Neometals Ltd

A.C.N. 099 116 631

Half-Year Report

for the 6 months ended 31 December 2015

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 2015. 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 progressing its advanced minerals projects, Mt Marion and Barrambie, and technology developments associated with its lithium and titanium interests.

MT MARION LITHIUM PROJECT

(Neometals 45%, Mineral Resources Ltd 30% Ganfeng Lithium Co Ltd 25%)

During the period Reed Industrial Minerals Pty Ltd (**RIM**) continued to advance the Mt Marion Lithium concentrate operation (**Mt Marion**) with the commencement of construction following the positive final investment decision and financial completion of offtake and equity investment of Ganfeng Lithium Co., Ltd, China's leading lithium producer.

As at 31 December 2015 RIM was owned 45%:30% and :25%respectively by Neometals Ltd (**Neometals**), leading mining services provider Mineral Resources Limited (**MRL**) through their subsidiary, Process Minerals International Pty Ltd (**PMI**) and Ganfeng.

PMI commenced the construction phase of Mt Marion in the December 2015 quarter. Construction progresses on schedule in all material respects with first production expected by mid-2016 from the Project, which is designed to produce more than 200,000tpa of chemical grade spodumene concentrate.

Mt Marion is a globally significant lithium deposit, containing total Indicated and Inferred Mineral Resources of 23.24Mt at 1.39% Li2O and 1.43% Fe2O3, at a cut-off grade of 0% Li2O (Appendix B). The project has a granted Mining Proposal and received its Works Approval for plant construction, on the 18th of December 2014.

Figure 1. Project milestones

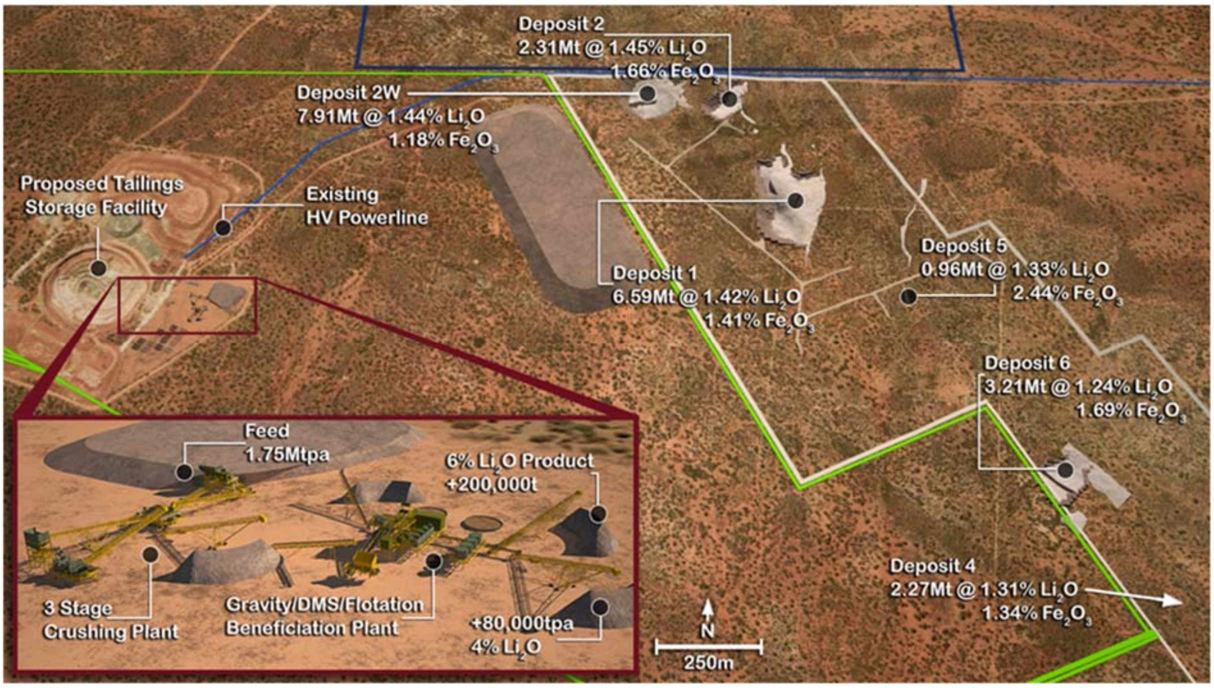

Figure 2. Project layout

Please also refer to Events subsequent to Balance Date note 12.

