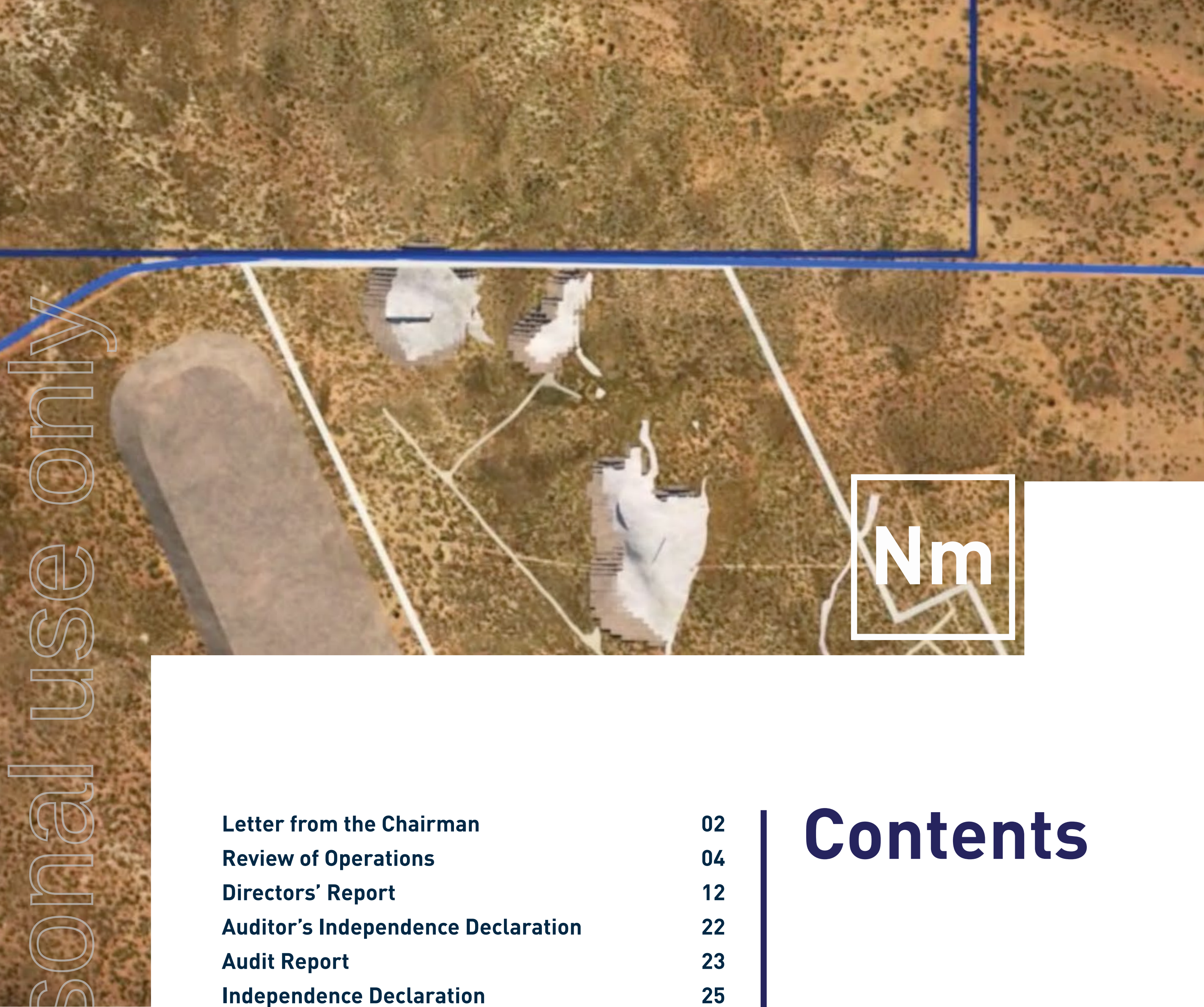
Li + Ti = Nm

# Neometals

## Annual Report 2015

# Australia is the No1 In the WORLD in Mine Production of Lithium

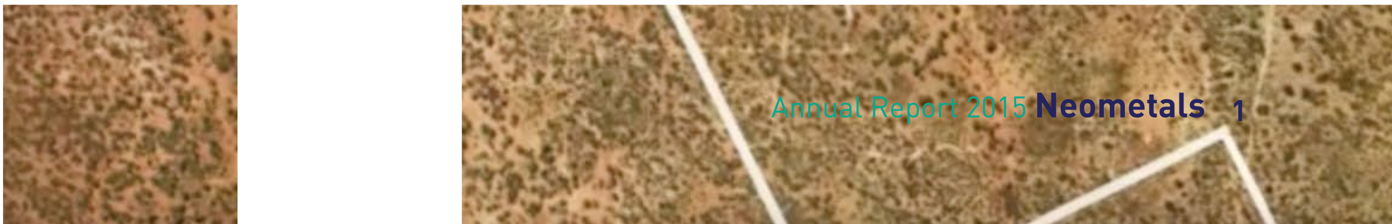
**In 2014, the three biggest producers of lithium were: Australia 13,000t, Chile 12,900t and China 5,000t.**



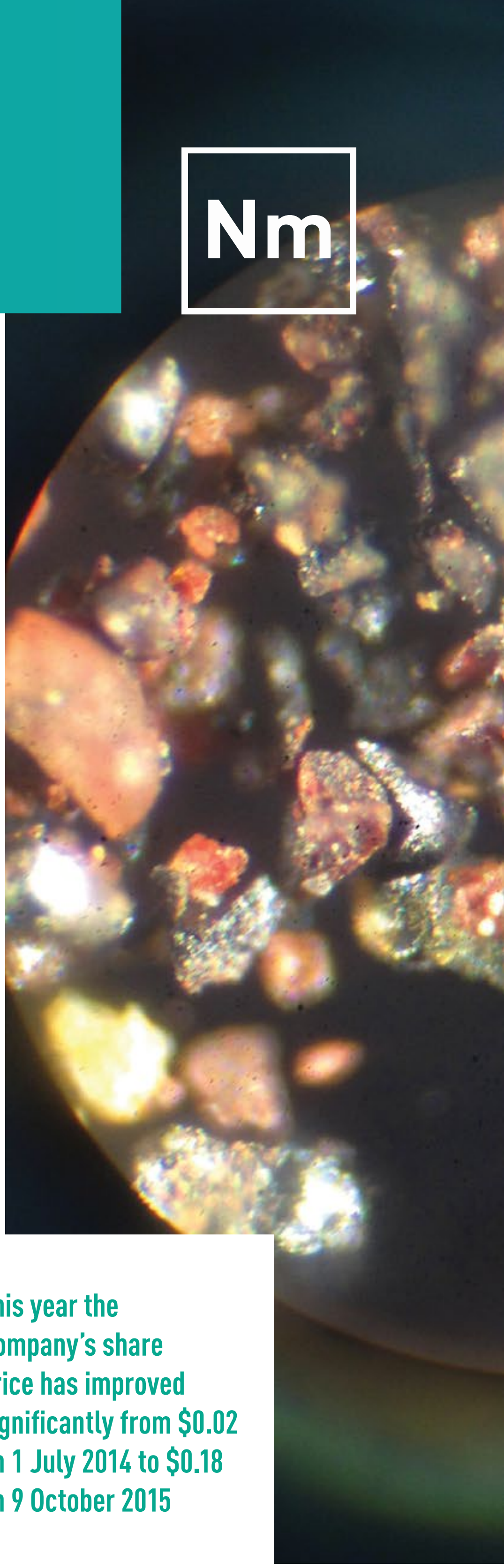
# Contents







# Letter From The Chairman



## Dear Shareholders,

I am delighted to give you my chairman's report, on this our first year under the Neometals Ltd (Neometals) name, following the collapse of the Company's gold expansion strategy in Meekatharra in 2013.

This year the Company's share price has improved significantly from $0.02 on 1 July 2014 to $0.18 on 9 October 2015 shortly before the date of release of this Letter. There are a number of reasons for this increase:

1. The discipline and financial constraint exercised by the Company and all its personnel over the last 12 months as everyone has worked so hard for the benefit of shareholders to restore value in the Company;

2. The strategic focus on the Company's core assets and the commitment to dispose of non-core assets to generate working capital for the Company without the need for dilutive equity capital raisings at a depressed issue price;

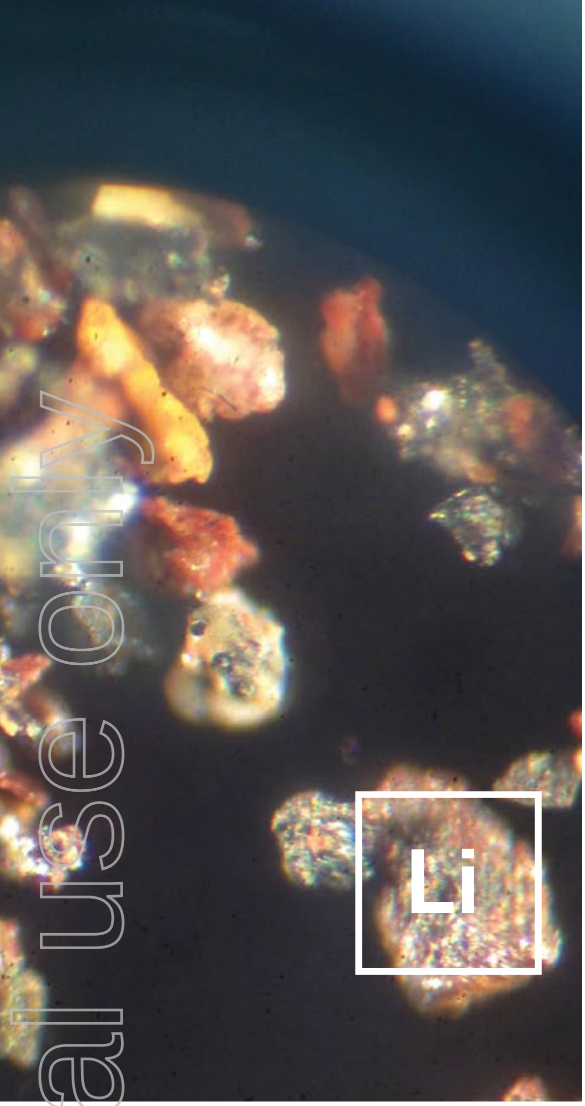
3. Importantly, the successful completion of offtake and equity investment agreements for the Mt Marion lithium project with Chinese Partner Jiangxi Gangfeng Lithium Co (Ganfeng) and our partner Mineral Resources Ltd (MRL). On 25 September 2015 we received US$19.75 million and announced the formal commencement of construction of the Mount Marion treatment plant, which is due to come on stream in mid-2016.

The project is effectively underwritten by a life of mine offtake to Ganfeng. In my opinion the upside of this deal is not well understood. The prospective cashflows to Neometals from this venture from 2017 are significant. Further, Neometals and MRL have retained the right to claim their equity share of the total mine production after the initial few years in which production is dedicated to Ganfeng. Should Neometals wish to exercise that right, it would provide feedstock for Neometals should it wish to participate in a value added lithium hydroxide processing facility utilising patented technology (in the course of proving up) held 70% Neometals and 30% MRL . Lithium hydroxide commands a significant price advantage relaive to lithium carbonate.

The other major asset in our company is the Barrambie Titanium/Vanadium/ Iron Deposit. On 25 August 2015 we released the prefeasibility study results, the economic assessment was carried out by Snowden and Associates and Sedgman Ltd did the operating and capital cost estimates.

Neometals have license rights to a proprietary process developed in Canada and in the course of being proven up to commercial viability, to produce a 99% pure titanium dioxide, plus vanadium pentoxide and iron oxide pigment over a mine life of 19.6 years. This mine life can likely be extended by more drilling on a visible outcropping 12 km extension of the ore body.

**This year the Company's share price has improved significantly from $0.02 on 1 July 2014 to $0.18 on 9 October 2015**




To date we have expended over $25 million on this project over a number of years and have drilled 782 RC holes for 55,564m, 37 diamond holes for 2,589m and 10 large diameter holes for ore testing over 202 m. We also assayed over 30,000 samples from over 216 lines of drilling across an 11km section of the orebody.

**On 25 September 2015 we received US$19.75 million and announced the formal commencement of construction**

Based on the pre-feasibility study and analysis undertaken (with an estimated degree of accuracy of +/-25%) the net present value of Barrambie is A$355m using a 12% discount rate and commodity prices at a 30% discount to current prices. We are currently finalising some additional test work, prior to engaging with potential off take partners to earn into the project, which we feel is conservatively valued.

In my opinion your holding in Neometals Ltd is quickly transitioning to investment class with anticipated revenue and income flow from the Mt Marion lithium project in fiscal 2016/2017 following scheduled commissioning around mid 2016.

Since our general tightening of cash outflows from 2013, we are now in a position to strengthen our board and our management team as we move into this new exciting development stage of our Company. However, I can assure you that our strategy is to retain our status as a boutique or niche resources house where every expenditure is measured by its prospects of generating strong shareholder returns.

In closing I wish to thank the Deputy Chairman Steven Cole, our CEO Chris Reed and Financial Controller Jason Carone for an outstanding contribution to our company over the last year. I also wish to thank other staff, consultants and Joint Venture partners for their valuable input.

**David Reed**

CHAIRMAN, NEOMETALS LTD

12 October 2015

## Mount Marion

# Lithium Project



Kalgoorlie

Coolgardie


**Mt Marion**

Kambalda

**Neometals** primary focus during the year centred on advancing its advanced minerals projects, Mt Marion and Barrambie.

Review

# of Operations

## AS AT 24 SEPTEMBER 2015

The directors of Neometals Ltd ("Company" and "Neometals") present the annual financial report for the Company and its controlled entities ("Consolidated Entity" and "Group").

Neometals primary focus during the year centred on advancing its advanced minerals projects, Mt Marion and Barrambie.

## MT MARION LITHIUM PROJECT (Neometals 70%, Mineral Resources Ltd 30%)

During the year, Reed Industrial Minerals Pty Ltd (RIM) continued to advance the Mt Marion Lithium Project (Mt Marion). 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.

Mt Marion is a globally significant lithium deposit, containing total Indicated and Inferred Mineral Resources of 23.24Mt at 1.39% $Li_2O$ and 1.43% $Fe_2O_3$, at a cut-off grade of 0% $Li_2O$. The project has a granted Mining Proposal and received its Works Approval for plant construction on the 18th of December 2014.

