Neometals Ltd

A.C.N. 099 116 631

Half-Year Report
for the 6 months ended 31 December 2018

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 2018. 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
Dr N. Streltsova	– Appointed 14 April 2016
Mr D. Ritchie	– Appointed 14 April 2016
Mr L. Guthrie	– Appointed 27 September 2018
Dr J. Purdie	– Appointed 27 September 2018

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 at the Mt Marion Lithium Operation ("**Mt Marion**") was stable during the half year, achieving:

- 1,444k wet metric tonnes ("**wmt"**) ore mined;
- 226k wmt concentrates produced; and
- 185k wmt concentrates shipped

During the half year, RIM shipped concentrates to Ganfeng at pricing linked to international lithium carbonate and hydroxide prices imported into China. The realised price for Mt Marion SC6 during the September 2018 quarter was agreed at US$1,070/dry metric tonne ("**dmt**") CFR China and US$931/dmt CFR China for the December 2018 quarter.

Construction of the additional flotation concentrator circuits to upgrade production to all SC6 concentrate is in progress and on track for completion in the March quarter of 2019. Dry commissioning and water testing of certain circuits has commenced. Steady state operation of the expansion and the achievement of all SC6 product is anticipated in the June quarter of 2019.

In December, the Company entered an agreement to sell its 13.8% shareholding in RIM to Ganfeng Lithium and Mineral Resources (subject to FIRB and Chinese authorities' approvals). Neometals will retain an annual option for life of mine to purchase 57,000t of SC6 concentrates at market-linked prices from February 2020. The transaction is expected to close in early March 2019. Consideration for the transaction is A$103.8M.

LITHIUM HYDROXIDE REFINERY PROJECT
(Neometals Ltd 100%)

During the half year, the Company continued pursuing its integrated lithium chemical production goals. Key activities included:

- Front-End Engineering and Design (''**FEED**'') Study with M+W Group ("**M+W**") in relation to a refinery located in Kalgoorlie;
- Preparation of the application for Works Approval for the refinery;
- Working with the City of Kalgoorlie Boulder ("**CKB**"), pursuant to the memorandum of understanding between the parties, to progress fundamental service agreement terms including provision of access roads, reclaimed water pipeline for the proposed Kalgoorlie Lithium Refinery; and
- Formal offtake/partner selection and funding process with Azure Capital.

The key driver of the refinery is to increase the value of future spodumene concentrates purchased under the Company's Mt Marion Spodumene Concentrate Offtake Option ("**Offtake Option**"). The annual Offtake Option provides a fixed volume of up to 57,000t of spodumene concentrate for conversion into battery grade lithium hydroxide and lithium carbonate for supply to Lithium Ion Battery ("**LiB**") cathode and cell makers. The refinery is designed to produce approximately 10,000tpa of lithium hydroxide equivalent and will require a supplementary spodumene concentrate supply in the order of 20,000tpa to be procured to achieve nameplate capacity.

M+W will deliver the FEED Study for the Company's proposed refinery during the March quarter of 2019. The FEED Study will establish project capital and operating costs to an accuracy of +/- 15-20% to form a sufficient basis from which to assess the project's economic viability. Forward work will include the pilot testing of the new SC6 fine spodumene concentrate from the upgraded floatation circuit at Mt Marion, previous design and testwork was based on the coarse SC6 spodumene concentrate.

The Company will continue its approvals processes for the refinery with an application for Works Approval to be submitted during the March quarter of 2019.

LITHIUM ION BATTERY RECYCLING PROJECT
(Neometals Ltd 100%)

During the half year, Neometals made strong progress on its lithium ion battery ("**LiB**") recycling project. Neometals has broadened its initial focus from consumer electronics batteries cobalt recovery to a multi chemistry flowsheet that can accommodate various types of LiB's. The LiB recycling development follows significant market interaction. The approach that evolved from this interaction aims to recover >90% of contained battery materials (plus to recycle process water and minimise plastic and graphite waste) from both EV and stationary storage batteries (lithium-nickel-manganese-cobalt ("**NMC**") chemistry cathodes) and cobalt-rich (lithium cobalt oxide chemistry cathodes ("**LCO**")) batteries.

Neometals has finalised its mixed feed flowsheet and awarded the pilot plant test-work program ("**Pilot**") to SGS Canada for completion at its Lakefield, Ontario laboratory. The Pilot will demonstrate and showcase Neometals' re-designed and engineered flowsheet and follows on from the historical 'proof of concept' test work.