Resource Extension and In-fill drilling

During the December 2015 quarter a strategic resource expansion drill program commenced in which up to 335 reverse circulation (RC) holes and 30 diamond holes will be drilled. The drill program is expected to be completed in the June quarter 2016, with an upgraded Mineral Resource Estimate and Ore Reserve planned to be completed in the June and September 2016 quarters respectively.

The RC and diamond drilling program is aimed at extending the open pitable minelife through the extension to and in-fill drilling of existing deposits, as well as the definition of new resources from outcropping pegmatite prospects on lithium rights acquired from Metals X Ltd in July 2015.

Figure 3. Exploration milestones

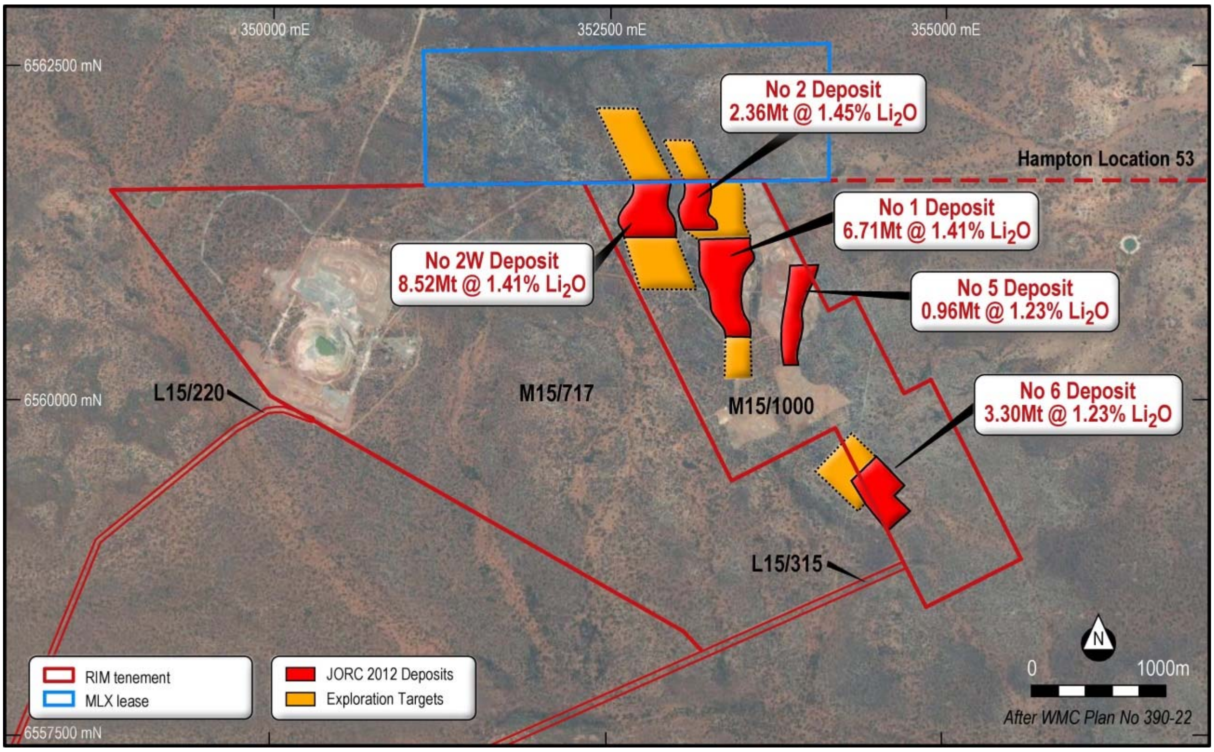

Figure 4. Mineral Resource Estimate and Exploration Target outlines over tenure

LITHIUM HYDROXIDE PROJECT (ELi Process)