### PROJECT DEVELOPMENT AND CORPORATE STRATEGY

During the year RIM progressed completion of the transaction with Metals X Ltd (ASX: MLX) which was announced to the ASX on 22 January 2015. Under the agreement, RIM has agreed 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 associated infrastructure from Metals X. Completion was announced on the 7 July 2015.

On 19 September the Company has entered into formal binding agreements ("Agreements") with China's second largest lithium producer Jiangxi Ganfeng Lithium Co., Ltd ("Ganfeng").

The Agreements sets out the key commercial terms for:

- 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 MRL with 30% of RIM. Neometals will net approximately US$19.5 million from this initial transaction;
- PMI and Ganfeng 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. If these options are fully exercised, Neometals will be left holding 13.8% of RIM;
- MIN building, owning and operating the Mount Marion mining, crushing and beneficiation infrastructure and equipment pursuant to a fixed price mining services contract;
- 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 RIM reserves the right to take 51% of the total production if greater commercial benefit can be derived from such product; and
- Prudential corporate governance arrangements for RIM between Ganfeng and RIM's existing shareholders with equal board representation for all shareholders.

**On 19 September the Company has entered into formal binding agreements with China's second largest lithium producer Jiangxi Ganfeng Lithium Co., Ltd.**

On 23 September 2015 the transaction became unconditional. Financial close of the transaction is due to occur in early October 2015.

Financial close will trigger a Final Investment Decision for the Mt Marion lithium concentrate operation and commencement of full plant construction and assemblage as all necessary approvals for the project have been secured by RIM. MIN is already well advanced with development planning and procurement, with commissioning and production of lithium concentrate product anticipated by mid-2016.

# Review of Operations

AS AT 24 SEPTEMBER 2015

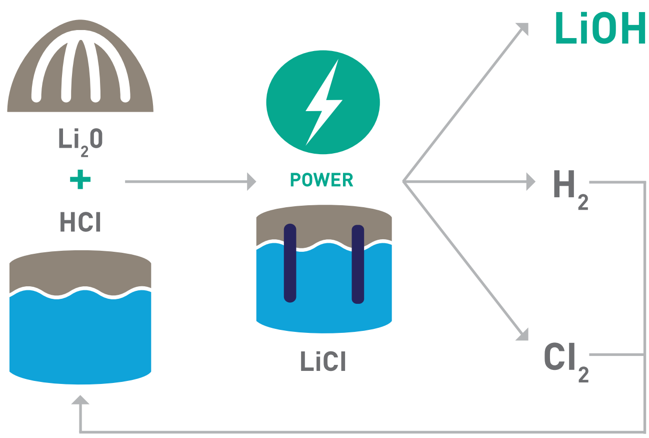
## DOWNSTREAM LITHIUM PROCESSING

During the year RIM continued the prosecution of new patent applications to cover improvements in its proprietary process to produce high-purity lithium hydroxide ("LiOH") directly from spodumene (lithium) concentrates. RIM holds a granted Australian patent within its extensive patent family for lithium hydroxide, with other patents filed or under examination in the US, Argentina, Canada, Chile, China, Japan, Malaysia and South Korea.

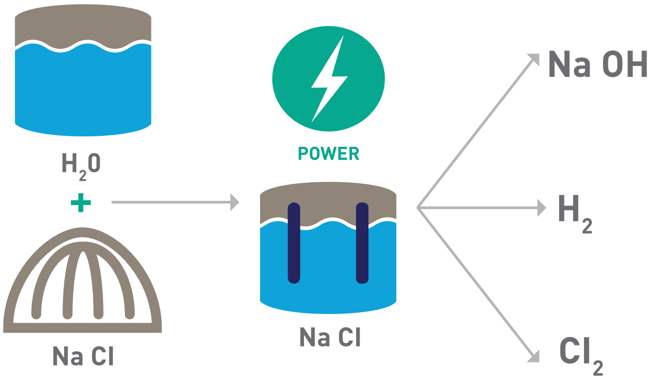
All downstream lithium processing technology and patents are being transferred to a dedicated vehicle, Reed Advanced Materials Pty Ltd ("RAM") and are not part of the assets remaining in RIM under the Ganfeng MoU. RAM is beneficially owned 70:30 by the Company and MRL. A partner selection process continues with the aim of developing an appropriate business structure for the commercialisation of RAM's downstream processing technology.

Discussions remain preliminary and there can be no assurance that a commercially attractive arrangement will emerge. Neometals and MRL will keep the market informed as matters develop further.

**ELi PROCESS** Our new process produces LiOH




**Chlor Alkali** Conventional process produces NaOH




## LITHIUM MARKET

Prominent and respected lithium industry researchers continue to 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$8,250 and US$6,400 per tonne, respectively, on a CIF basis to Europe and US respectively (source: Industrial Minerals 16 July 2015).

Ti

## BARRAMBIE TITANIUM PROJECT (Neometals 100%)

During the year the Company continued to advance its Barrambie Titanium Project with the further optimisation of its mini-pilot plant testwork programme in Canada. The Company completed a 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 Michael Spratt, an experienced process/construction engineer and former COO of Minproc.

The economic assessment carried out by Snowden, and based on Capital and Operating costs developed by Sedgman Limited, indicates the potential for a viable hard-rock titanium mining and processing operation.

The PFS has highlighted the potential for the Barrambie Project to be a low cost producer of titanium dioxide (TiO2), vanadium pentoxide (V2O5) and iron oxide (Fe2O3), over a mine life of 19.6 years.

| Pre-feasibility Study Highlights | |
|---|---|
| Average Annual Production | 98,000t $TiO_2$<br>2,000t $V_2O_5$<br>234,000t $Fe_2O_3$ |
| Life of Mine (LOM) | 19.6 years |
| Life of Mine (LOM) Revenue | A$ 8,746 million |
| Pre-tax Net Cashflow | A$ 2,409 million |
| Pre-tax NPV (12% discount rate) | A$ 355 million |
| Pre-tax Internal Rate of Return | 21% |
| Cash Operating Cost per tonne of paid TiO2 net of co-product credit | US$ 572[1] |
| Pre-production Capital cost (excluding EPCM and Contingency) | A$ 549 million[1] |
| Payback of capital costs | 3.9 years |

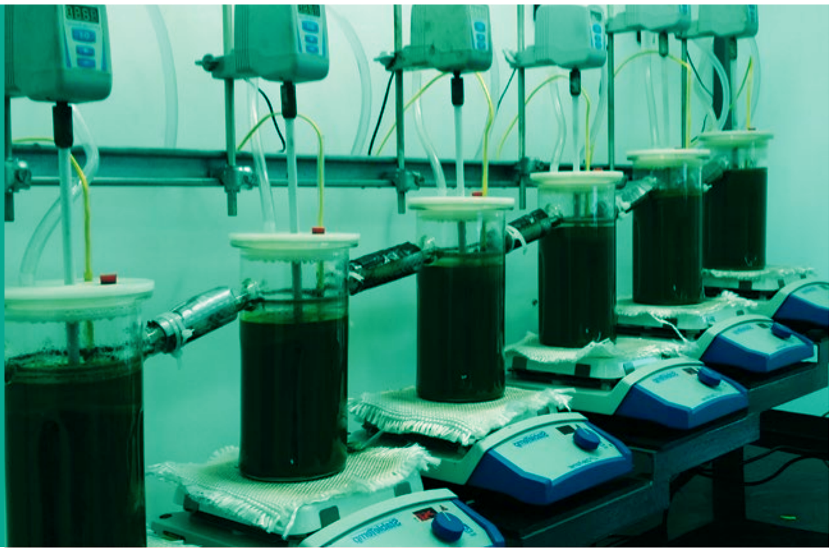
[1] Estimated to accuracy of ±25%

Operating and Capital costs are both valid as at July 2015 with an indicative accuracy of ±25%. All analysis is in Australian dollars and assumes conservative, real long-term prices of US$1,838/t for titanium dioxide, US$14,873 /t for vanadium pentoxide, US$520/t for synthetic iron oxide pigment and an AUD exchange rate of US$0.75.

CAUTIONARY STATEMENT

The Pre-Feasibility Study referred to in this report is based on medium level technical and economic assessments, it is sufficient to support reporting of Ore Reserves using the JORC Code but not sufficient to prove definitive assurance of an economic development case or to provide certainty that the conclusions of the Pre-Feasibility Study will be realised.

**Barrambie is one of the world's HIGHEST GRADE TITANIUM deposits, containing total Indicated and Inferred Mineral Resources of 47.2Mt at 22.2% TiO2, 0.63% V2O5 and 46.7% Fe2O3, at a cut-off grade of 15% TiO2.**



# Review of Operations

AS AT 24 SEPTEMBER 2015

Ti



### ORE RESERVE ESTIMATE

Snowden identified a mining inventory based in the 2013 Mineral Resource estimate that was reported in accordance with the JORC Code 2012. Snowden's Ore Reserves at May 2015 are estimated using a 17.5% TiO2 cut-off as provided in the table below. The ore is contained within 14 pits that strike north- south along the ore body and have a maximum depth of 70 vertical metres. The LOM strip ratio is 2.9:1.

| Category (JORC, 2012) | Tonnage (Mt) | $TiO_2$ (%) | $V_2O_5$ (%) | $Fe_2O_3$ (%) |
|---|---|---|---|---|
| Probable | 10.762 | 25.18 | 0.6 | 42.5 |

### PROJECT DEVELOPMENT AND CORPORATE STRATEGY

Following the robust Pre-Feasibility Study results, Sedgman support the project progressing to a full Feasibility Study 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 plan to undertake full pilot plant evaluation of the proprietary hydrometallurgical technology, with this work planned in the current financial year. Subject to the success of the full pilot scale test work it is Neometals' intention to proceed to Feasibility Study (FS).

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.

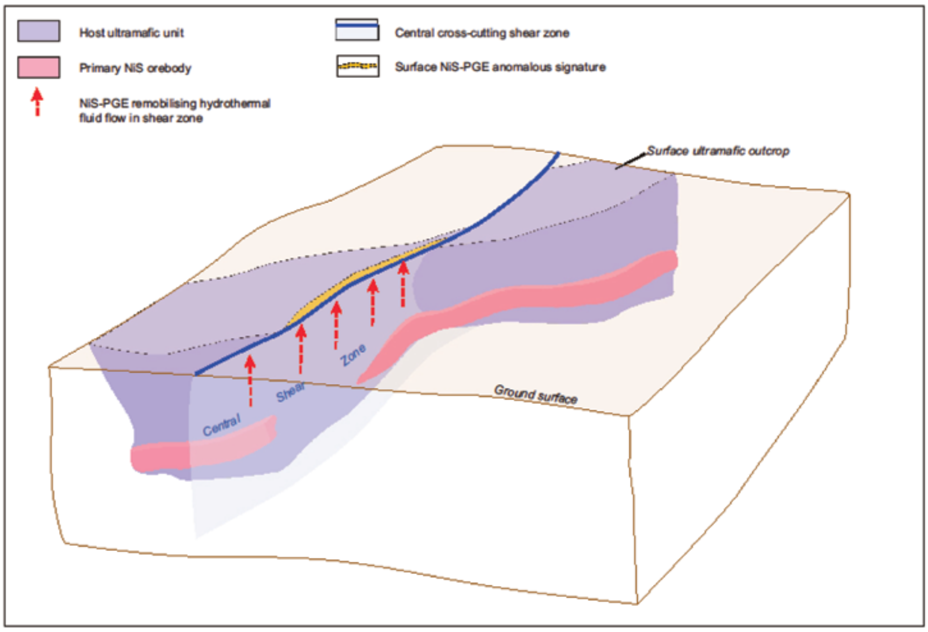
## MT FINNERTY PROJECT (Neometals 100%)

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 year the Company announced the results of a single diamond drill hole, GDD009, which confirmed that the Green Dam Ultramafic Complex is a massive extrusive unit that is generally the one continuous eruptive event. Wide, intact basal chill zones of amphibole-chlorite assemblages confirm the massive nature to the flow. The detailed geochemistry of the core-samples are being assessed for their fertility potential to have sampled a primary geochemical halo from the relatively intact basal ultramafic.

Results to hand for GDD009 include 25m (from 679-704m down hole) averaged 2485ppm Ni, including a narrow 1m wide zone analysis from 679m; of 4157ppm Ni, 6516ppm S, 364ppm Cu, 792ppb Pd and 142ppb Pt. The option expired subsequent to year end and the Company is negotiating to extend the option.



## LAKE JOHNSTON NICKEL PROJECT

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

During the year the Company announced the results of the second diamond drill hole testing a new geophysical model (3D magnetic inversion). MGD001 targeted the northern apophysis and MGD002 tested the southern apophysis that had the stronger soil geochemical response in nickel, copper and chromium.

The 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 lower 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.

### IRON ORE

Interest in the sale process for wholly owned subsidiary Mount Finnerty Pty Ltd ("MFPL"), which holds the tenements and iron rights, waned with the fortunes of the iron ore price.  All tenure prospective for iron ore was surrendered during the year.