MT EDWARDS LITHIUM PROJECT
(Neometals Ltd 100% through Mt Edwards Lithium Pty Ltd)

Mt Edwards is located 40km south of Mt Marion and is situated centrally within what is emerging as a highly endowed and globally significant lithium province. The Mt Edwards tenements cover an area of 240 square kilometres and early stage exploration confirms that multiple fertile Lithium-Caesium-Tantalum ("**LCT**") pegmatites are present. The Mt Edwards Project ("**Mt Edwards**") was acquired by Neometals in the June quarter of 2018.

Exploration work at Mt Edwards continues to be guided by a CSA Global ("**CSA**") prospectivity and targeting study. Further pegmatites have been identified, rock chip sampled and submitted for assay.

An 18 hole for 460 metre Air Core drill and sample program was undertaken over Prospecting Licenses P15/5905 & P15/5906 in November 2018. Samples were assayed for Lithium and related elements and gold, no significant results returned.

A 7 RC drill and sample program at Atomic 3 tested for extension to the LCT pegmatites defined and reported in the 2018 September quarter. A total of 620 metres were drilled, confirming that the pegmatites have either been pinched out or are offset by late stage faulting.

A 9-hole RC drill and sample program for 970 metres was conducted on E15/1576 testing stratigraphic targets for gold and nickel. The ultramafic to mafic contact targets were located and tested however no significant results were returned.

ZEOLITE RESEARCH AND DEVELOPMENT PROJECT
(Neometals Ltd 100%)

During the half year, the Company completed further work on its zeolite developments, having proved the concept of synthesizing commercial grade zeolite from spodumene leach residue (lithium hydroxide processing waste) in September 2018. Neometals is pursuing the opportunity to add co-product revenue (and reduce waste disposal) to improve the competitive cost position for the proposed lithium refinery and evaluating the opportunity to fast track as a standalone zeolite operation using third-party feedstock. To this end, Neometals has been working with M+W on an engineering cost study for a zeolite manufacturing facility to be located adjacent to the proposed lithium refinery. Neometals plans to accelerate the development of this opportunity with pilot testing, product testing and a formal feasibility study.

VANADIUM &TITANIUM BUSINESS UNIT

BARRAMBIE VANADIUM & TITANIUM PROJECT
(Neometals 100% through Australian Titanium Pty Ltd)

The Barrambie Vanadium and Titanium Project in Western Australia ("**Barrambie**") is one of the world's largest vanadiferous-titanomagnetite ("**VTM**") resources (280.1Mt at 9.18% TiO_2 and 0.44% V_2O_5), containing the world's second highest-grade titanium resource (53.6Mt at 21.17% TiO_2 and 0.63% V_2O_5) and high-grade vanadium resource (64.9Mt at 0.82% V_2O_5 and 16.9% TiO_2) subsets.

Neometals is undertaking a dual track evaluation of development alternatives for its 100% owned Barrambie Titanium and Vanadium project in Western Australia. Barrambie is located approximately 80km Northwest of Sandstone in Western Australia, has a granted mining permit and has been the subject of approximately AUD$30 million in exploration and evaluation expenditures by the Company since 2003. Barrambie is one of the world's highest-grade hard rock titanium deposits and one of Australia's highest-grade vanadium resources. Optionality afforded by distinct high-grade zones and co-product streams has driven Neometals to consider a staged development approach. The Company is investigating the recovery of titanium slag from direct shipping ores ("**DSO**") being concentrated and smelted in China in parallel with the development of an onsite concentrator and traditional salt roast-leach operation to produce vanadium as a primary product.

On 16 November, Neometals announced the commencement of a formal update ("**Updated DFS**") to the historic Barrambie Vanadium Definitive Feasibility Study ("**DFS**"), based on the development of an open-pit mining operation, onsite concentration and refining (via a traditional salt roast-leach operation). The Updated DFS will be JORC 2012 compliant based on the latest Neometals 2018 Mineral Resource Estimate for a 11,200tpa Vanadium Pentoxide operation.

In preparation for progressing to the FEED study stage (subject to Board approval), drilling commenced to provide samples for the production of large scale (20t) representative samples of concentrates for vendor roasting testwork to provide detailed design information and price quotation.

Approvals and Permits

Given the long Company history with Barrambie, Neometals is in the privileged position of being able to fast track development by relying on significant historical work already completed.