(Neometals 70%, Mineral Resources Limited 30%)

In September 2015 all downstream lithium processing technology and patents were transferred from RIM to a dedicated vehicle, Reed Advanced Materials Pty Ltd ("RAM"). On 6 October 2015 Neometals and PMI entered into a shareholders agreement for the purposes of establishing and operating a joint venture arrangement through RAM to operate a business of researching, designing and developing the capabilities and technology relating to the processing of lithium hydroxide. Following the execution of the shareholders agreement RAM was held 70:30 between Neometals and PMI. The technology will use the brand name ELi. During the later part of 2015 a Definitive Feasibility Study ("DFS") commenced for the commercialisation of RAM's ELi downstream processing technology in a 15,000 – 20,000tpa LCE lithium hydroxide plant.

Definitive Feasibility Study

The DFS is supported by an Engineering Cost Study ("ECS") to give capex and opex estimates to the required level of accuracy. M+W (Singapore) commenced work on the ECS component of the DFS during the period. The DFS is on track for completion by the end of Q2 2016.

Lithium market

One of the world's leading lithium producers has announced that effective 1 October 2015 its lithium compound prices will be increased by 15%. Market growth is underpinned by the increasing market penetration of renewable energy storage, and electric/ 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$9,000 and US$7,000 per tonne, respectively, on a CIF basis to Europe and US respectively (source: Industrial Minerals 21 January 2016).

The price of chemical grade lithium concentrates (6% Li2O) are US$440 per tonne on a CIF basis to China. (source: Ganfeng 27 January 2016).

BARRAMBIE TITANIUM PROJECT

(Neometals 100%)

During the period the Company announced the results of 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.

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.

Project Development and Corporate Strategy

Following the robust Pre-Feasibility Study results, a short program of optimisation testwork has been approved to assess the many opportunities which have been identified to improve the economics of the project via optimisation of the flow sheet.

As a next step, Neometals plans to undertake a full pilot plant evaluation of the proprietary hydrometallurgical technology, with this work planned to commence in the second half of the current fiscal year. Subject to the success of the full pilot scale test work it is Neometals' intention to proceed to Feasibility Study (FS) in 2017.

The currently preferred project development strategy is to advance the project to a suitable stage of evaluation to obtain a titanium industry partner who would fund and operate the development of the Barrambie project on a shared equity or joint-venture basis.

Exclusive Licence of Proprietary Technology

In December 2015 the Company entered into a binding term sheet for a global exclusive (except Russia and China) licence of proprietary technology currently being evaluated for its Barrambie Titanium Project. The Company through a wholly owned subsidiary, already has a non-exclusive licence to use the technology for its Barrambie Titanium Project (as announced on 4 December 2013).

Since 2012 NMT has tested the process at increasing scale, and completed a continuous, semi-pilot scale as part of its pre-feasibility study program. Through this extensive test work it has become apparent that this patent-pending, 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.

Under the arrangements contemplated by the term sheet, NMT will be responsible for managing the commercialisation and development of the technology, and all revenue received from the commercialisation of the technology will be split 25:75 between NMT and the owners of the technology.

NMT is in discussions with a global EPC engineering company with a view to forming a strategic alliance agreement to provide a platform for the commercialisation of the technology, at no up-front cost to NMT. NMT's strategy is to develop and hold a portfolio of royalty interests from sub-licencing the technology in addition to deploying it for the Barrambie Project.

The current non-exclusive licence for Barrambie will be transferred into the new arrangement effectively reducing the technology royalty cost to the project from 5 to 3.75%. NMT has made a US$250,000 upfront payment to the technology owners, to be deducted from future royalty payments.