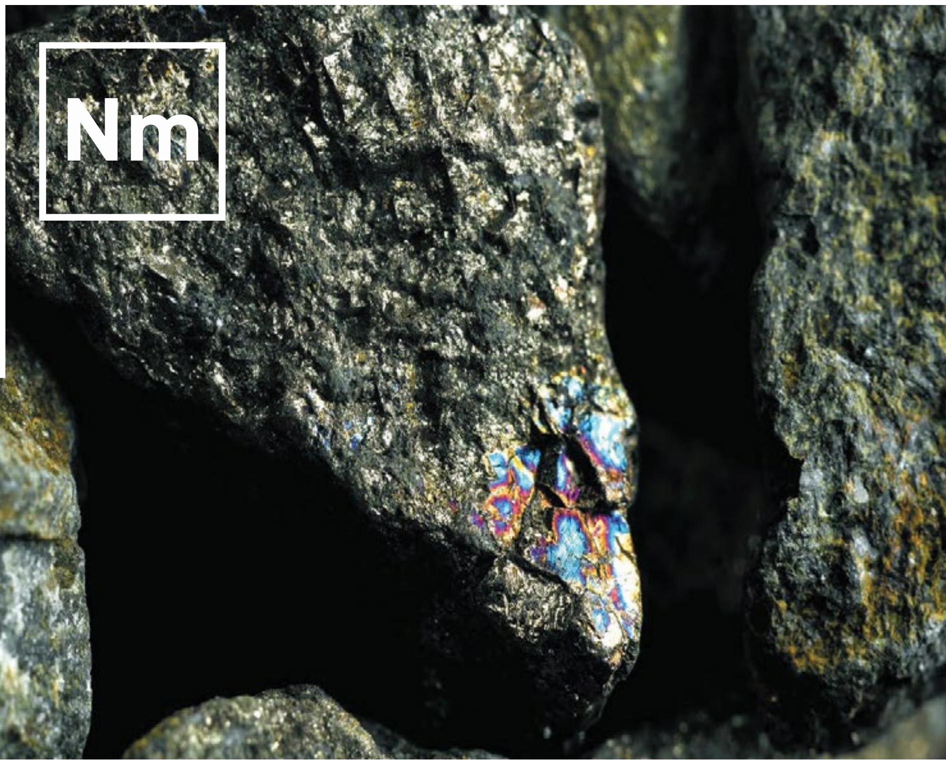
### NON-CORE ASSET DIVESTMENT PROGRAM

With Neometals focus being on the Mt Marion Lithium and Barrambie Titanium Projects, the Company has committed to divesting non-core assets from its portfolio. In line with this strategy, during the year the Company executed a binding Memorandum of Understanding ("MoU" or the "Agreement") with a private mining group regarding the acquisition and farm-in of the gold rights over the Company's Forrestania Nickel and part of the Barrambie Titanium tenement holdings.

Details of the MoU include:

- **Forrestania tenements: Sale of gold rights**
  Under the Agreement, the private mining group will acquire Neometals' gold rights over the Forrestania Project which are held by Neometals' subsidiary, Reed Exploration Pty Ltd. Full sale proceeds of $200,000 were received.
- **Barrambie tenenemts: Earn-in agreement for gold rights**
  The private mining group will earn a 75% interest in the gold rights of two exploration licences within the Barrambie tenements which is 100% owned by Neometals' subsidiary, Australian Vanadium Corporation (Holdings) Pty Ltd ("AVC"). The 75% interest will be earned via spending $500,000 on exploration on the relevant Barrambie tenements over 2 years, with a minimum spend of $150,000 in the first year. AVC can elect to participate or revert to a 2% net smelter royalty, AVC will retain the rights to all other minerals over the tenement areas which adjoin the main granted mining lease which is the subject of the current Barrambie Pre-feasibility Study.

The Company is evaluating options to divest its nickel portfolio.




# Review
# of Operations
## AS AT 24 SEPTEMBER 2015

### COMPETENT PERSONS STATEMENT

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:

| | |
|---|---|
| 06/12/2013 | Barrambie - Amended JORC 2012 Mineral Resource Estimate |
| 09/12/2013 | Mt Marion – JORC 2012 Mineral Resource Estimate |
| 16/01/2015 | Quarterly Activities Statement – Lake Johnston Nickel Project Exploration Update |
| 18/02/2015 | Yilgarn Nickel – Final Drill Results |
| 22/04/2015 | Quarterly Activities Statement Report |
| 21/09/2015 | Mt Marion Lithium Project - New Mineral Resource Estimate |

## 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 30 June 2015 totalled $7.5 million, including $6.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

Through interests associated with the Chairman, David Reed, he 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 |
| 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 year (2014: Nil).

# Neometals

# Director's
# Report



The directors of Neometals Ltd submit their report for the financial year ended 30 June 2015.

The names and particulars of the directors of the Company during or since the end of the financial year are:

## CURRENT DIRECTORS

| Name | Particulars |
|---|---|
| **David J. Reed OAM** | **Non-executive Chairman**<br>David Reed is an accountant with over 42 years' experience in stock broking and corporate management. From 1985 to 1997 Mr. Reed was chairman of stock-broking firm Eyres Reed Ltd until its sale to CIBC World Markets in 1997 at which time he became Chairman of CIBC Australia, a position he held until 2003. Mr. Reed has extensive public company experience having served as chairman of several ASX listed mineral exploration companies. Mr. Reed is a former chairman of the fund raising committee for the Australian Prospectors and Miners Hall of Fame and secretary of the Amalgamated Prospectors and Leaseholders Association and was a co-founder of the Diggers and Dealers Forum in Kalgoorlie. Mr. Reed received an Order of Australia Medal in 2002 for his service to the community.<br>Mr. David Reed is Fellow of CPA Australia.<br><br>***Appointed:*** 20 December 2001<br>***Special responsibilities:*** Member of the Audit, Risk, Nomination and Remuneration Committees<br>***Directorships of other listed companies:*** Nil |
| **Christopher J. Reed** | **Managing Director**<br>Chris Reed is an accountant with over 23 years' experience in the resource industry including more than 10 years in corporate administration and management. Chris served as Managing Director of Reed Resources Ltd from September 2007 until May 2012 at which time he assumed the role executive director. Chris resumed the role as Managing Director from 1 October 2013. Mr. Reed is the current serving Vice-president of the Association of Mining and Exploration Companies.<br><br>Mr. Reed holds a Bachelor of Commerce from the University of Notre Dame and a Graduate Certificate in Mineral Economics from the WA School of Mines. He is a member of the AusIMM and CPA Australia.<br><br>***Appointed:*** 20 December 2001<br>***Special responsibilities:*** CEO<br>***Directorships of other listed companies:*** Nil |
| **Steven Cole** | **Non-executive Director**<br>Steven Cole has over 40 years of professional, corporate and business experience through senior legal consultancy, as well as a range of executive management and non executive appointments.<br>His extensive boardroom and board sub-committee experience includes ASX listed, statutory, proprietary and NFP organisations covering the industrial, financial, educational, professional services, agribusiness, health and resources sectors.<br>Steven's professional qualifications include:<br>• Llb (hons)– University of Western Australia<br>• AICD Company Directors Diploma and Fellow;<br>• Wharton Business School – University of Pennsylvania – Corporate Governance Program 2010<br>• Harvard – Corporate Governance Program 2015<br>***Appointed:*** 24 July 2008<br>***Special responsibilities:*** Deputy Chairman and Chairman of each of the Nomination, Remuneration, Audit and Risk Committees.<br>***Directorships of other listed companies:*** Non-executive Director Matrix Composites and Engineering Ltd |

## COMPANY SECRETARIES

| | |
|---|---|
| **Jason Carone** | **Company Secretary and Financial Controller**<br>Mr. Carone is a Chartered Accountant with over 17 years' experience in accounting and company administration in Australia and South East Asia.<br>Mr. Carone holds a Bachelor of Commerce in Accounting and Business Law from Curtin University and is a member of the Institute of Chartered Accountants, and Chartered Secretaries Australia.<br>***Appointed:*** 4 March 2009 |

## REVIEW OF OPERATIONS

The consolidated loss after income tax for the year attributable to members of Neometals Ltd was $10.3 million (2014: $16.7 million) including an impairment loss of $1.3 million (2014: $0.8 million). A detailed review of the Company's operations during the financial year can be found on pages 5-10 of this Annual Financial Report.

## CHANGES IN STATE OF AFFAIRS

During the financial year the Consolidated Entity's primary focus centered on advancing its advanced minerals projects. There have not been any other significant changes in the affairs of the Consolidated Entity from the previous year other than as disclosed in the Director's Report.

## PRINCIPAL ACTIVITIES

The Consolidated Entity's principal activities during the year centred on advancing its advanced minerals projects Mt Marion and Barrambie, through exploration and evaluation of mineral processing initiatives.

## EVENTS AFTER THE REPORTING PERIOD

On 2 July 2015 as part of the DBP credit review process the bank guarantee requirement for the Barrambie Gas Pty Ltd onerous contract was reduced from $6.0 million to $5.0 million and resulted in additional cash and cash equivalents becoming available to the consolidated entity.

On 19 September the Company has entered into formal binding agreements with China's second largest lithium producer Jiangxi Ganfeng Lithium Co., Ltd. Further details appear in the Review of the Company's operations found on pages 5-10 of this Annual Financial Report.

## FUTURE DEVELOPMENTS

The Consolidated Entity intends to center its focus on disciplined evaluation and development of its two core assets, the Mt Marion Lithium Project and Barrambie Titanium project, and to finalise divestment of its remaining non-core assets. These core advanced minerals projects have large JORC-compliant Resource bases, which when combined with their respective process flow sheets hold the potential to develop into large, low-cost, long life advanced mineral operations.

Please also refer to the Going Concern Assumption Note in Note 2 of the notes to the consolidated financial statements.

## ENVIRONMENTAL REGULATIONS

As required by section 299(1)(f) of the Corporations Act the Company confirms that it has performed all of its environmental obligations in accordance with applicable environmental regulations.

## DIVIDENDS

No dividends were paid, recommended or declared during the reporting year.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and of any related body corporate against a liability incurred as a director or officer, to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

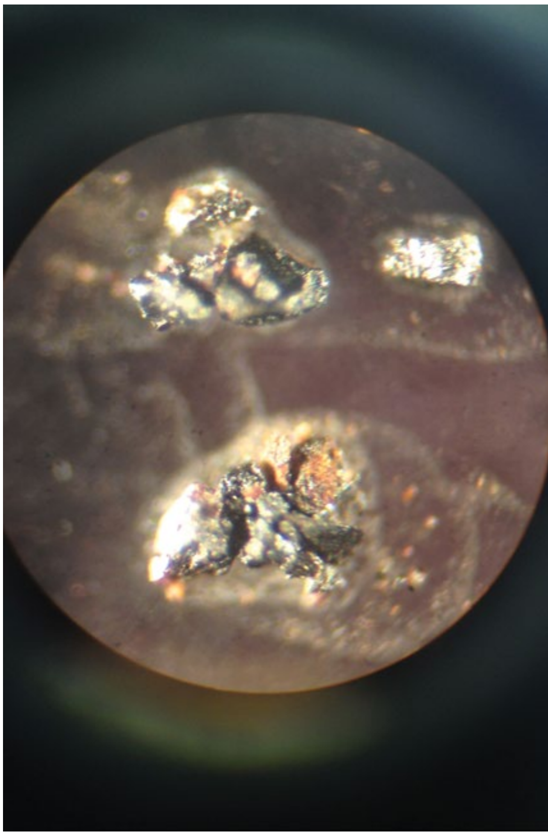
The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

## UNISSUED SHARES UNDER OPTION

There were no unissued ordinary shares of the company, Neometals Ltd, under option at the date of this report.

No shares of the Company were issued during or since the end of the financial year as a result of the exercise of an option over the unissued shares of the Company.

Please also refer to Corporate – Finances above with respect to convertible notes on issue.



# Director's Report

## DIRECTORS' SECURITY HOLDINGS

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

| Directors | Fully paid Ordinary Shares<br>Number | Share Options<br>Number | Performance rights<br>Number |
|---|---|---|---|
| S. Cole | 1,120,083 | - | - |
| C. Reed | 13,548,980 | - | - |
| D. Reed | 28,121,259 | - | - |

## DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 9 board meetings, 2 nomination and remuneration committee meetings, 1 audit and risk committee meeting, 1 audit committee meeting and 1 remuneration committee meeting was held.

| | Board of Directors | | Nomination & Remuneration Committee[1] | | Remuneration Committee[1] | | Audit & Risk Committee[1] | | Audit Committee[1] | |
|---|---|---|---|---|---|---|---|---|---|---|
| Directors | Held | Attended | Held [2] | Attended | Held [2] | Attended | Held | Attended | Held | Attended |
| S. Cole | 9 | 9 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| C. Reed | 9 | 8 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| D. Reed | 9 | 9 | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |

Meeting numbers in the "Held" column are the number of meetings held whilst the relevant director was a member of the board or committee.

(1) During the year the audit & risk committee and the nomination & remuneration committee were disbanded and re-established as four separate committees; the nomination committee, the remuneration committee, the audit committee and the risk committee.
(2) Excludes several informal meetings of the members of the Nomination & Remuneration Committee to discuss matters including the establishment of executive KPIs for incentive based remuneration and the TSR comparator group, board evaluation and board succession planning.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

## CORPORATE GOVERNANCE STATEMENT

The Company is committed to high standards of corporate governance designed to enable the Company to meet its performance objectives and better manage its risks.

The Company has adopted a comprehensive governance framework in the form of a formal corporate governance charter together with associated policies, protocols and related instruments (together "Charter").

The Company's Charter is based on a template which has been professionally verified to be complementary to and in alignment with the ASX Corporate Governance Council Principles and Recommendations 3rd Edition 2014 ("ASX CGC P&R") in all material respects. The Charter also substantially addresses the suggestions of good corporate governance mentioned in the "Commentary" sections of the ASX CGC P&R.



The Charter was formally adopted by the board on 28 November 2014. Prior to that date the Company's corporate governance charter was substantially reflective of the ASX Corporate Governance Council Principles and Recommendations 2nd Edition.

The Board of Neometals is responsible for the corporate governance of the company and its subsidiaries. The Board has governance oversight of all matters relating to the strategic direction, corporate governance, policies, practices, management and operations of Neometals with the aim of delivering value to its Shareholders and respecting the legitimate interest of its other valued stakeholders, including employees, suppliers and joint venture partners.

Under ASX Listing Rule 4.10.3, Neometals is required to provide in its annual report details of where shareholders can obtain a copy of its corporate governance statement, disclosing the extent to which the Company has followed the ASX Corporate Governance Council Principles and Recommendations in the reporting period. Neometals has published its corporate governance statement on the Corporate section of its website:

**www.neometals.com.au/reports/corporate-governance-statement-24Sept15.pdf**

## REMUNERATION REPORT (AUDITED)

### KEY MANAGEMENT PERSONNEL

The following persons were deemed to be Key Management Personnel ("KMP") during or since the end of the financial year for the purpose of Section 300A of the Corporations Act 2001 and unless otherwise stated were KMP for the entire reporting period.

| | |
|---|---|
| **Non-executive Directors** | |
| • Steven Cole | Non-executive Director/Deputy chairman |
| • David Reed | Non-executive Chairman |
| **Executive Directors** | |
| • Christopher Reed | Managing Director |
| Other executives | |
| • Jason Carone | Financial Controller and Company Secretary |

### REMUNERATION POLICY FOR KEY MANAGEMENT PERSONNEL

**Non-executive directors**

The board's policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee on behalf of the board determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, shareholder sentiment, board work load, company cashflow capacity and corporate performance generally. Independent external advice and/or benchmark comparisons are sought when required. The maximum aggregate amount of fees that can be paid to Non-executive Directors is $400,000 as approved by shareholders at the Annual General Meeting on 15 November 2011. Fees for Non-executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

### GENERAL

The remuneration policy for employees is developed by the Remuneration Committee taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Company adopted a Performance Rights Plan ("PRP") for its staff, including the executive KMP, in July 2011 and shareholders reapproved the issue of securities under the plan in November 2014. The board believes that the PRP will assist the Consolidated Entity in remunerating and providing ongoing incentives to employees of the Group.