Neometals received environmental approval to develop an open-cut vanadium mine and processing plant at Barrambie in 2012 via Ministerial Statement 911 (the "**Proposal**"). During the September quarter 2018, a Section 46 Application was lodged by Neometals requesting an extension of time limit for implementation of the Proposal (i.e. project execution). Ongoing advances were also made during the period on mine planning and tenement management.

A Mining Proposal for an initial 1Mtpa DSO operation was lodged during the half year, that once approved, will be followed by a proposal for a ramp up to a 3.2Mtpa Salt-Roast Leach Operation.

Marketing

Management have been actively advancing discussions with potential partners and offtake parties for supply of ore, concentrates and chemical products, the latter being either vanadium pentoxide flake (99% V_2O_5) and/or Ferrovanadium ("**FeV**"). With Updated DFS results to hand, these discussions will ultimately drive the development strategy at Barrambie. Subsequent to the end of the quarter, an advisory firm has been appointed to assist with the preparation of a financing plan for Barrambie.

The average price of vanadium pentoxide (98% min) in 2018 was US$18.00/lb V_2O_5, the second highest on record. It peaked at an historic high of US$33.88/lb V_2O_5 in mid-November and dropped back to US$15.00/lb by the end of December.

Notwithstanding gradual price declines for titanium in 2018, leading market analysts are predicting a growing TiO_2 supply deficit without the development of new titanium resource projects i.e. supporting firmer prices in the longer term.

NEOMET PROCESSING TECHNOLOGY
(25% Net Profit Interest through Alphamet Management Pty Ltd - 100% Neometals Ltd)

Neometals, via its wholly owned Canadian subsidiary Alphamet Management Pty Ltd, is responsible for managing the commercialisation and development of the "Neomet Process". This patented (USA, Canada, Australia), environmentally friendly process technology has broad application in the recovery of a wide range of metal oxides from chloride leach solutions, including titanium.

During the half year work continued on installation of a bench scale test program for the recovery of zinc and iron from electric arc furnace ("**EAF**") dust and the regeneration of hydrochloric acid. A high-grade mineral concentrate from Barrambie is already on site at our Montreal facilities and will be the subject of the next test work program pending successful completion of the EAF dust work. Proving the low-cost regeneration of hydrochloric acid at scale could enable the production of a high-grade titanium dioxide chemical from Barrambie Eastern band concentrates or salt roast-leach residues produced from the primary vanadium operation.

CORPORATE

Hannans Limited (ASX:HNR) (Yilgarn Nickel/Lithium/Gold)
As at 31 December 2018 Neometals holds 706,209,483 ordinary fully paid shares (36% of the issued capital) in Hannans on an undiluted basis. At 31 December 2018, Hannans shares closed at 1.2c.

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.

Other Investments
The market value of the Company's other investments as at 31 December 2018 totalled $0.8M.

Finances
Cash and term deposits on hand as of 31 December 2018 totalled A$30.3 million, including $4.0 million in restricted use term deposits supporting performance bonds and other contractual obligations. The Company's has net receivables and listed securities totalling approximately $9.9 million.

Issued Capital
During the period the Company granted a total of 2,876,556 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 2018 was 543,947,221.

Dividends
Dividends issued during the half year period: nil (2017: nil).

MINERAL RESOURCE ESTIMATES

Barrambie Mineral Resource Estimate

Category (JORC 2012)	Tonnage (MT)	TiO_2 (%)	V_2O_5 (%)	Fe_2O_3 (%)	Al_2O_3 (%)	SiO_2 (%)
Indicated	187.1	9.61	0.44	46.77	9.48	14.95
Inferred	93.0	8.31	0.40	46.51	9.32	15.40
Total	**280.1**	**9.18**	**0.44**	**46.70**	**9.44**	**15.07**

Reporting criteria: ≥ 10% TiO_2 or ≥ 0.2% V_2O_5; small discrepancies may occur due to rounding

Ore Reserve Estimate

Project	Category (JORC 2012)	Tonnage (MT)	V_2O_5 (%)	Fe_2O_3 (%)	TiO_2 (%)
Barrambie	Probable	10.762	0.60	42.5	25.18

Compliance Statement

The information in this report that relates to Mineral Resource Estimates and Exploration Targets for the Barrambie Vanadium & Titanium Project and the Mt Edwards Project are extracted from the ASX Announcements:

17/04/2018	Updated Barrambie Mineral Resource Estimate
25/06/2018	Mt Edwards Project Mineral Resource Over 120,000 Nickel Tonnes

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified form the original market announcements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 6 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, 6 March 2019

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

6 March 2019

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 2018, 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 Touche Tohmatsu
ABN 74 490 121 060

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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 statement of financial position as at 31 December 2018, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 consolidated entity's financial position as at 31 December 2018 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.