The execution of formal agreements remains subject to a number of conditions, including completion of due diligence satisfactory to NMT, and the restructure of the current ownership of the technology.

Titanium and Vanadium market

The majority of titanium global 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$2,200 per tonne on a CIF basis to USA (source: Industrial Minerals 21 January 2016).

FORRESTANIA NICKEL PROJECT

(Neometals 80%, Hannans Reward 20% free carried to DTM)

During the period, the Company completed a ground geophysical survey (IP) in the southern part of the Project tenure, some 7km north of the Flying Fox nickel sulphide mine in the Yilgarn region of Western Australia. The Company has approved an augur drilling program to identify geochemical base metal and fertility indicator element anomalies. Coincident geochemical and geophysical anomalies will be tested with diamond drilling subject to the receipt of board and government approvals.

Please also refer to Events Subsequent to Balance Date Note 12 to accounts.

CORPORATE

Director Changes

At the Company's AGM held on 27 November 2015 the Company confirmed the appointment of Mr Steven Cole as Chairman as part of a broader plan to strengthen the Board as the company commenced the next phase of its evolution.

Mr Cole, who joined the Board in 2008, succeeded long-serving Chairman Mr David Reed, who remains fully engaged on the board in a Non-Executive Director position.

Finances

On 18 November 2015 Mr David Reed elected to convert the 2,000,000 Convertible Notes he held into fully paid ordinary shares in the Company. The conversion price under the Convertible Notes terms was $0.04 per share resulting in the issue of 50,000,000 fully paid ordinary shares in the Company.

The total number of shares on issue at 31 December 2015 was 559,039,983.

Dividends

No dividends were paid or declared during the half year to 31 December 2015 (2014: Nil).

MINERAL RESOURCE ESTIMATES

Mt Marion Resource Table for 0% Li2O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li_2O (%)	Fe_2O_3 (%)
Indicated	10.05	1.45	1.33
Inferred	13.19	1.34	1.5
Total	23.24	1.39	1.43

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.

Barrambie Mineral Resource Estimate for 15% TiO2 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 Mt Marion Lithium Project and Barrambie Titanium Project are extracted from the ASX Announcements entitled " Mt Marion – New Mineral Resource Estimate and Exploration Target" lodged 21 September 2015 , and "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 8 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, 10 March 2016

Deloitte.

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

10 March 2016

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 2015, 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 2015, 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 11 to 23.

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 2015 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 2015 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

M. Gover

Mark Gover
Partner
Chartered Accountants
Perth, 10 March 2016

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
10 March 2016

Condensed consolidated statement of profit or loss and other comprehensive income

for the half year ended 31 December 2015

	Note	31 Dec 2015 $	31 Dec 2014 $
Continuing operations			
Revenue		-	207,455
Cost of sales		-	(80,278)
Gross profit/(loss)		-	127,177
Forex gain/(loss)		(371,555)	-
Other income		175,217	330,262
Administration expenses		(1,027,978)	(687,471)
Employee expenses		(741,531)	(853,307)
Finance costs		(217,850)	(249,986)
Occupancy expenses		(106,798)	(153,710)
Other expenses		113,393	(684,773)
Impairment of non-current assets		(5,029)	(1,432,757)
Profit on investment in Joint Venture	8	25,963,037	-
Share of profit (loss) joint arrangement		(106,871)	-
Profit on deconsolidation	7	188,806	-
Profit (Loss) before income tax		23,862,841	(3,604,565)
Income tax expense		-	-
Profit(Loss) for the period from continuing operations		23,862,841	(3,604,565)
Other comprehensive income, net of income tax		**-**	**-**
Total comprehensive income for the period		**23,862,841**	**(3,604,565)**
Profit (Loss) attributable to:			
Owners of the Company		**23,862,841**	**(3,604,565)**
Total comprehensive income attributable to:			
Owners of the Company		**23,862,841**	**(3,604,565)**
Profit (Loss) per share			
From continuing operations:			
Basic and diluted (cents per share)		4.53	(0.69)
From continuing and discontinued operations:			
Basic and diluted (cents per share)		4.53	(0.69)