The rules of the PRP enable the Company to issue performance rights to eligible personnel subject to performance and vesting conditions determined by the Company. Each performance right entitles the holder, for nil cash consideration, to one fully paid ordinary share in the Company for every performance right offered, if the applicable performance and vesting conditions set for that holder are satisfied.

During the financial year a total of 9,394,155 (2014: 4,408,739) performance rights were offered to and accepted by KMP. Of this amount 9,394,155 performance rights are subject to a Total Shareholder Return ("TSR") hurdle, details of which can be found in the "Service agreements - performance based remuneration" section below. Testing undertaken for the period ended 30 June 2014 resulted in no performance rights subject to the TSR criteria vesting, retesting of the TSR criteria took place on 31 December 2014 and as a result 2,758,862 performance rights subject to the TSR criteria vested. Testing undertaken for the period ended 30 June 2015 resulted in 6,827,227 performance rights subject to the TSR criteria vesting, retesting of the TSR criteria is due to take place on 31 December 2015 for the remaining 49,274 performance rights that did not vest.

# Director's Report

The Group's remuneration policy for executive KMP seeks to balance its desire to attract, retain and motivate high quality personnel with the need to ensure that remuneration incentivises them to pursue growth and success of the Company without taking undue risks and without it being excessive remuneration.

To align the interests of the executive with that of the company remuneration packages for executive KMPs contain the following key elements:

a) Fixed Base Salary – salary, superannuation and non-monetary benefits;

b) Short Term Incentives – cash bonus incentives applied to a maximum percentage of Fixed Base Salary and structured against relative satisfaction (at the reasonable discretion of the board) of certain corporate and personally related key performance indicators of the executive.

c) Long Term Incentives – the grant of performance rights in the Company, with value capped to a maximum percentage of Fixed Base Salary, vesting progressively while the executive remains employed, with the degree of vesting structured against the Company's relative TSR performance against a comparator group of companies.

The Company's remuneration is specifically designed to encourage loyalty and longevity of employment as well as aligning the employee's interests with those of the Company and the creation of genuine long term sustainable value for security holders.

All remuneration provided to KMP in the form of share based payments are valued pursuant to *AASB 2 Share-based Payment* at fair value on grant date and are expensed on a pro rata basis over the vesting period of the relevant security.

## RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2015:

| | 30 June 2015 $ | 30 June 2014 $ | 30 June 2013 $ | 30 June 2012 $ | 30 June 2011 $ |
|---|---|---|---|---|---|
| Revenue | 419,526 | 7,800,372 | 32,551,507 | - | 347,821 |
| Net loss before tax | (10,314,405) | (14,573,782) | (64,933,864) | (30,983,345) | (4,738,594) |
| Net loss after tax | (10,314,405) | (16,666,425) | (75,581,860) | (30,983,345) | (3,353,586) |
| Share price at start of year | 0.018 | 0.032 | 0.205 | 0.50 | 0.60 |
| Share price at end of year | 0.091 | 0.018 | 0.032 | 0.205 | 0.50 |
| Market capitalisation at year end (undiluted) | 45,701,361 | 9,422,170 | 16,665,906 | 94,853,822 | 131,118,600 |
| Basic loss per share | (0.0203) | (0.0279) | (0.1442) | (0.1061) | (0.0150) |
| Diluted loss per share | (0.0203) | (0.0293) | (0.1508) | (0.1061) | (0.0150) |
| Dividends Paid | Nil | Nil | Nil | Nil | Nil |

Nm

## KEY MANAGEMENT PERSONNEL REMUNERATION

The KMP received the following amounts during the year as compensation for their services as directors and executives of the Company and/or the Group. For some KMP that compensation received also included some bonus entitlements that had been deferred from 2013/2014:

| 2015 | Short-term employee benefits | | | | | Post-employment benefits | Share based payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees $ | Bonus FY 13'14 $ | Bonus FY 14'15 $ | Non-monetary $ | Other $ | Super-annuation $ | Shares $ | Options and rights $ | Total $ | % Consisting of options/ rights |
| **Non-executive Directors** | | | | | | | | | | |
| S. Cole | 77,626 | - | - | - | - | 7,374 | - | - | 85,000 | - |
| D. Reed | 95,890 | - | - | - | - | 9,110 | | - | 105,000 | - |
| | **173,516** | **-** | | **-** | **-** | **16,484** | **-** | **-** | **190,000** | **-** |
| **Executive directors** | | | | | | | | | | |
| C. Reed | 365,000 | 80,000 | 80,000 | 7,761 | - | 25,000 | - | 101,312 | 659,073 | 31 |
| | **365,000** | **80,000** | **80,000** | **7,761** | **-** | **25,000** | **-** | **101,312** | **659,073** | **-** |
| **Other executives** | | | | | | | | | | |
| J. Carone | 210,000 | 45,000 | 57,488 | 24,210 | - | 24,225 | - | 39,513 | 400,436 | 27 |
| | **210,000** | **45,000** | **57,488** | **24,210** | **-** | **24,225** | **-** | **39,513** | **400,436** | **-** |
| **Total** | **748,516** | **125,000** | **137,488** | **31,971** | **-** | **65,709** | **-** | **140,825** | **1,249,509** | **-** |

| 2014 | Short-term employee benefits | | | | Post-employment benefits | Share based payments | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees $ | Bonus $ | Non-monetary $ | Other $ | Super-annuation $ | Shares $ | Options and rights $ | Total $ | % Consisting of options/ rights |
| S. Cole | 60,870 | - | - | - | 5,630 | - | - | 66,500 | - |
| V. Guthrie[1] | 21,281 | - | - | - | 1,969 | - | - | 23,250 | - |
| C. Johnstone[2] | 15,750 | - | - | - | - | - | - | 15,750 | - |
| D. Reed | 86,957 | - | - | - | 8,043 | - | - | 95,000 | - |
| | **184,858** | **-** | **-** | **-** | **15,642** | **-** | **-** | **200,500** | |
| **Executive directors** | | | | | | | | | |
| C. Reed | 339,167 | - | 3,109 | - | 24,996 | - | 60,580 | 427,852 | 14 |
| L. Tonkin[3] | 210,090 | - | 10,747 | - | 6,250 | - | - | 227,087 | - |
| | **549,257** | **-** | **13,856** | **-** | **31,246** | **-** | **60,580** | **654,939** | |
| **Other executives** | | | | | | | | | |
| J. Carone | 211,605 | - | - | - | 17,820 | - | 4,705 | 234,130 | 2 |
| C. Fawcett[4] | 51,934 | - | 16,349 | - | 2,962 | - | - | 71,245 | - |
| D. Lim[5] | 92,216 | - | - | 64,604 | 9,239 | - | - | 166,059 | - |
| C. Mardon[6] | 53,465 | - | - | - | 4,167 | - | - | 57,632 | - |
| D. Wates[7] | 94,107 | - | - | 67,779 | 7,100 | - | - | 168,986 | - |
| | **503,327** | **-** | **16,349** | **132,383** | **41,288** | **-** | **4,705** | **698,052** | |
| **Total** | **1,237,442** | **-** | **30,205** | **132,383** | **88,176** | **-** | **65,285** | **1,553,491** | |

(1) Dr. V. Guthrie ceased to be director 20 November 2013.
(2) Mr. C. Johnstone ceased to be director 30 September 2013. Mr. Johnstone's director fees were paid to a Company controlled by Mr. Johnstone.
(3) Mr. L. Tonkin ceased to be director 30 September 2013.
(4) Mr. C. Fawcett ceased employment 2 August 2013.
(5) Mr. D. Lim ceased employment 22 October 2013.
(6) Mr. C. Mardon ceased being a KMP on 16 August 2013 when GMKE was placed in voluntary administration.
(7) Mr. D. Wates ceased employment 9 October 2013.

# Director's Report

## SERVICE AGREEMENTS - PERFORMANCE BASED REMUNERATION

The KMP of the Company, other than non-executive directors, are employed under service agreements. A summary of performance conditions for relevant KMP are detailed below:

**Name:** Mr. J. Carone

**Position:** Financial Controller/ Company Secretary

**Term:** No defined term

*Incentive based remuneration*

*Short Term Incentive*

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 25% of the KMP's annual salary package (currently $229,950 inclusive of superannuation). The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/ position and share price.

*Long Term Incentive*

Each financial year during the term of his service agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan. The number of performance rights to which the KMP may be granted is based on the following calculation and vesting of the performance rights are subject to further criteria which are also set out below.

*Calculation of potential entitlement to performance rights*

$$\mathbf{P} = \frac{25}{100} \times \frac{S}{VWAP}$$

*Where:*

**P** is the potential performance rights entitlement

**S** is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Neometals Ltd for the period ended 30 June of the preceding financial year.

*Criteria*

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the vesting period (2 or 3 years as determined by the Board) and will be calculated as follows:

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the Performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP have a vesting period of up to 3 years from grant date and will lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

**Name:** Mr. C. Reed

**Position:** Managing Director

**Term:** Termination date of 30 June 2017

*Incentive based remuneration*

*Short Term Incentive*

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 33% of the KMP's annual salary package ($390,000 inclusive of superannuation for 2014-15). The STI for 2014-15 was set at $100,000 representing approximately 26% of the annual base salary package which was acknowledged and agreed by the board and Mr C Reed. The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

*Long Term Incentive*

Each financial year during the term of his service agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan. The maximum number of performance rights to which the KMP may be granted is based on the following calculation and vesting of the performance rights are subject to further criteria which are also set out below, as approved by shareholders.

*Calculation of potential entitlement to performance rights*

$$P = \frac{50}{100} \times \frac{S}{VWAP}$$

*Where:*

**P** is the potential performance rights entitlement

**S** is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Neometals Ltd for the period ended 30 June of the preceding financial year.

The LTI for 2014-15 was set at $150,000 representing approximately 38% of the annual base salary package which was acknowledged and agreed by the Board and Mr C Reed.

*Criteria*

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the calculation period (1 year) and will be calculated as follows:

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP vest on the grant date and lapse on the KMP ceasing to be an employee of the Group prior to the vesting date. The calculation period and vesting date was previously a 1 year period. Following feedback and approval from shareholders at the AGM in November 2014 the calculation and vesting period was varied from 1 year to 2 years for performance rights issued for financial years commencing 1 July 2015, 2016 and 2017.

The Company provides the KMP with performance based incentives in order to incentivise KMP to pursue strategies that are aligned with the overall business strategy and the interests of the shareholders. Where deemed appropriate the Company has set specific Key Performance Indicators as performance criteria for staff that have a direct role/responsibility in achieving a specific outcome. To ensure that KMP are also incentivised to pursue longer term strategies that increase shareholder wealth a portion of the KMP's remuneration is linked to a "comparative TSR model" which links the level of the KMP remuneration to the Company's performance against a group of comparable ASX listed entities, using Total Shareholder Return as the basis of comparison. KMP are also issued with performance rights with service conditions as vesting criteria which assist the company retain staff as well as aligning the interests of the KMP with shareholders. The Company has deemed the issue of service based performance rights as an appropriate form of remuneration due the uncertain nature of the Group's business, that is, mineral exploration and mining.

For the purpose of determining the KMP's entitlement to performance rights under the comparative TSR model detailed above, and given the change in the Company's primary undertaking with the cessation of the gold business, the Company has amended the previously adopted comparator group. The list of comparator group of companies was previously based on gold exploration and production companies as set out below:

- Doray Minerals Ltd (ASX: DRM)
- Silver Lake (ASX: SLR)
- Evolution Mining (ASX: EVN)
- Tanami Gold Ltd (ASX: TAM)
- Focus Minerals Ltd (ASX: FML)
- Unity Mining Ltd (ASX: UML)
- Gold Road Resources Ltd ( ASX: GOR)
- St Barbara Ltd (ASX: SBM)
- Northern Star Resources Ltd (ASX: NST)
- Millennium Minerals Ltd (ASX: MOY)
- Regis Resources Ltd (ASX: RRL)
- Ramelius Resources (ASX: RMS)

The performance rights issued in 2012 to J.Carone totalling 295,584 with a vesting date of 30 June 2015 were subject to testing to the above comparator group.

The comparator group adopted by the company for LTI granted in 2013-14 and 2014-15 is as follows:

- Atlantic Ltd (ASX: ATI)
- Ramelius Resources (ASX: RMS)
- Galaxy Resources Limited (ASX: GXY)
- Rutila Resources Limited (ASX: RTA)
- Nemaska Lithium Inc. (TSX: NMX)
- Southern Cross Goldfields Limited (ASX: SXG)
- Radar Iron Ltd (ASX: RAD)
- TNG Ltd (ASX: TNG)
- Argex Titanium Inc. (TSX: RGX)

The Company has selected the above group of companies as the comparator group for the following reasons:

1. It represents a reasonable cross section of resource companies with reasonably comparable market capitalisation, resource base and stage of development to that of the Company
2. The group is primarily focused on developing industrial minerals projects.

## OPTION AND PERFORMANCE RIGHTS ISSUED AS PART OF KMP REMUNERATION

### SHARE OPTIONS OF NEOMETALS LTD

No share options were issued to KMP during the financial year as part of their remuneration. In 2014 all options previously issued lapsed unexercised.

| 2014 | Balance at 01/07/13 No. | Granted as remuneration No. | Exercised /lapsed No. | Balance at 30/06/14 No. | Balance vested at 30/06/14 No. | Vested but not exercisable No. | Vested and exercise-able No. | Options vested during year No. |
|---|---|---|---|---|---|---|---|---|
| S. Cole | 350,000 | - | 350,000 | - | - | - | - | - |
| C. Reed | - | - | - | - | - | - | - | - |
| D. Reed | - | - | - | - | - | - | - | - |
| J. Carone | 1,500,000 | - | 1,500,000 | - | - | - | - | - |
| C. Fawcett | 750,000 | - | 750,000 | - | - | - | - | - |
| D. Wates | 500,000 | - | 500,000 | - | - | - | - | - |
| **Total** | 3,100,000 | - | 3,100,000 | - | - | - | - | - |

All share options have been issued in accordance with the provisions of the Company's ESOP as approved by shareholders.