Deloitte.

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 2018 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, 6 March 2019

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
6 March 2019

Condensed consolidated statement of profit or loss and other comprehensive income

for the half year ended 31 December 2018

		31 Dec 2018 $	31 Dec 2017 $
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit/(loss)		-	-
Forex gain/(loss)		10,651	(30,982)
Other income		528,083	637,992
Administration expenses		(2,617,488)	(1,132,250)
Employee expenses		(2,277,875)	(1,560,516)
Finance costs		(30,325)	(30,735)
Occupancy expenses		(419,972)	(232,230)
Marketing expenses		(202,137)	(124,760)
Other (expense) / income		(110,611)	(229,950)
Research and development		(2,506,427)	(379,316)
Impairment expense	5	(4,283,031)	-
Share of profit / (loss) in associates	5	11,561,336	7,099,738
Onerous provision adjustment		1,029,138	-
Profit before income tax		681,342	4,016,991
Income tax benefit		523,088	568,605
Profit for the period from continuing operations		**1,204,430**	**4,585,596**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gain on available-for-sale financial assets		-	-
Total comprehensive income for the period		**1,204,430**	**4,585,596**
Profit attributable to:			
Owners of the Company		**1,204,430**	**4,585,596**
Total comprehensive income attributable to:			
Owners of the Company		**1,204,430**	**4,585,596**
Profit per share			
From continuing and discontinued operations:			
Basic (cents per share)		0.22	0.84
Diluted (cents per share)		0.22	0.84

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 2018

	Note	31 Dec 2018 $	30 Jun 2018 $
Current assets			
Cash and cash equivalents		26,255,874	26,342,414
Trade and other receivables		1,104,562	448,960
Other financial assets		252,000	252,181
Loan to associate		-	4,104,458
		27,612,436	**31,148,013**
Assets classified as held for sale	4	21,207,533	-
Total current assets		**48,819,969**	**-**
Non-current assets			
Property, plant and equipment		1,365,958	955,689
Exploration and evaluation expenditure		33,837,182	31,506,853
Intangibles		570,797	461,328
Investment in joint ventures		1	1
Investment in associates	5	8,474,513	28,613,742
Other financial assets		4,587,118	4,536,000
Other non-current assets		345,018	609,638
Total non-current assets		**49,180,587**	**66,683,251**
Total assets		**98,000,556**	**97,831,264**
Current liabilities			
Trade and other payables		1,153,869	1,225,740
Provisions		1,098,453	1,177,288
Total current liabilities		**2,252,322**	**2,403,028**
Non-current liabilities			
Provisions		1,596,019	2,807,526
Total non-current liabilities		**1,596,019**	**2,807,526**
Total liabilities		**3,848,341**	**5,210,554**
Net assets		**94,152,215**	**92,620,710**
Equity			
Issued capital		154,254,245	154,101,518
Reserves		7,268,880	7,094,532
Accumulated losses		(67,370,910)	(68,575,340)
Total equity		**94,152,215**	**92,620,710**

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 2018

	Issued Capital $	Investment revaluation reserve $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
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	(1,524,598)	-	-	-	-	(1,524,598)
Issue of dividends	-	-	-	-	-	-
Share issue costs, net of tax	-	-	-	-	-	-
Balance at 31/12/17	**154,101,518**	**1,019,637**	**300,349**	**5,429,302**	**(78,764,960)**	**82,085,846**
Balance as at 1/7/18	154,101,518	1,019,637	300,349	5,774,546	(68,575,340)	92,620,710
Profit (Loss) for the period	-	-	-	-	1,204,430	1,204,430
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,204,430	1,204,430
Recognition of share-based payments	-	-	-	327,075	-	327,075
Recognition of issue of shares under the employee rights plan	152,727	-	-	(152,727)	-	-
Recognition of issue of shares under the share buy-back	-	-	-	-	-	-
Issue of dividends	-	-	-	-	-	-
Share issue costs, net of tax	-	-	-	-	-	-
Balance at 31/12/18	**154,254,245**	**1,019,637**	**300,349**	**5,948,894**	**(67,370,910)**	**94,152,215**