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 2015

	Note	31 Dec 2015 $	30 Jun 2015 $
Current assets			
Cash and cash equivalents		26,038,346	1,442,648
Trade and other receivables		549,438	630,205
Other financial assets		-	1,000,000
Total current assets		**26,587,784**	**3,072,853**
Non-current assets			
Loan to joint venture		427,024	1,681,952
Property, plant and equipment	4	249,837	250,906
Exploration and evaluation expenditure		11,825,535	11,362,044
Investment in jointly controlled entities		691,467	1,099,159
Other financial assets		5,001,361	5,095,000
Other non-current assets		345,018	-
Total non-current assets		**18,540,242**	**19,489,061**
Total assets		**45,128,026**	**22,561,914**
Current liabilities			
Trade and other payables		45,444	894,708
Borrowings	5	12,252	1,931,204
Provisions		1,117,442	1,164,587
Total current liabilities		**1,175,138**	**3,990,499**
Non-current liabilities			
Borrowings	5	33,935	40,067
Provisions		4,774,991	5,311,608
Total non-current liabilities		**4,808,926**	**5,351,675**
Total liabilities		**5,984,064**	**9,342,174**
Net assets		**39,143,962**	**13,219,740**
Equity			
Issued capital	6	160,042,225	157,910,617
Reserves		5,499,674	5,569,901
Accumulated losses		(126,397,937)	(150,260,778)
Total equity		**39,143,962**	**13,219,740**

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 2015

	Issued Capital $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
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&6)	-	141,720	-	-	141,720
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**	**300,349**	**5,244,404**	**(143,550,938)**	**19,853,944**
Balance as at 1/7/15	157,910,617	300,349	5,269,552	(150,260,778)	13,219,740
Profit (Loss) for the period	-	-	-	23,862,841	23,862,841
Total comprehensive income for the period	-	-	-	23,862,841	23,862,841
Recognition of share-based payments	-	-	66,898	-	66,898
Recognition of convertible note equity (see Note 5&6)	2,000,000	-	-	-	2,000,000
Recognition of issue of shares under the employee rights plan	137,125	-	(137,125)	-	-
Issue of share capital	-	-	-	-	-
Share issue costs, net of tax	(5,517)	-	-	-	(5,517)
Balance at 31/12/15	**160,042,225**	**300,349**	**5,199,325**	**(126,397,937)**	**39,143,962**

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 2015

	Note	31 Dec 2015 $	31 Dec 2014 $
Cash flows from operating activities			
Receipts from customers		300,631	373,121
Payments to suppliers and employees		(3,193,929)	(1,988,569)
Net cash used in operating activities		(2,893,298)	(1,615,448)
Cash flows from investing activities			
Exploration and evaluation costs		(681,165)	(1,275,089)
Payment for property, plant & equipment		(16,648)	(871)
Proceeds from sale of interest in Joint Venture	8	26,287,498	-
Proceeds from Loan to Jointly Controlled Entities		1,527,392	-
Interest received		36,704	148,147
Transfer from restricted deposits		1,070,000	-
Purchase of other assets		(345,018)	(20,000)
Net cash used in investing activities		27,878,763	(1,147,813)
Cash flows from financing activities			
Interest paid		(38,798)	(95,743)
Payment for share issue costs		(5,517)	-
Proceeds from repayment of borrowings		26,103	(12,240)
Net cash provided by/(used in) financing activities		(18,212)	(107,983)
Net increase in cash and cash equivalents		24,967,253	(2,871,244)
Cash and cash equivalents at the beginning of the period		1,442,648	7,064,800
Effects of exchange rate changes on the balance of cash held in foreign currencies		(371,555)	-
Cash and cash equivalents at the end of the period		26,038,346	4,193,556

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

Note	Contents
1	Significant accounting policies
2	Segment information
3	Dividends
4	Property, plant and equipment
5	Borrowings
6	Share capital
7	Deconsolidation of subsidiary
8	Investment in Joint Venture
9	Financial instruments
10	Commitments for expenditure
11	Contingent Liability
12	Events subsequent to balance date

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 2015 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 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'*
- **AASB 2014-2 '***Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements'*
- **AASB 2015-3 '***Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'*
- **AASB 2015-4 '***Amendments to Australian Accounting Standards -Financial Reporting Requirements for Australian Groups with a Foreign Parent'*

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.