### PERFORMANCE RIGHTS OF NEOMETALS LTD

In the current reporting period the Company granted 9,394,155 (2014: 4,408,739) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan. At the reporting date 6,827,227 performance rights had vested.

Further details of the ESOP and PRP and of share options and performance rights granted are contained in Note 9 to the financial statements.

### PERFORMANCE RIGHTS GRANTED TO KEY MANAGEMENT PERSONNEL

The following tables summarises information relevant to the current financial year in relation to the grant of performance rights to KMP as part of their remuneration. Performance rights are issued by Neometals Ltd.

| | During the Financial Year | | | | | |
|---|---|---|---|---|---|---|
| Name | Grant date | No. granted | No. vested | Fair value at grant date | Earliest exercise date | Consideration payable on exercise |
| **KMP:** | | | | | | |
| J. Carone[1] | 01/08/2014 | 2,813,239 | - | 42,008 | 30/06/2016 | - |
| C. Reed[2] | 01/08/2014 | 6,580,916 | 6,580,916 | 101,312 | 30/06/2015 | - |
| **Total** | | 9,394,155 | 6,580,916 | 143,320 | | - |

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over a 2 year period. Accordingly, at the date of this report no performance rights had vested.
(2) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the 1 year period as set out in the section above. At the date of this report C.Reed had become entitled to 6,580,916,securities whose vesting conditions met the TSR criteria.

Li + Ti = Nm

Details of performance rights held by KMP and of shares issued during or since the end of the financial year as a result of the vesting of performance rights:

| 2015 | Balance at 01/07/14 No. | Grant date | Granted | Fair value of rights at grant date $ | Vested during the financial year No. | Forfeited/ lapsed during the financial year No. | Balance at 30/06/2015 No. | Ordinary shares issued on exercise of rights No. |
|---|---|---|---|---|---|---|---|---|
| **KMP:** | | | | | | | | |
| J. Carone[1] | 1,393,953 | 01/08/2014 | 2,813,239 | 42,008 | 246,310 | - | 3,960,882 | 246,310 |
| C. Reed[1] | 4,464,554 | 01/08/2014 | 6,580,916 | 101,312 | 9,339,778 | 1,705,692 | - | 9,339,778 |
| **Total** | 5,858,507 | | 9,394,155 | 143,320 | 9,586,088 | 1,705,692 | 3,960,882 | 9,586,088 |

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the relevant 1 - 3 year period (as applicable) as set out in the section above.

| 2014 | Balance at 01/07/13 No. | Grant date | Granted | Fair value of rights at grant date $ | Vested during the financial year No. | Forfeited/ lapsed during the financial year No. | Balance at 30/06/2014 No. | Ordinary shares issued on exercise of rights No. |
|---|---|---|---|---|---|---|---|---|
| **KMP:** | | | | | | | | |
| J. Carone[1] | 295,584 | 07/10/2013 | 1,098,369 | 12,851 | - | - | 1,393,953 | - |
| C. Reed[1] | 1,154,184 | 23/08/2013 | 3,310,370 | 60,580 | - | - | 4,464,554 | - |
| **Total** | 1,449,768 | | 4,408,739 | 73,431 | - | - | 5,858,507 | - |

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the relevant 1 -3 year period (as applicable) as set out in the section above.

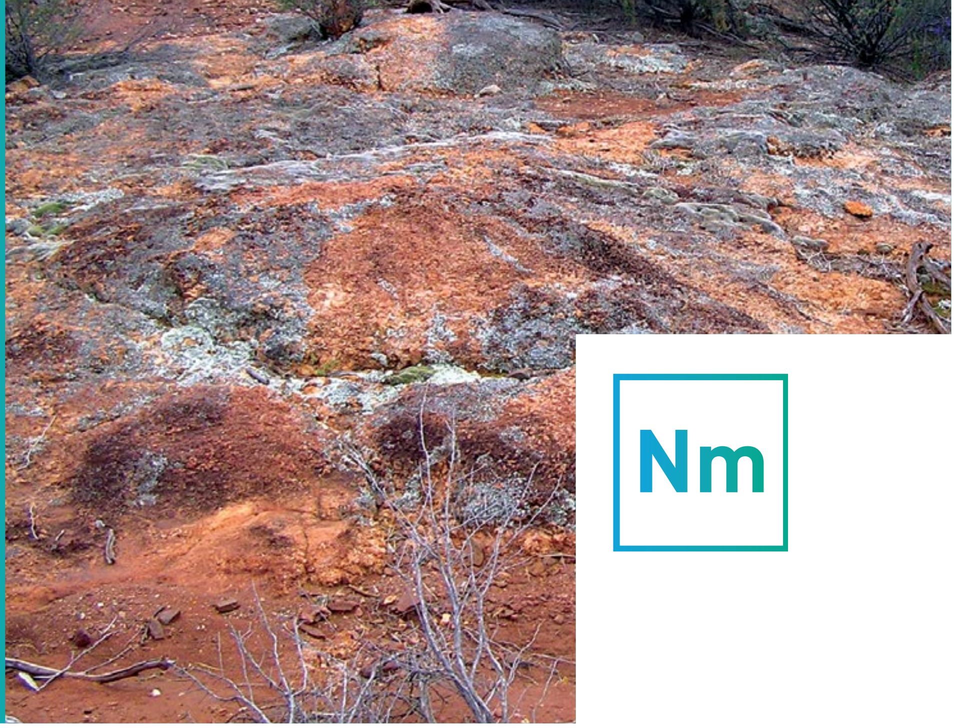
The performance rights granted entitle the grantee to one fully paid ordinary share in Neometals Ltd for nil cash consideration on satisfaction of the vesting criteria.

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for the audit and non-audit services during the year are as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| **Auditor (Deloitte Touche Tohmatsu)** | | |
| Audit fees | 66,150 | 98,100 |
| Non-audit fees | 28,080 | 13,860 |
| | 94,230 | 111,960 |

# Director's Report



The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the non-audit services provided did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 18 of the Annual Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors of Neometals Ltd,

Mr. Chris Reed

Managing Director

West Perth, WA

24 September 2015

Deloitte.

Deloitte Touche Tohmatsu
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# Independent Auditor's Report to the Members of Neometals Ltd

**Report on the Financial Report**

We have audited the accompanying financial report of Neometals Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the 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 year's end or from time to time during the financial year as set out on pages 26 to 75.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Auditor's Independence Declaration*

In conducting our audit, 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 report.

**Deloitte.**

*Opinion*

In our opinion:

(a) the financial report of Neometals Ltd  is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Neometals Ltd for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

M. Gover

**Mark Gover**
Partner
Chartered Accountants
Perth, 24 September 2015

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Level 14
240 St Georges Terrace
Perth WA 6000
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Perth WA 6837 Australia

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Fax: +61 8 9365 7001
www.deloitte.com.au

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

24 September 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 audit of the financial statements of Neometals Ltd for the year ended 30 June 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

**DELOITTE TOUCHE TOHMATSU**

M. Gover

**Mark Gover**
Partner
Chartered Accountants

# Director's 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) the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements;

(c) 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; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors of Neometals Ltd,

CReed.

Mr. Chris Reed

Managing Director

24 September 2015

# Corporate Directory

Li + Ti = Nm



## DIRECTORS
David Reed, Non-Executive Chairman
Christopher Reed, Managing Director
Steven Cole, Non-Executive Director

## COMPANY SECRETARY
Jason Carone

## REGISTERED OFFICE
Level 1, 672 Murray Street
West Perth WA 6005

## CONTACT DETAILS
Telephone (+618) 9322 1182
Facsimile (+618) 9321 0556
www.neometals.com.au

## AUDITORS
Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

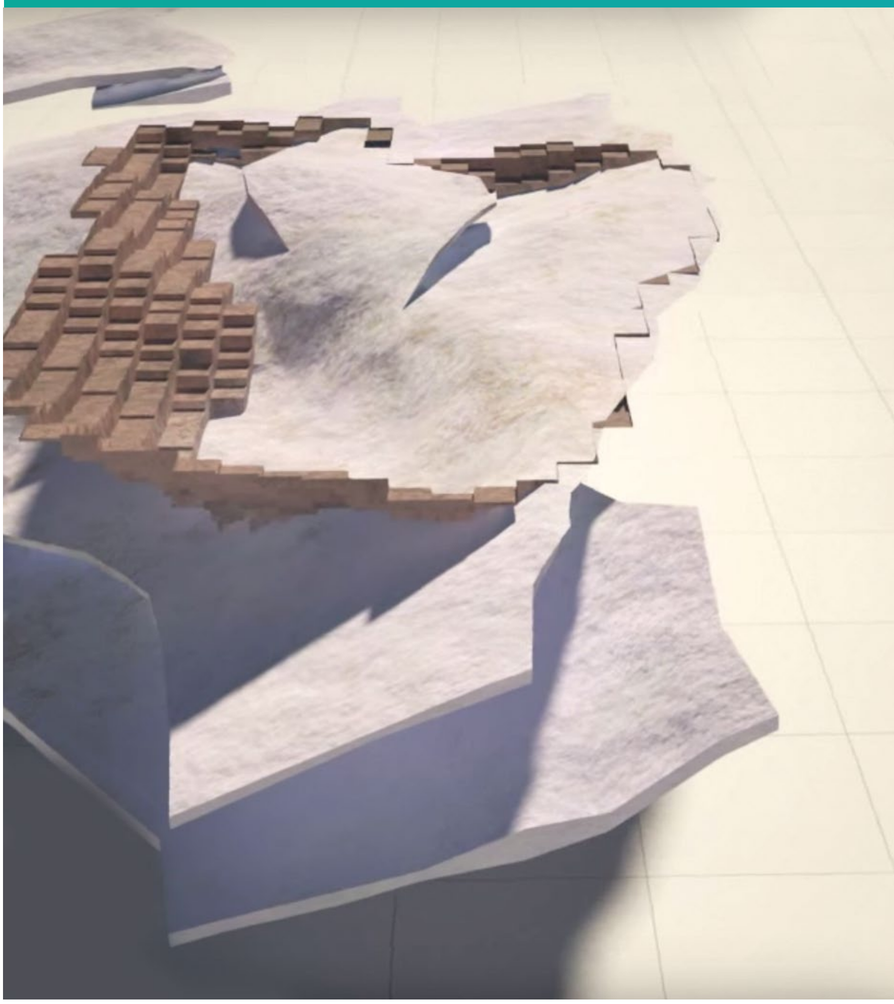
## BANKERS
National Australia Bank Ltd

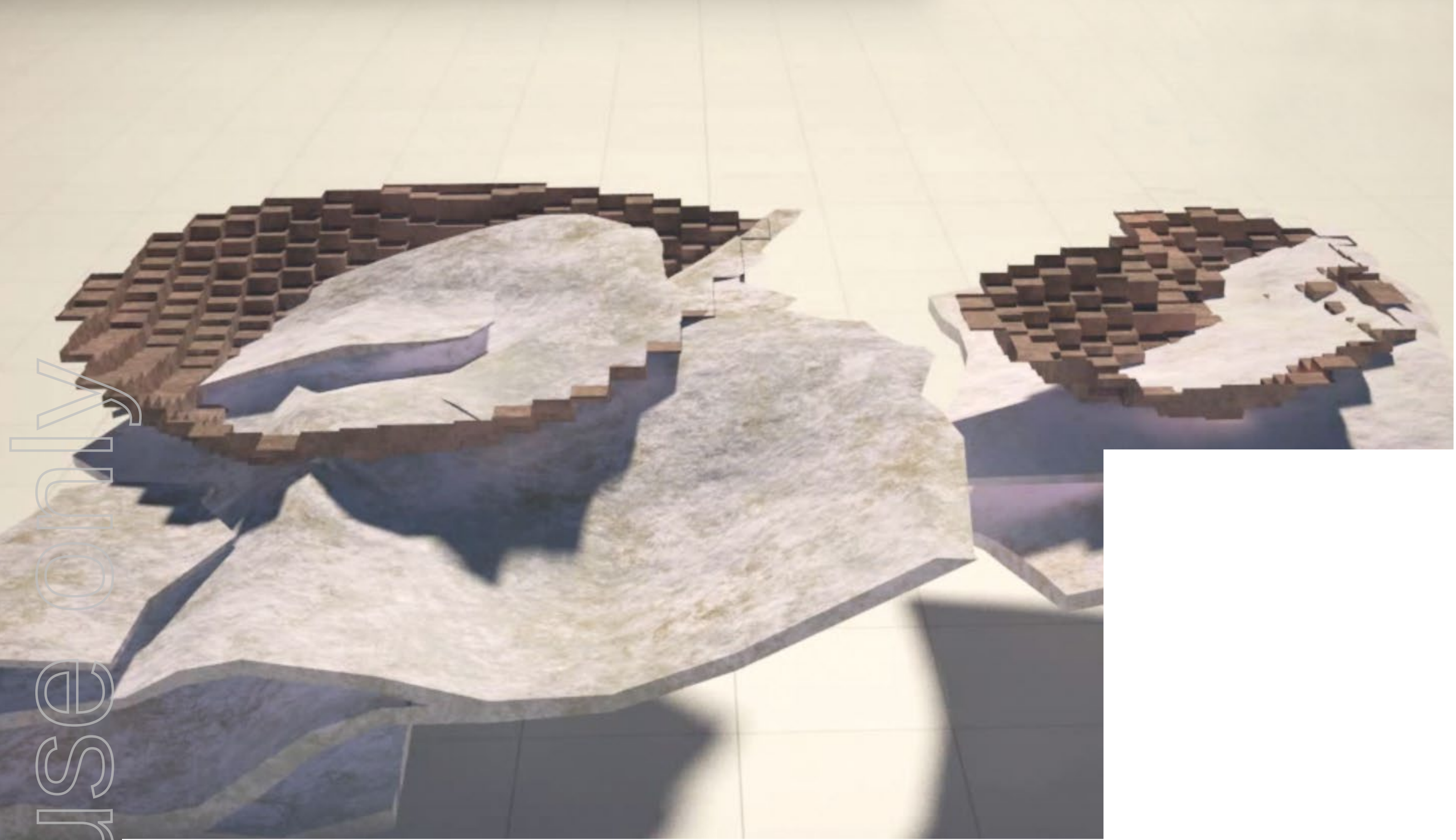
## SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