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 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities			
Tax refunds		-	231,495
Payments to suppliers and employees		(8,099,144)	(3,857,023)
Net cash used in operating activities		(8,099,144)	(3,625,528)
Cash flows from investing activities			
Exploration and evaluation costs		(2,473,686)	(864,905)
Payments for intangible assets		(98,924)	(94,646)
Payment for property, plant & equipment		(426,750)	(475,246)
Loan to Jointly Controlled Entities		-	(11,476)
Net investment in equity instruments		215,601	(97,894)
Interest received		502,697	526,278
Loans repaid from RIM		4,104,458	-
Dividends received from associates		6,210,000	-
Net cash (used in)/generated by investing activities		8,033,396	(1,017,889)
Cash flows from financing activities			
Interest and finance costs paid		(30,325)	(30,810)
Share buy-back		-	(1,541,335)
Proceeds from repayment of borrowings		-	(5,740)
Net cash used in financing activities		(30,325)	(1,577,885)
Net (decrease)/increase in cash and cash equivalents		(96,073)	(6,221,302)
Cash and cash equivalents at the beginning of the period		26,341,296	42,129,157
Effects of exchange rate changes on the balance of cash held in foreign currencies		10,651	(31,110)
Cash and cash equivalents at the end of the period		26,255,874	35,876,745

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 2018. 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 accounting standards

AASB 9 Financial Instruments

The group has adopted this standard from 1 July 2018 in accordance with the standard and the groups accounting policies. This standard stipulates new requirements for the impairment of financial assets, classification of financial assets and liabilities and general hedge accounting.

The group has reviewed the impact on the adoption of the accounting standard on 1 July 2018. Assessment of the impairment provisions based on forward looking expected credit losses has been made by the group and note that the nature of the balances held by the group are not materially impacted by the new standard.

The impact on the group's accounting for financial assets and liabilities has been assessed and as the new requirements only affect the accounting for financial assets and liabilities that are designated at fair value through profit or loss the impact of the standard will not be material to the group.

Classification and Measurement

On July 1, 2018, the group has assessed financial instruments held by the group and have classified them into the appropriate AASB 9 categories.

On adoption of AASB 9, the group classified financial assets measured at either amortised cost or fair value, depending on the assets and on the asset's contractual cash flow characteristics. There were no changes in the measurement of the group's financial instruments.

There was no impact on the statement of profit or loss or other comprehensive income or the statement of changes in equity on adoption of AASB 9 in relation to classification and measurement of financial assets and liabilities.

The Group does not currently engage in any hedging activities and accordingly any changes to hedge accounting rules under AASB 9 do not impact on the group.

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 2018

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Other income	145,715	-	4,705	904,300	1,054,720
Total Expenses	(1,399,543)	(920,210)	(4,283,655)	(4,808,218)	(11,411,626)
Share of profit / (loss) in associates and joint ventures	11,561,336	-	-	-	11,561,336
Consolidated profit(loss) before tax	10,307,508	(920,210)	(4,278,950)	(3,903,918)	1,204,430

As at 31 December 2018

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Movement in assets	2,802,604	1,708,386	(4,530,181)	188,483	169,293
Re-classification as held for sale	21,207,533	-	-	-	21,207,533
Consolidated additions / (deductions) to assets	4,876,658	31,455,521	9,269,584	31,191,260	76,793,023
Assets classified as held for sale	21,207,533	-	-	-	21,207,533
Consolidated total assets	26,084,191	31,455,521	9,269,584	31,191,260	98,000,556

For the six months ended 31 December 2017

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Other income	-	-	151,891	1,023,724	1,175,615
Total Expenses	(48,468)	(51,191)	(751,550)	(2,838,548)	(3,689,757)
Share of profit / (loss) in associates and joint ventures	-	-	(255,249)	7,354,987	7,099,738
Consolidated profit(loss) before tax	(48,468)	(51,191)	(854,908)	5,540,163	4,585,596

2. Segment information (continued)

As at 31 December 2017

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Movement in assets	7,377,413	620,498	(274,469)	(5,834,560)	2,437,820
Consolidated additions / (deductions) to assets	7,377,413	620,498	(274,469)	(5,834,560)	2,437,820
Consolidated total assets	17,476,514	13,378,658	15,111,957	41,073,942	87,041,071

3. Dividends

No dividends were paid to the holders of fully paid ordinary shares during the half year period (31 December 2017: nil).