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 three reportable operating segments comprised of the Company's lithium, titanium and vanadium and 'other segments'. The lithium, 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 2015

Reportable operating segments	Lithium $	Titanium & Vanadium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit/(loss)	**-**	**-**	**-**	**-**	**-**
Other income	-	-	1	175,216	175,217
Forex Gain / (Loss)	-	-	-	(371,555)	(371,555)
General Administration Expenses	(31,655)	(70,942)	(1,648)	(775,210)	(879,455)
Employment Expenses	-	-	-	(741,531)	(741,531)
Other expenses	(106,871)	121,719	(9,736)	(476,790)	(471,678)
Profit on sale of investment in Joint Venture	25,963,037	-	-	-	25,963,037
Profit on deconsolidation	188,806	-	-	-	188,806
Consolidated profit(loss) before tax	**26,013,317**	**50,777**	**(11,383)**	**(2,189,870)**	**23,862,841**

As at 31 December 2015

Reportable operating segments	Lithium $	Titanium & Vanadium $	Other $	Unallocated $	Total $
Movement in non-current assets	(1,719,780)	304,379	551,592	(79,980)	(943,789)
Impairment	-	-	(5,029)	-	(5,029)
Consolidated additions to non-current assets	(1,719,780)	304,379	546,563	(79,980)	(948,818)
Consolidated total assets	**1,094,851**	**11,703,472**	**691,040**	**31,638,662**	**45,128,026**

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)**

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**

3. Dividends

No dividends were paid, proposed or declared during the half-years to 31 December 2015 and 31 December 2014.

4. Property, plant and equipment

	31 Dec 2015 $	30 Jun 2015 $
Opening balance	544,394	457,544
Disposal on de-consolidation	(33,520)	-
Additions	47,306	95,535
Disposals	-	(6,917)
Transfers From WIP	(2,437)	(1,768)
	555,743	544,394
Less accumulated depreciation	(305,906)	(293,488)
	249,837	**250,906**

5. Borrowings

Following shareholder approval at the AGM held on 28 November 2014, the terms of 2 million convertible notes issued to the Chairman Mr David Reed on 21 November 2013 were varied. The terms of the varied 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.

On 18 November 2015 Mr David Reed elected to convert the 2 million convertible notes into 50 million ordinary shares in the company. The remaining borrowings relate to a motor vehicle hire purchase agreement.

6. Share capital

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

6 months to 31 December 2015:

As outlined above 50 million shares were issued on the conversion of the convertible notes on 18 November 2015.

In addition during the half year 6,827,266 ordinary shares were issued to eligible employees following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan of which 6,580,916 were issued to the CEO of the company.

During the 6 months to 31 December 2015 no share options over the company's ordinary shares were issued during the reporting period (2014: Nil).

2,188,564 performance rights were issued to Neometals employees during the current half-year period (2014: 9,394,155) for nil cash consideration. These performance rights may result in the issue of a total of 2,188,564 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

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.

During the half year to 31 December 2014, 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.

7. Deconsolidation of Subsidiary

Half year ended 31 December 2015

Deconsolidation of Reed Advanced Materials Pty Ltd (RAM)

On 6 October 2015 the Company entered into a shareholders agreement with PMI for the purposes of establishing and operating a joint venture arrangement through RAM to operate a business of researching, designing and developing the capabilities and technology relating to the processing of lithium hydroxide. Following the execution of the shareholders agreement RAM was held 70:30 between Neometals and PMI when previously RAM was a wholly owned subsidiary of the Neometals.