## STOCK EXCHANGE LISTING
Neometals Ltd are listed on the
Australian Stock Exchange
(Home Branch - Perth)

ASX Code: NMT
ACN: 099 116 631
ABN: 89 099 116 631

North American OTC Market
(DR Symbol: RDRUY)





# Financial Statements Contents

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# Consolidated statement of profit or loss and other comprehensive income

## FOR THE YEAR ENDED 30 JUNE 2015

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from sale of goods | 5 | 419,526 | 7,800,372 |
| Cost of sales | 5 | (159,872) | (9,932,486) |
| Gross Profit / (Loss) | | 259,654 | (2,132,114) |
| | | | |
| Other income | 5 | 759,427 | 538,305 |
| Employee expenses | 5 | (1,388,204) | (1,494,705) |
| Occupancy expenses | | (312,717) | (499,689) |
| Administration expenses | | (1,224,524) | (1,131,572) |
| Finance costs | 5 | (488,398) | (739,622) |
| Other expenses | | (6,534,479) | (1,302,452) |
| Loss on sale of property, plant and equipment | | - | (16,736) |
| Gain / (Loss) on deconsolidation of subsidiary | 28 | - | (6,981,580) |
| Share of Profit / (Loss) of Joint Venture | 24 | (398,240) | (15,436) |
| Impairment of non-current assets | 12,13 | (1,252,915) | (798,181) |
| Loss before income tax | | (10,580,396) | (14,573,782) |
| Income tax (expense) / benefit | 6 | 265,991 | - |
| **Loss for the year from continuing operations** | | **(10,314,405)** | **(14,573,782)** |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations, net of tax | 7, 23 | - | (2,092,643) |
| **Loss for the year** | | **(10,314,405)** | **(16,666,425)** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | 19 | **(10,314,405)** | **(16,666,425)** |
| **Loss per share** | | | |
| From continuing operations: | | | |
| Basic and diluted (cents per share) | 20 | (2.05) | (2.79) |
| From continuing and discontinued operations: | | | |
| Basic and diluted (cents per share) | 20 | (2.05) | (2.93) |

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

# Consolidated statement of financial position
## AS AT 30 JUNE 2015

| | Note | 2015<br>$ | 2014<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 29 (a) | 1,442,648 | 7,064,800 |
| Trade and other receivables | 10 | 630,205 | 771,243 |
| Other financial assets | 11 | 1,000,000 | - |
| **Total current assets** | | **3,072,853** | **7,836,043** |
| **Non-current assets** | | | |
| Loan to joint venture | 24 | 1,681,952 | 1,042,617 |
| Exploration, evaluation and development expenditure | 12 | 11,362,044 | 10,761,411 |
| Investment in joint venture | 24 | 1,099,159 | 1,495,399 |
| Other financial assets | 11 | 5,095,000 | 6,135,000 |
| Property, plant and equipment | 13 | 250,906 | 205,244 |
| **Total non-current assets** | | **19,489,061** | **19,639,671** |
| **Total assets** | | **22,561,914** | **27,475,714** |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 894,708 | 159,665 |
| Borrowings | 16 | 1,931,204 | 1,926,998 |
| Provisions | 15 | 1,164,587 | 1,206,300 |
| **Total current liabilities** | | **3,990,499** | **3,292,963** |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 40,067 | - |
| Provisions | 15 | 5,311,608 | 499,151 |
| **Total non-current liabilities** | | **5,351,675** | **499,151** |
| **Total liabilities** | | **9,342,174** | **3,792,114** |
| **Net assets** | | **13,219,740** | **23,683,600** |
| **Equity** | | | |
| Issued capital | 17 | 157,910,617 | 158,292,130 |
| Reserves | 18 | 5,569,901 | 5,337,843 |
| Accumulated losses | 19 | (150,260,778) | (139,946,373) |
| **Total equity** | | **13,219,740** | **23,683,600** |

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

# Consolidated statement of changes in equity
## FOR THE YEAR ENDED 30 JUNE 2015

| | Issued Capital $ | Other equity reserve $ | Share based payments reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| Balance as at 1/07/13 | **158,046,134** | **-** | **5,574,092** | **(123,279,948)** | **40,340,278** |
| Loss for the period | - | - | - | (16,666,425) | (16,666,425) |
| Other comprehensive income, net of tax | - | - | - | - | - |
| **Total comprehensive income for the period** | - | - | - | (16,666,425) | (16,666,425) |
| Recognition of share-based payments (see note 18) | 250,646 | - | (394,878) | - | (144,232) |
| Recognition of convertible note equity (see Note 18) | - | 158,629 | - | - | 158,629 |
| Issue of share capital | - | - | - | - | - |
| Share issue costs, net of tax | (4,650) | - | - | - | (4,650) |
| **Balance at 30/06/14** | **158,292,130** | **158,629** | **5,179,214** | **(139,946,373)** | **23,683,600** |
| Loss for the period | - | - | - | (10,314,405) | (10,314,405) |
| **Total comprehensive income for the period** | | | | | |
| Recognition of share-based payments (see note 18) | 50,487 | - | 90,338 | - | 140,825 |
| Recognition of convertible note equity (see Note 18) | - | 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 30/06/15** | **157,910,617** | **300,349** | **5,269,552** | **(150,260,778)** | **13,219,740** |

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

# Consolidated statement of cash flows
## FOR THE YEAR ENDED 30 JUNE 2015

| | Note | 2015 $ | 2014 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 878,814 | 7,018,612 |
| Payments to suppliers and employees | | (3,794,651) | (16,553,230) |
| Net cash generated from/(used in) operating activities | 29 (c) | (2,915,837) | (9,534,618) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant & equipment | | - | 185,107 |
| Payments for property, plant & equipment | | (45,308) | (15,786) |
| Payments for exploration and evaluation costs | | (2,676,997) | (1,621,843) |
| Transfer from restricted term deposits | | - | 2,700,000 |
| Interest received | | 297,196 | 277,036 |
| Loan to joint venture | | (62,732) | - |
| Net proceeds from sale of subsidiary | 23 | - | 1,866,480 |
| Net cash used in investing activities | | (2,487,841) | 3,390,994 |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | - | 3,049,342 |
| Repayment of borrowings | | (12,073) | (1,409,652) |
| Amounts received from related parties | | - | 4,558,000 |
| Interest and other finance costs paid | | (206,401) | (203,404) |
| Net cash provided by financing activities | | (218,474) | 5,994,286 |
| **Net (decrease)/increase in cash and cash equivalents** | | (5,622,152) | (149,338) |
| **Cash and cash equivalents at the beginning of the financial year** | | 7,064,800 | 7,214,138 |
| **Cash and cash equivalents at the end of the financial year** | 29 (a) | 1,442,648 | 7,064,800 |

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

# Index to Notes to the consolidated financial statements

# Notes to the consolidated financial statements
## FOR THE YEAR ENDED 30 JUNE 2015

## 1. General information

Neometals Ltd is a limited public company incorporated in Australia and listed on the Australian Securities Exchange. The principal activities of the Consolidated Entity are mineral exploration. Neometals Ltd is the ultimate parent.

**Registered office and principal place of business**

Level 1, 672 Murray St, West Perth WA 6005

## 2. Significant accounting policies

**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial statements comprise the consolidated financial statements of the Consolidated Entity, comprising Neometals Ltd and its controlled entities. For the purpose of preparing the financial statements the consolidated entity is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors of Neometals Ltd on 24 September 2015.

**Basis of preparation**

The accounting policies adopted are consistent with those adopted and disclosed in the Consolidated Entity's 2014 Annual Financial Report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with IRFS.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Boards ("AASB") that are relevant to its operations and effective for the current reporting period beginning 1 July 2014.

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-financial 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.

**Going Concern Assumption**

The 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 $10,314,405 (June 2014: Loss $16,666,425) and had net cash outflows from operating and investing activities of $5,403,678 for the year ended 30 June 2015 (June 2014: outflow of $6,143,624). At 30 June 2015 the Consolidated Entity had net current liabilities of $917,646 (June 2014: net current liabilities of $4,543,080).

During the year the Consolidated Entity varied the terms of the secured convertible note held by interests associated with the non-executive chairman, David Reed. Refer note 16 for further details. The repayment of the remaining convertible notes of $2,000,000 is due by 21 November 2015, unless previously converted to equity.

## 2. Significant accounting policies (continued)

Subsequent to 30 June 2015, the amount of restricted cash held for the Barrambie gas transmission was reduced by $1 million in July 2015 and resulted in additional cash and cash equivalents becoming available to the consolidated entity.

As disclosed in Note 32, Neometals is expecting to receive approximately US$19.5M in early October in connection with the sale of the 25% shareholding in Reed Industrial Minerals Pty Ltd ("RIM") to Jiangxi Ganfeng Lithium Co. Ltd ("Ganfeng"). At the date of signing this report the transaction with Ganfeng is unconditional.

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 21 November 2015 unless previously converted to equity at a conversion price of $0.04 (50,000,000 ordinary shares). Based on the prevailing 30 day VWAP for Neometals ("NMT") shares as at 22 September 2015 of around $0.16 and assuming its continuance around or above that level up to the due date for redemption of the convertible notes, the Company believes there to be a reasonable prospect that the convertible notes will be converted by their due redemption date.

(ii) 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/or seek to refinance the convertible notes.

(iii)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.

**Standards and interpretations adopted in the current year**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2014.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 10 'Consolidated Financial Statements
- AASB 11 'Joint Arrangements'
- AASB 119 ' Employee Benefits'

The impact of the adoption of these Standards and Interpretations did not have a material impact on the Group.

## 2. Significant accounting policies (continued)

### Standards and interpretations issued not yet effective

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2015:

| | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards (1) | 1 January 2018 | 30 June 2019 |
| AASB 1055 'Budgetary Reporting' and AASB 2013-1 'Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements' | 1 July 2014 | 31 December 2015 |
| AASB 1056 'Superannuation Entities' | 1 July 2016 | 31 December 2017 |
| AASB 2014-1 'Amendments to Australian Accounting Standards'<br>- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles'<br>- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'<br>- Part C: 'Materiality' | 1 January 2016 | 31 December 2015 |
| AASB 2014-1 'Amendments to Australian Accounting Standards – Part E. 'Financial Instruments' | 1 January 2015 | 30 June 2016 |
| AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations' | 1 January 2016 | 31 December 2016 |
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' | 1 January 2016 | 31 December 2016 |
| AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' | 1 January 2017 | 31 December 2017 |
| AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants' | 1 January 2016 | 31 December 2016 |
| AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements' | 1 January 2016 | 31 December 2016 |
| AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' | 1 January 2016 | 31 December 2016 |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | 1 January 2016 | 31 December 2016 |
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | 1 January 2016 | 31 December 2016 |
| AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'' | 1 July 2015 | 31 December 2016 |
| AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent' | 1 July 2015 | 31 December 2016 |
| AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception' | 1 January 2016 | 31 December 2016 |
| AASB 2015-6 'Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Non-for-Profit Public Sector Entities' | 1 July 2016 | 31 December 2017 |

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

## 2. Significant accounting policies (continued)

None at the time of publication

(1) The AASB has issued the following versions of AASB 9 and the relevant amending standards:

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures', AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' – Part C: Financial Instruments and AASB 2014-1 'Amendment to Australian Accounting Standards' – Part E: Financial Instruments
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure', AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' – Part C: Financial Instruments and AASB 2014-1 'Amendment to Australian Accounting Standards' – Part E: Financial Instruments
- AASB 9 'Financial Instruments' (December 2014) and AASB 2014-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)'
- AASB 2014-8 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)'. For annual reporting periods beginning on or after 1 January 2015, an entity may elect to early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards if the entity's relevant date of initial application is before 1 February 2015, however after that point if an entity wishes to early adopted AASB 9, it must adopt the AASB 9 (December 2014) version.

A detailed assessment of the impact of the implementation of the aforementioned Standards and Interpretations has not been undertaken by the Consolidated Entity at the date of this report.

### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the zperiod of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

### Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### (a) Cash and cash equivalents

Cash comprises cash on hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 2. Significant accounting policies (continued)

### (b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

### (c) Financial instruments issued by the company

#### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

#### Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 2 (q).

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 2. Significant accounting policies (continued)

**Transaction costs on the issue of equity instruments**

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

**Interest and dividends**

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

### (d) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (e) Non-current assets held for sale

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

### (f) Impairment of assets

At each reporting date, the consolidated entity reviews the varying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the varying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the varying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased varying amount does not exceed the varying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## 2. Significant accounting policies (continued)

### (g) Income tax

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the varying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit and loss statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Neometals Ltd is the head entity in the tax-consolidated group. Income tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a 'group allocation' approach based on the allocation specified in the tax funding arrangement.

The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax consolidated group are treated as having no consequence. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

## 2. Significant accounting policies (continued)

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent and the other members of the tax consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from the unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from, or distribution to, equity participants.

**Research & Development Tax offset**

In respect of Research and Development tax offsets, the Income tax approach (AASB 112) of accounting has been utilised, where the tax benefit is presented within the tax line in the Statement of Comprehensive Income.

### (h) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied;

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs for each area of interest (considered to be the cash generating unit) are reviewed each reporting date to test whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). The recoverable amount for capitalised exploration costs has been determined as the fair value less costs to sell by reference to an active market. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to capitalised development and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

**Development expenditure**

Development expenditure is recognised at cost less any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the life of the reserves associated with the area of interest. Changes in factors such as estimates of proved and probable reserves that effect unit-of-production calculations are dealt with on a prospective basis.

### (i) Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

## 2. Significant accounting policies (continued)

### (j) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. A list of subsidiaries appears in Note 25 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to profit and loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

### (k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, costs are determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a diminishing value basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| **Furniture & Fittings** | 5-20 years |
| **Plant and Equipment** | 2-10 years |
| **Buildings** | 10-20 years |

An item of property, plant and equipment is derecognised upon disposal when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

### (l) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected areas.

## 2. Significant accounting policies (continued)

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to development is capitalised into the cost of the related asset and depreciated over the estimated remaining life of the asset on a units of production basis. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

#### Provision for onerous contract

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### (m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

#### Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive the payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (n) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

## 2. Significant accounting policies (continued)

### (o) Share-based payments

Equity-settled share-based payments to employees and others providing services to the Group are measured at fair value at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest, with a corresponding increase in equity.

