 and 31 December 2013.

4. Property, plant and equipment

	31 Dec 2014 $	30 Jun 2014 $
Opening balance	457,544	11,961,737
Disposal on de-consolidation	-	(9,942,634)
Additions	53,588	63,343
Disposals	(1,283)	(1,620,810)
Transfers From WIP	2,152	(4,092)
	512,001	457,544
Less accumulated depreciation	(272,903)	(252,300)
	239,098	**205,244**

5. Borrowings

As a result and following shareholder approval at the AGM held on 28 November 2014, the terms of 2 million convertible notes issued to David Reed on 21 November 2013 were varied. The terms of the convertible notes are as follows:

Term:	22 November 2015
Number of notes:	2,000,000
Face value:	$1
Coupon rate:	11% per annum (previously floating rate that is 3% above the rate paid by noteholder under the noteholder's external financing arrangements). Interest is payable monthly in arrears.
Conversion price:	$0.04 (previously $0.03)
Conversion date:	Any time prior to the redemption date, being 22 November 2015.

In accordance with Accounting Standards the equity portion of the convertible note has been recognised.

6. Share capital

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

6 months to 31 December 2014:

There were no share issues during the half year. On 14 August 2014 the Company completed the selective share buy-back of 24 million shares held by Metals X Limited that was provided as consideration for the purchase of the Meekatharra Gold Project.

6 months to 31 December 2013:

On 9 October 2013 the Company granted 3,310,370 performance rights to Chris Reed which may vest on 30 June 2014 or 31 December 2014 and a further 1,098,369 to an eligible employee which may vest on 30 June 2016 or 31 December 2016 on the satisfaction of certain performance conditions based on the Company's total shareholder return performance and percentile ranking relative to comparator companies.

In addition during the half year 2,644,231 ordinary shares were issued to eligible employees following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan of which 1,834,000 were issued to executive directors of the company.

As noted above, during the 6 months to 31 December 2014 no share options over the company's ordinary shares were issued during the reporting period (2013: Nil).

9,394,155 performance rights were issued to Neometals employees during the current half-year period (2013: 4,408,739) for nil cash consideration. These performance rights may result in the issue of a total of 9,394,155 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

7. Discontinued operations

Half year ended 31 December 2013

Sand Queen Gold Mines Pty Ltd, a wholly owned subsidiary of Neometals was classified as held-for-sale under *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* for the half year ended 31 December 2013.

The profit / (loss) for the period from the discontinued operations is analysed as follows:

	31 Dec 2014 $	31 Dec 2013 $
Revenue	-	598
Impairment of non-current assets	-	(1,714,082)
Operating expenses	-	(6,139)
Loss before income tax	-	(1,719,623)
Income tax expense	-	-
Loss after income tax for the period	-	(1,719,623)

The Comet Vale Gold Project, situated near Kalgoorlie, Western Australia, was actively marketed for sale since January 2012. A sale of the subsidiary Sand Queen Gold Mines Pty Ltd that owned the Comet Vale Gold Project was concluded on 27 June 2014.

There are no discontinued operations as at 31 December 2014.

8. Deconsolidation of subsidiary

Half year ended 31 December 2013

Deconsolidation of GMK Exploration Pty Ltd (GMK)

As a result of the appointment of Administrators to GMK, the subsidiary that operated the Meekatharra Gold project, Neometals has deconsolidated GMK at the date of “loss of control”, being 16 August 2013.

The table below details the loss recognised on the deconsolidation of GMK:

	16 Aug 2013 $
Net assets of GMK de-recognised on deconsolidation	(11,971,581)
Investment in subsidiary entity recognised on deconsolidation	1
Loss on disposal	**(11,971,580)**

Reconciliation of GMK net assets de-recognised on deconsolidation:

	$
Current Assets	9,697,979
Non-current assets	26,312,977
Total Assets	36,010,956
Current liabilities	(14,696,939)
Non-current liabilities	(9,342,436)
Total Liabilities	(24,039,375)
Net Assets	11,971,581

9. 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 2014 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 2014 and 31 December 2013, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

10. Events subsequent to balance date

On 22 January 2015 the Company announced its 70% owned jointly controlled entity, Reed Industrial Minerals Pty Ltd (“RIM”), had entered into a binding Memorandum of Understanding (“MoU”) with Metals X Ltd (ASX:MLX)(“Metals X”) and its relevant subsidiaries, to lease the lithium mining rights over a portion of the Hampton Area Location 53 which adjoins the Mt Marion Lithium Project and to purchase an adjoining mining lease and infrastructure (the “Agreement”). The MoU contemplates formal agreements to be drafted and executed in due course. At which time the Company will be required to contribute $175,000, its 70% share of the purchase consideration payable for the purchase of the mining lease and infrastructure.