The table below details the profit recognised on the deconsolidation of RAM:

	6 October 2015 $
Net liabilities of RAM de-recognised on deconsolidation	188,805
Investment in subsidiary entity recognised on deconsolidation	1
Profit on disposal	**188,806**

Reconciliation of RAM net liabilities de-recognised on deconsolidation:

	$
Current Assets	9,638
Non-current assets	40,700
Total Assets	50,338
Current liabilities	(239,143)
Non-current liabilities	-
Total Liabilities	(239,143)
Net Assets / (liabilities)	(188,805)

8. Investment in Joint Venture

On 16 July 2015 Neometals and MIN (through its subsidiary PMI) announced that RIM has entered into a conditional Memorandum of Understanding ("MoU") with China's second largest lithium producer Ganfeng. The key commercial terms of the MoU were as follows:

(i) Ganfeng to acquire an up-front 25% shareholding in RIM by way of share sale and equity subscription leaving Neometals with 45% of RIM and MIN with 30% of RIM;
(ii) PMI and Gangeng to be granted options by Neometals pursuant to which they can elect to increase their respective shareholdings in RIM to 43.1% by around Q4 of 2016 by way of share purchase from Neometals;
(iii) MIN building, owning and operating the Mount Marion mining, crushing and beneficiation infrastructure and equipment pursuant to a fixed price mining services contract;
(iv) Ganfeng entering into a long-term offtake for 100% of the spodumene produced from the Mt Marion Lithium Project at benchmarked market prices subject to an agreed price floor. Under the agreement, from year 4 onwards Neometals and PMI reserve the right to take their percentage shareholding in RIM entitlements of production should they so elect; and
(v) prudential corporate governance arrangements for RIM between Ganfeng and RIM's existing shareholders with equal board representation for all shareholders.

The parties entered into formal agreements on 21 September 2015 and completion took place on 25 September 2015 that effected the 25% sell down by Neometals. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	25 September 2015 $
Proceeds of disposal	26,287,498
Less carrying amount of investment	(324,461)
Profit on disposal	**25,963,037**

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 2015 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 2015 and 31 December 2014, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

10. Commitments for expenditure

(a) Exploration and evaluation and Joint Venture expenditure commitments

As referred to in Review of Operations section of this report PMI has commenced the construction phase of Mt Marion in the December 2015 quarter. Construction is on schedule in all material respectswith first production expected by mid-2016, at which time the sunk costs are to be paid to the mining contractor - estimated to total $4.4 million. In addition, the joint venture has committed to a drilling and exploration program totalling around $3.7 million. Neometals is required to remit its equity share of these commitments by way of loan to the joint venture which at 31 December 2015 was 45% but moving to 26.9% on or before 31 March 2016 in accordance with the exercise by Ganfeng of its option against Neometals to increase its equity holding in RIM to 43.1%.

In addition, the Company together with its joint venture partner MIN, has committed to a Definitive Feasibility Study ("DFS") on its patented ELi Process, to produce 20,000 tonnes per annum of battery-grade Lithium Hydroxide ("LiOH") directly from spodumene (lithium oxide) concentrates. The DFS is expected to cost $1M of which Neometals is required to pay its equity share (70%) of the total cost of the DFS by way of loan to the Joint Venture.

(b) Other

As referred to in Note 11 (i) to the Annual Financial Report for the financial year ended 30 June 2015, 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 $6.0 million (30 June 2014: $6.0 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. This security has been reduced from $6.0 million to $5.0 million during the half year ended 31 December 2015.

11. Contingent Liability Note

At note 31 to the Annual Financial Report for the financial year ended 30 June 2015, the Company advised that it had been named in an action in a foreign court for $480,000. This action has since been resolved at no cost to the company and the action discontinued.