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counter party renders the service.

The fair value of performance rights are measured using a Monte Carlo Simulation.

### (p) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Trade and other receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off to profit and loss. Subsequent recoveries of amounts previously written off are credited as income in the calculation of profit and loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In the case of available-for-sale equity instruments, the reversal is recognised directly in equity.

### (q) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

## 2. Significant accounting policies (continued)

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the Lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Contingent rentals are recognised as expenses in the periods in which they are incurred. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the least term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they incurred.

### (r) Inventories

Work in progress and finished goods inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and comprise all costs of purchase, costs of conversion and any other costs incurred in bringing inventories to their present location and condition. Costs of conversion include costs relating directly to production in addition to an apportionment of fixed and variable production overhead expenses, and include costs such as depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and any estimated selling costs. Consumable stores inventory are measured at the cost of acquisition.

### (s) Capitalised mining cost (Stripping activity assets)

During the Group's mining operations waste material is mined in order to access ore. As the mining of waste material may result in access being gained to ore not mined in the same reporting period the Group capitalises the cost of the waste, classified as development expenditure, attributable to this ore for recognition as a cost of inventory in a later period. The Group will only recognise a stripping activity asset in relation to the waste mining cost when the following criteria are satisfied:

- it is probable that the future economic benefits associated with the waste mining will flow to the entity;
- the component of the ore body for the access has been improved can be identified; and
- the costs attributable to the waste mining can be reliably measured.

Waste mining costs capitalised include the direct costs of mining the waste material and a portion of directly attributable mining overheads, which are allocated to the stripping activity asset on a production based method for the relevant deposit.

The Group amortises the stripping activity asset on a unit of production basis. The allocation rate is reviewed at each reporting date.

The stripping activity asset is tested for impairment at the reporting date and any value above the recoverable amount is recognised in the calculation of profit and loss in that period.

### (t) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## 2. Significant accounting policies (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

## 3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 3.1 Critical judgments in applying the entity's accounting policies

The following are the critical judgments that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### (a) Recovery of capitalised exploration evaluation and development expenditure

The Group capitalises exploration, evaluation and development expenditure incurred on ongoing projects. The recoverability of this capitalised exploration expenditure is entirely dependent upon returns from the successful development of mining operations or from surpluses from the sale of the projects or the subsidiary companies that control the projects. At the point that it is determined that any capitalised exploration expenditure is definitely not recoverable, it is written off.

### (b) Share-based payments

Equity-settled share-based payments granted are measured at fair value at the date of grant. The fair value of share options is measured by use of the Monte Carlo model and requires substantial judgement. Management has made its best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

The fair value of performance rights issued during the period was made with reference to the parent entity's closing share price on the date of grant. Management has been required to estimate the probability that the employee will meet the performance criteria determined by the board and that the employee employed by the Group.

### (c) Joint arrangements

When determining the accounting treatment to apply to joint ventures and joint operations management considers the factors which govern the relationship between itself and the other party or parties involved in the joint commitment. Based on information such as legal agreements and the structure of the vehicle under which the joint arrangement is executed management determine whether it is a joint venturer or a joint operator. With respect to terms of agreements between two or more parties there is a risk that the parties may interpret the terms of the agreement differently. Management continually review the facts and circumstances under which these judgements are made and reassess whether the type of joint arrangement in which it is involved has changed.

With respect to Neometals investment in Reed Industrial Materials Pty Ltd ("**RIM**"), management have considered the terms of the Shareholder's Agreement between itself, Mineral Resources Ltd and its subsidiary Process Minerals International Pty Ltd and determined that the agreement constitutes a joint venture under the accounting standards, and that it is a joint venturer with respect to the jointly controlled entity. Accordingly, Neometals accounts for its investment in RIM using the equity method of accounting.

## 3.2 Key areas of estimation uncertainty

The following are key assumptions concerning the future, or other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### (a) Capitalised development and evaluation assets

Certain assumptions are required to be made in order to assess the recoverability of long-lived assets. Key assumptions include future commodity prices, future cash flows, estimated discount rate and estimates of Ore Reserves. Estimates of Ore Reserves are dependent on various assumptions. Changes in these estimates could materially impact on actual ore recovered, and could therefore affect estimates of future cash flows used in the assessment of recoverable amounts. The carrying amount of exploration, evaluation and development assets which is included in the consolidated statement of financial position at 30 June 2015 is $11.4 million (2014: $10.8million) after an impairment of $1.3 million for continuing operations was recognised during the current financial year (2014: $0.8 million). Details of the impairment are included in Note 12.

The Group estimates its Mineral Resources and Reserves based on information assessed by Competent Persons (as defined in the JORC code). In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining Ore Reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over an extended timeframe.

Where a change to Ore Reserves is made, changes to depreciation and amortisation rates are accounted for prospectively.

The determination of Ore Reserves and remaining mine life affects the carrying of value of a number of the Consolidated Entity's assets and liabilities including deferred mining costs and the rehabilitation asset.

### (b) Value of deferred tax assets

Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in Australia. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in Australia could limit the ability of the Group to obtain tax deductions in future periods. The carrying amount of deferred tax assets included in the consolidated statement of financial position at 30 June 2015 is Nil (2014: Nil).

### (c) Onerous Contract

The Company has an onerous contract which relates to a contract entered into by Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, for the Company's Barrambie Project. The contract with DBNGP (WA) Transmission Pty Ltd for gas transmission, commenced on 1 July 2010. The provision in the accounts represents the present value of the gas transmission obligations under the contract for gas transmission not expected to be utilised or on sold.

The estimates for the remaining term is subject to Management's judgement and could change in future periods.

## 4. Parent entity disclosure

| Financial Position | 2015 $ | 2014 $ |
|---|---|---|
| **Assets** | | |
| Current assets | 1,479,255 | 7,025,401 |
| Non-current assets | 21,362,478 | 18,937,557 |
| **Total assets** | **22,841,733** | **25,962,958** |
| **Liabilities** | | |
| Current liabilities | 2,379,974 | 2,295,225 |
| Non-current liabilities | 40,067 | - |
| **Total liabilities** | **2,420,041** | **2,295,225** |
| **Net Assets** | **20,421,692** | **23,667,733** |
| **Equity** | | |
| Issued capital | 157,910,617 | 158,292,130 |
| Retained earnings | (143,058,825) | (139,962,239) |
| **Reserves** | | |
| Share based payments | 5,569,900 | 5,337,842 |
| **Total equity** | **20,421,692** | **23,667,733** |
| **Financial Performance** | | |
| **Loss for the year** | **(3,096,586)** | **(16,628,903)** |
| Other comprehensive income | | |
| **Total comprehensive income** | **(3,096,586)** | **(16,628,903)** |
| **Guarantees entered into on behalf of subsidiaries**[i] | **6,000,000** | **6,000,000** |

(i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. The parent entity has provided security for a bank guarantee required under the contract for $6.0 million. Refer to Note 11 for details.

## 5. Loss for the year continuing operations

| | 2015 $ | 2014 $ |
|---|---|---|
| **(a) Income** | | |
| Income from operations consisted of the following items: | | |
| Revenue from the sale of goods | 419,526 | 7,800,372 |
| **Other income:** | | |
| Interest revenue | 296,366 | 268,792 |
| Statutory refunds and grants | 75,545 | 53,834 |
| Other | 387,516 | 215,679 |
| | 759,427 | 538,305 |
| **(b) Loss before income tax** | | |
| Loss before income tax has been arrived at after charging the following expenses: | | |
| Cost of goods sold | (159,872) | (9,932,486) |
| Employee benefits expense: | | |
| Equity settled share-based payments | (140,825) | 144,232 |
| Defined contribution superannuation plans | (101,539) | (112,045) |
| Other employee benefits | (1,145,840) | (1,526,892) |
| | (1,388,204) | (1,494,705) |
| Finance costs: | | |
| Borrowing costs | (31,632) | (219,279) |
| Facility fees | (92,666) | (176,755) |
| Unwinding of provision for rehabilitation | - | (42,291) |
| Interest expense | (363,556) | (225,809) |
| Other | (544) | (75,488) |
| | (488,398) | (739,622) |
| | | |
| Impairment of non-current assets [i] | (1,252,915) | (798,181) |
| Depreciation of non-current assets | (43,747) | (113,725) |
| Loss on sale of plant and equipment | - | (16,736) |
| Provision for onerous gas transmission contract | (5,929,126) | (1,097,434) |
| Exploration and evaluation expenditure written off | (539,187) | (177,821) |

(i) Impairment expense of $1,252,915 (2014: $798,181) relates to non-current assets of continuing operations. Refer to Notes 12 and 13 for further details of the impairment of these non-current assets.

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## 6. Income taxes continuing operations

| | 2015 $ | 2014 $ |
|---|---|---|
| **Continuing operations** | | |
| **(a) Income tax expense recognised in profit or loss** | | |
| **Tax income comprises:** | | |
| Current tax expense | - | - |
| -Deferred tax expense relating to the origination and | - | - |
| reversal of temporary differences | - | - |
| Total tax expense | - | - |
| | | |
| The prima facie income tax expense on pre-tax accounting profit | | |
| from continuing operations reconciles to the income tax expense in the | | |
| financial statements as follows: | | |
| Loss from continuing operations | ($10,580,396) | (14,573,783) |
| Income tax calculated at 30% | ($3,174,119) | (4,372,135) |
| | | |
| Effect of income and expenses that are not deductible in determining taxable profit | 8,399 | (84,453) |
| Current tax benefit not recognised during the period | 3,165,720 | 4,456,588 |
| Refund of prior year R&D claim | (265,991) | - |
| Income tax expense / (benefit) recognised | **(265,991)** | - |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable income under Australian tax law. There has been no change in the corporate tax rate during the reporting period.

For tax disclosures on discontinued on operations refer to Note 7.

### (b) Deferred tax assets not brought to account

At 30 June 2015 the amount of unrecognised tax losses was (gross) $94,108,724 (June 2014: $84,375,650).

**Tax Consolidation**

**Relevance of tax consolidation to the consolidated entity**

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Neometals Ltd. The members of the tax-consolidated group are identified at note 25.

**Nature of tax funding arrangements and tax sharing agreements**

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Neometals Ltd and each of the entities in the tax consolidation group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax assets of the entity. Such amounts are reflected in amounts receivable from or payable to each entity in the tax consolidated group, and are eliminated on consolidation. The tax sharing agreement entered into between the members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's tax liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

## 7. Discontinued operations

### (i) Disposal of the Comet Vale Gold Project

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. The proceeds of sale of $1,931,183 were less than the carrying value and the difference was recognised as a loss on disposal of subsidiary, see note 23 for further details.

### (ii) Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the consolidated statement of profit and loss and other comprehensive income are set out below. The comparative loss from discontinued operations has been re-presented to include those operations classified as discontinued in the current year.

### (iii) Analysis of loss for the year from discontinued operations (continued)

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Loss for the year** | | |
| Interest income | - | 1,163 |
| Other income | - | - |
| Impairment of non-current assets | - | (2,081,090) |
| Expenses | - | (12,716) |
| Loss before income tax | - | (2,092,643) |
| Attributable income tax expense recognised | - | - |
| | - | (2,092,643) |
| **Loss for the year from discontinued operations** | **-** | **(2,092,643)** |

Refer to note 23 for cash flows in relation to the disposal of subsidiary.

## 8. Key management personnel compensation

Details of key management personnel compensation are provided on pages 8-14 of the Directors' Report. The aggregate compensation made to key management personnel of the Group is set out below:

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Short-term employee benefits [i] | 1,042,975 | 1,267,646 |
| Post-employment benefits | 65,709 | 88,177 |
| Termination benefits | - | 132,383 |
| Share-based payments | 140,825 | 65,285 |
| | **1,249,509** | **1,553,491** |

(i) Inclusive of $125,000 in STI that relates to the prior year 2013-14.

## 9. Share based payments

Neometals Ltd has an ownership based remuneration scheme for executives and employees.

### Employee Share Option Plan ("ESOP")

In accordance with the provisions of the ESOP, as approved by shareholders at the Company's AGM on 26 November 2007, employees and consultants may be offered share options at such times and on such terms as the board considers appropriate.

General terms of options granted under the ESOP:

- The options will not be quoted on the ASX.
- Options are transferable to eligible nominees.
- No options are to be exercisable with 12 months of the issue date.
- A maximum of 50% of the options issued are exercisable between 12 and 18 months from issue date.
- Options not exercised on or before the expiry date will lapse.
- All shares allotted upon exercise of options rank pari passu with all respects to all previously issued shares.
- Options lapse upon termination of employment with the Company.

In addition to the ESOP the Company may issue share options to suppliers in lieu of cash payment.

No share options were issued to consultants during the financial year ended 30 June 2015 (2014: Nil share options).

The following share-based payment arrangements in relation to share options were in existence during the period:

| Options series | Number | Grant date | Expiry date | Exercise price $ | Fair Value at grant date $ |
|---|---|---|---|---|---|
| Issued 13 December 2012 | 1,000,000 | 13/12/2012 | 31/12/2014 | 1.00 | 0.01 |

| Options series | Inputs into the model | | | | |
|---|---|---|---|---|---|
| | Grant date share price $ | Exercise price $ | Expected volatility % | Option life Years | Risk-free interest rate % |
| 13 December 2012 | 0.17 | 1.00 | 63 | 2 | 2.75 |

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Options No. | Weighted average exercise price $ | Options No. | Weighted average exercise price $ |
| Balance at beginning of the financial year | 1,000,000 | 1.00 | 6,950,000 | 0.92 |
| Granted during the financial year as compensation | - | - | - | - |
| Exercised during the financial year [i] | - | - | - | - |
| Lapsed during the financial year [ii] | (1,000,000) | 1.00 | (5,950,000) | 0.92 |
| Balance at the end of the financial year [iii] | **-** | **-** | **1,000,000** | **1.00** |

(i) **Exercised during the financial year**
There were no share options exercised during the year (2014: Nil).

(ii) **Lapsed during the financial year**
1,000,000 share options lapsed during the financial year (2014: 5,950,000).