4. Assets classified as held for sale

	31 December 2018 $	30 June 2018 $
Assets classified as held for sale (i)	21,207,533	-
Liabilities directly associated with assets classified as held for sale (i)	-	-

(i) In December 2018, the Company entered into an agreement to divest its 13.8% shareholding in Reed Industrial Minerals Pty Ltd. Refer to note 9 for further details.

Amounts recognised in this note relate to Reed Industrial Minerals Pty Ltd, owner of the Mt Marion Lithium Project.

Classified as held for sale	31 December 2018 $	30 June 2018 $
Investment in Reed Industrial Minerals Pty Ltd	21,207,533	-
Assets classified as held for sale	21,207,533	-
Liabilities directly associated with assets classified as held for sale	-	-
Net assets classified as held for sale	**21,207,533**	**-**

5. Investment in associates

Name of operation	Principal activity	Interest	
		31 December 2018	30 June 2018
		%	%
Reed Industrial Minerals Pty Ltd(i)	Development of lithium project	13.8	13.8
Hannans Limited (ii)	Exploration of nickel and lithium	35.5	35.7

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

(i) Reed Industrial Minerals Pty Ltd

The associate is accounted for using the equity method up to 30 November 2018 in this consolidated financial report. As at 30 June 2018 the investment was classified as an associate.

Summarised financial information for the associate:

	31 December 2018 $	30 June 2018 $
Opening carrying value of investment in the associate	15,856,197	224,246
Share of profit / (loss) of associate recognised in profit or loss(i)	11,561,336	15,631,951
Fully franked dividends received from associate	(6,210,000)	-
Transfer to held for sale	(21,207,533)	-
Closing carrying value of investment in the associate	-	15,856,197

(i) The equity accounted share of the associates gain / (loss) is adjusted against the carrying value of the investment in the associate. The $6.2M dividend received is also adjusted against the carrying value. The asset was classified as held for sale at 31 December 2018.

(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 2018 $	30 June 2018 $
Opening carrying value of investment in associate	12,757,544	13,068,979
Share of profit/(loss) of associate recognised in profit or loss(i)	-	(311,435)
Impairment expense(ii)	(4,283,031)	-
Closing carrying value of investment in associate	8,474,513	12,757,544

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

(ii) The market value of the underlying shares has decreased significantly over a prolonged period of time as compared to the carrying value on a per share basis. Accordingly, the investment in associate has been impaired to bring the balance down to the market value as at 31 December 2018.

5. Investment in associates (continued)

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

	31 December 2018		30 June 2018	
	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)	(3,623,850)	(157,330)	(3,623,850)	(157,330)
Impairment expense	-	(4,283,031)	-	-
Share of profit in associate	N/A	200,374	N/A	200,374
Balance at the end of the period	**706,209,483**	**8,474,513**	**706,209,483**	**12,757,544**

(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.

6. Share capital

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

6 months to 31 December 2018:
During the 6 months to 31 December 2018 414,748 ordinary shares were issued to eligible employees, consultants and Non-executive Directors following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan (2017: 2,802,919).

During the 6 months to 31 December 2018 no share options over the company's ordinary shares were issued during the reporting period (2017: Nil).

During the 6 months to 31 December 2018 2,876,555 performance rights were issued to Neometals employees, consultants and Non-executive Directors (2017: 3,390,828) for nil cash consideration. These performance rights may result in the issue of a total of 2,876,555 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

During the 6 months to 31 December 2018 75,000 performance rights were cancelled relating to Neometals employees (2017: Nil). These performance rights did not meet the vesting criteria pursuant to the Neometals Ltd performance rights plan.

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.

7. 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 2018, 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 2018 and 31 December 2017, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

8. Commitments

(a) Exploration and evaluation and associate commitments

Tenement commitments for the group total $2,755,336.

(b) Lease commitments

Non-cancellable operating lease commitments at reporting date total $761,762 (2017: $1,106,276). Finance lease commitments at reporting date total $20,408 (2017: $20,408).

(c) Other

As referred to in Note 16 (i) to the Annual Financial Report for the year ended 30 June 2018, 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 2017: $4.0 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.

9. Events subsequent to balance date

On 27 February 2019 the Company announced to the market that Ganfeng Lithium Co Ltd had advised that the Chinese regulatory authorities condition to sale had been satisfied which followed having already received the Australian Foreign Investment Review Board approval previously. The parties are now dealing with all other matters to progress to financial completion of the divestment of Neometals' shareholding in the Project.

No other matters have arisen since 31 December 2018 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.