The company has also recently received a claim for an introduction fee in relation to the Ganfeng transaction that took place during the half year ended 31 December 2015. The claim is for $2.3M and an offtake commission of 2% of the free on board price received from Ganfeng for the shipment of spodumene from the Mt Marion project. The Company absolutely denies liability, believes the claim to not have merit and does not expect any material adverse consequences to the company to result. Accordingly, the Directors have not raised a provision in the accounts.

12. Events subsequent to balance date

On 3 February 2016 Neometals and MIN announced the approval of Ganfeng's request to accelerate the exercise of its option to acquire an additional 18.1% of Reed Industrial Minerals Pty Ltd ("RIM") from Neometals, taking Ganfeng's shareholding in RIM to 43.1%. Neometals received 50% of the purchase sum (US$13.575m) on 23 February 2016. The remaining 50% has been remitted to Neometals' lawyers. Completion of the sale and unconditional release of the remaining 50% to Neometals will be effected on (or before) 31 March 2016. MIN continues to hold a call option to acquire up to 13.1% of RIM from Neometals, which would increase MIN's aggregate shareholding to 43.1%. If MIN does not exercise the call option, it may exercise a put option to sell up to 7.24% of RIM to Neometals, decreasing MIN's shareholding to 20.4%. If MIN does not exercise its call option in full, Ganfeng may exercise a call option to acquire the balance from MIN up to a maximum of 5.9%, , which would increase Ganfeng's shareholding to 49%. If MIN does not exercise either option, its shareholding will remain at 30%. Therefore, Neometals may end up with between 13.8% and 34.14% of RIM. The expiry date of MIN's options is linked to certain milestones at RIM's Mt Marion Project, expected to be achieved in the fourth quarter of 2016.

On 23 February 2016 the Company announced that it had approved a capital management strategy, including a return to shareholders and a share buy-back, in light of the abovementioned cash injection, the Company's strong balance sheet and projected future cash flows. The company confirmed that the following would take place:

(i) A 2 cent per share return to shareholders split between capital return (subject to shareholder meeting approval) and unfranked dividend, depending on ATO ruling; and

(ii) On-market share buy-back of up to a maximum of 5% of issued capital (limited to $5 million worth of shares bought back) over 12 months and unmarketable parcel sale facility.

On 4 March 2016 the Company advised it had executed a binding termsheet with Hannans Reward Limited ("Hannans") under which Neometals will divest its Forrestania nickel assets via the sale of the Company's subsidiary company, Reed Exploration Pty Ltd ("REX"). As part of the divestment, Neometals has also agreed to a placement of $250,000 worth of HNR shares at 0.4c per share (approximately 8% of HNR's issued capital). The placement subscription will be eligible for a 1 for 2 free attaching option (exercisable at 0.4c within 2 years).

Under the terms of the transaction for the sale of REX:

1. Hannans will undertake a capital raising of $1.25 million from its shareholders. In addition to its upfront $250,000 subscription, Neometals has agreed to underwrite the last $250,000 of the Hannans' capital raising;
2. Neometals is contributing a maximum of $1.25 million cash, through the placement, underwriting and the cash assets of REX at completion;
3. Neometals will hold approximately 40% of the issued capital in Hannans at completion, on an undiluted basis;
4. Hannans will divest its Swedish projects via an in specie distribution of the shares in its subsidiary company Scandinavian Resources Pty Ltd ("Scandinavian Resources") to shareholders of which Neometals will receive at least 13.5%;
5. Neometals will assist Scandinavian Resources to realise lithium, cobalt and carbon opportunities in Scandinavia through a technical assistance arrangement; and
6. the Hannans board will be re-constituted to comprise of two existing Hannans directors and one director nominated by Neometals.

Completion of the sale of REX is subject to a number of conditions precedent, including due diligence by both parties, execution of binding substantive agreements, completion of the Hannans capital raising, receipt by Hannans of all necessary shareholder approvals and receipt of any necessary regulatory approvals. Neometals will keep the market informed on the progress of the transaction.