(iii) **Balance at the end of the financial year**
There were no share options outstanding at the end of the financial year.

## 9. Share based payments (continued)

### Performance Rights Plan ("PRP")

In accordance with the provisions of the PRP, as approved by shareholders at the Company's AGM on 15 November 2011, employees may be offered performance rights at such times and on such terms as the board considers appropriate.

General terms of performance rights granted under the PRP:

- The performance rights will not be quoted on the ASX.
- Performance rights can only be granted to employees of the Company.
- Performance rights are transferable to eligible nominees.
- Performance rights not exercised on or before the vesting date will lapse.
- All shares allotted upon of the vesting of performance rights rank equally in all respects to all previously issued shares.
- Performance rights confer no right to vote, attend meetings, participate in a distribution of profit or a return of capital or another participating rights or entitlements on the grantee unless and until the performance rights vest.

The following share-based payment arrangements in relation to performance rights were in existence during the period:

| 2015 | Grant date | Number | Vesting date/ Expiry date | Grant date share price | Probability factor | Fair value at grant date |
|---|---|---|---|---|---|---|
| J. Carone | 01/08/2012 | 295,584 | 30/06/2015 | 0.180 | n/a | 42,978 |
| J. Carone | 07/10/2013 | 1,098,369 | 30/06/2016 | 0.025 | n/a | 12,851 |
| J. Carone | 01/08/2014 | 2,813,239 | 30/06/2016 | 0.036 | n/a | 42,007 |
| C. Reed | 23/08/2013 | 3,310,370 | 31/12/2014 | 0.049 | n/a | 60,580 |
| C. Reed | 01/08/2014 | 6,580,916 | 30/06/2015 | 0.036 | n/a | 101,312 |
| **Total** | | 14,098,478 | | | | |

The fair value of performance rights issued have been independently valued by a third party using a Monte Carlo simulation to determine fair value. The total expense recognised for the period arising from share-based payment transactions and accounted for as equity-settled share-based payment transactions is $140,825 (2014: $86,755).

The following reconciles the outstanding performance rights granted at the beginning and end of the financial year:

| | 2015 Performance rights No. | 2014 Performance rights No. |
|---|---|---|
| Balance at beginning of the financial year | 4,704,323 | 7,662,076 |
| Granted during the financial year as compensation | 9,394,155 | 4,408,739 |
| Vested during the financial year (i) | (2,758,862) | (2,644,331) |
| Lapsed during the financial year (ii) | (551,508) | (4,722,161) |
| Balance at the end of the financial year | **10,788,108** | **4,704,323** |

(i) 2,758,862 shares in the Company were issued on vesting of performance rights (2014: 2,644,331).
(ii) 551,508 performance rights were cancelled or lapsed during the financial year (2014: 4,722,161).

## 10. Trade and other receivables

| | 2015 $ | 2014 $ |
|---|---|---|
| Current trade and other receivables | | |
| Trade receivables [i] | - | 7,023 |
| Other receivables [ii] | 430,777 | 132,488 |
| Prepayments | 152,514 | 125,680 |
| Goods and services tax | 46,914 | 74,052 |
| Loan Receivable GMKE (note 28) | - | 432,000 |
| | **630,205** | **771,243** |

(i) The average settlement terms are 14 days and all amounts are considered recoverable.
(ii) Other receivables includes an amount of $113,285 (2014: $113,452) receivable from Mr. C Reed (executive director). In the 2012 financial year the Company provided a loan to Mr. Reed of $150,000 at a commercial rate of interest that is adjusted in line with the official interest rate set by the Reserve Bank of Australia. Refer to Note 27 for further information.

## 11. Other financial assets

| | 2015 $ | 2014 $ |
|---|---|---|
| **Current** | | |
| Barrambie Gas term deposit [i] | 1,000,000 | - |
| **Total Current** | **1,000,000** | **-** |
| **Non-current** | | |
| Barrambie Gas term deposit [i] | 5,000,000 | 6,000,000 |
| Option premiums [ii] | - | 40,000 |
| Less option impairment | - | - |
| Rental bond term deposit | 95,000 | 95,000 |
| **Total Non-current** | **5,095,000** | **6,135,000** |
| **Total** | **6,095,000** | **6,135,000** |

(i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is a party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd (**DBP**) in relation to the Barrambie Project. As part of the agreement the Group was required to provide security by way of a $6.0 million bank guarantee.
(ii) This amount comprises several options held by the Group relating to the Mount Finnerty-Barranco Project. Payments were made to secure options furthering the interests of the Group in this project.

## 12. Exploration, evaluation and development expenditure

| | Consolidated | | |
|---|---|---|---|
| | Capitalised development $ | Capitalised exploration and evaluation expenditure $ | Total $ |
| **Gross carrying amount** | | | |
| **Balance at 1 July 2013** | **41,453,378** | **57,279,693** | **98,733,071** |
| Transfer on deconsolidation of subsidiary [i] | (41,453,378) | (27,237,318) | (68,690,696) |
| Reclassified as development | - | - | - |
| Additions | - | 1,736,413 | 1,736,413 |
| Expenditure written off | - | (177,821) | (177,821) |
| **Balance at 1 July 2014** | **-** | **31,600,967** | **31,600,967** |
| Transfer on deconsolidation of subsidiary | - | - | - |
| Reclassified as development | - | - | - |
| Additions | - | 2,392,735 | 2,392,735 |
| Expenditure written off | - | (539,187) | (539,187) |
| **Balance at 30 June 2015** | **-** | **33,454,515** | **33,454,515** |
| | | | |
| **Accumulated amortisation and impairment** | | | |
| **Balance at 1 July 2013** | **34,953,378** | **37,278,693** | **72,232,071** |
| Transfer on deconsolidation of subsidiary | (34,953,378) | (17,237,318) | (52,190,696) |
| Amortisation expense | - | - | - |
| Impairment [ii] | - | 798,181 | 798,181 |
| Depreciation of rehabilitation asset [iii] | - | - | - |
| **Balance at 1 July 2014** | **-** | **20,839,556** | **20,839,556** |
| Amortisation expense | - | - | - |
| Impairment [ii] | - | 1,252,915 | 1,252,915 |
| Depreciation of rehabilitation asset | - | - | - |
| **Balance at 30 June 2015** | **-** | **22,092,471** | **22,092,471** |
| **Net book value** | | | |
| As at 30 June 2014 | **-** | **10,761,411** | **10,761,411** |
| As at 30 June 2015 | **-** | **11,362,044** | **11,362,044** |

The recovery of exploration expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploration, or alternatively their sale.

(i) The assets and associated liabilities of the Comet Vale Gold Project and Meekatharra Gold Project have been disposed of and deconsolidated respectively.

(ii) The Group performed a detailed review of the recoverable amount of all projects due to continued weakness in commodity prices. Total impairment charges of $1.3 million (2014: $0.8 million) were recognised in respect of exploration, evaluation and development assets for continuing operations. There exploration and evaluation expenditure write-downs on expired or lapsed tenements during the year was $0.5 million (2014: $0.2 million). At 30 June 2015, due to the nature of exploration and evaluation assets a judgment was made by management as to the fair value of these assets taking into account various factors, such as market conditions. Due to the uncertain nature of factors considered when determining the fair value of assets and the fact that the valuation is undertaken at a point in time, there is a risk that actual values will differ to those determined by the Consolidated Entity.

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## 13. Property, plant and equipment

| | Consolidated | | | |
|---|---|---|---|---|
| | Land & buildings at cost $ | Plant and equipment at cost $ | Capital work in progress $ | Total $ |
| **Gross carrying amount** | | | | |
| **Balance at 1 July 2013** | 121,349 | 11,831,721 | 8,667 | 11,961,737 |
| Additions | - | 3,492 | 59,851 | 63,343 |
| Disposals | - | (1,615,492) | (5,318) | (1,620,810) |
| Transfers from WIP | - | 37,847 | (41,939) | (4,092) |
| Disposal on de-consolidation(i) | (121,349) | (9,821,285) | - | (9,942,634) |
| Impairment | - | - | - | - |
| **Balance at 1 July 2014** | - | 436,283 | 21,261 | 457,544 |
| Additions | | | | |
| Disposals | - | 55,353 | 40,182 | 95,535 |
| Transfers from WIP | - | (6,917) | - | (6,917) |
| Disposal on de-consolidation(i) | - | - | (1,768) | (1,768) |
| Impairment | - | - | - | |
| **Balance at 30 June 2015** | - | - | - | |
| | - | 484,719 | 59,675 | 544,394 |
| **Accumulated depreciation** | | | | |
| **Balance at 1 July 2013** | | | | |
| Disposals | 111,349 | 2,303,354 | - | 2,414,703 |
| Disposal on de-consolidation(i) | - | (155,497) | - | (155,497) |
| Depreciation expense | | | | |
| **Balance at 1 July 2014** | (111,349) | (2,009,282) | - | (2,120,631) |
| Disposals | - | 113,725 | - | 113,725 |
| Depreciation expense | - | 252,300 | - | 252,300 |
| **Balance at 30 June 2015** | - | (2,559) | - | (2,559) |
| | - | 43,747 | - | 43,747 |
| **Net book value** | - | 293,488 | - | 293,488 |
| As at 30 June 2014 | | | | |
| As at 30 June 2015 | | | | |
| | **-** | **183,983** | **21,261** | **205,244** |
| | **-** | **191,231** | **59,675** | **250,906** |

(i) The disposal on de-consolidation relates to the land and buildings, and PP&E owned by GMK Exploration Ptyd Ltd, a wholly owned subsidiary of Neometals in connection with the Meekatharra Gold Project. This subsidiary was de-consolidated at the date of "loss of control", being 16 August 2013.

## 14. Trade and other payables

| | 2015 $ | 2014 $ |
|---|---|---|
| Trade payables | 674,642 | 80,944 |
| Accrued expenses | 218,505 | 53,201 |
| Other [i] | 1,561 | 25,520 |
| | **894,708** | **159,665** |

(i) The "Other" payables balance predominantly comprises payroll related liabilities.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to help ensure that all payables are paid within the settlement terms.

## 15. Provisions

| | 2015 $ | 2014 $ |
|---|---|---|
| **Current** | | |
| Annual leave | 118,418 | 87,565 |
| Long service leave | 59,022 | 44,546 |
| Other (a) | 987,147 | 1,074,189 |
| | 1,164,587 | 1,206,300 |
| **Non-current** | | |
| Other (a) | 5,311,608 | 499,151 |
| | 5,311,608 | 499,151 |
| | **6,476,195** | **1,705,451** |

### (a) Detail of movement in other provisions

| 2015 | Provision for Rehabilitation $ | Onerous Contracts [i] $ | Provision for salary on costs $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2014 | - | 1,573,340 | - | 1,573,340 |
| Additional provisions recognised | - | 5,929,126 | - | 5,929,126 |
| Reductions arising from payments/ other sacrifices of future economic benefits | - | (1,203,711) | - | (1,203,711) |
| Additions/(reductions) resulting from re-measurement or settlement without cost | - | - | - | - |
| Unwinding of discount and effect of changes in the discount rate | - | - | - | - |
| **Balance at 30 June 2015** | **-** | **6,298,755** | **-** | **6,298,755** |
| Comprised of: | | | | |
| Current provision | **-** | **987,147** | **-** | **987,147** |
| Non-current provision | **-** | **5,311,608** | **-** | **5,311,608** |
| | **-** | **6,298,755** | **-** | **6,298,755** |

(i) The onerous contract relates to a contract entered into by Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, for the Company's Barrambie Project and a lease commitment for office space that relates to surplus space at the Company's head office. The contract with DBNGP (WA) Transmission Pty Ltd for gas transmission, commenced on 1 July 2010. The provision in the accounts represents the present value of the remaining gas transmission obligations under the contract for gas transmission not expected to be utilised or on sold.

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## 14. Trade and other payables (continued)

| 2014 | Provision for Rehabilitation [i] $ | Onerous Contracts [ii] $ | Provision for salary on costs [iii] $ | Total $ |
|---|---|---|---|---|
| Balance at 1 July 2013 | 9,303,670 | 1,496,248 | 297,645 | 11,097,563 |
| Additional provisions recognised | - | 1,097,434 | - | 1,097,434 |
| Reductions arising from payments/ other sacrifices of future economic benefits | (9,303,670) | (1,020,342) | (297,645) | (10,621,657) |
| Additions/(reductions) resulting from re-measurement or settlement without cost | - | - | - | - |
| Unwinding of discount and effect of changes in the discount rate | - | - | - | - |
| **Balance at 30 June 2014** | **-** | **1,573,340** | **-** | **1,573,340** |
| Comprised of: | | | | |
| Current provision | **-** | **1,074,189** | **-** | **1,074,189** |
| Non-current provision | **-** | **499,151** | **-** | **499,151** |
| | **-** | **1,573,340** | **-** | **1,573,340** |

(i) Represents an estimate of the present value of the future rehabilitation costs required for the Meekatharra and Comet Vale project areas.
(ii) The onerous contract relates to a contract entered into by Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, for the Company's Barrambie Project. The contract with DBNGP (WA) Transmission Pty Ltd for gas transmission, commenced on 1 July 2010. The provision in the accounts represents the present value of 18 months of gas transmission obligations under the contract for gas transmission not expected to be utilised or on sold.
(iii) The provision for salary on cost recognises the net balance of employment on costs related to the Meekatharra Gold Project.

## 16. Borrowings

| | 2015 $ | 2014 $ |
|---|---|---|
| **Current** | | |
| **At amortised cost** | | |
| Insurance premium funding - unsecured | - | 9,421 |
| Motor Vehicle Lease | 12,564 | - |
| Working Capital / Convertible Note Facility – secured (i) | 1,918,640 | 1,917,577 |
| | **1,931,204** | **1,926,998** |
| **Non-current** | | |
| **At amortised cost** | | |
| Motor Vehicle Lease | 40,067 | - |
| | **40,067** | **-** |

(i) In August 2013 through interests associated with the Chairman, David Reed, he 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. As at 30 June 2014 the Company had drawn down $2M on the standby facility.

As a result and following shareholder approval at the 2013 AGM 2 million convertible notes were issued to David Reed that may be converted into 66,666,667 fully paid ordinary shares. The terms of the convertible notes were as follows:

| | |
|---|---|
| Issue Date: | 22 November 2013 |
| Term: | 12 months from date of issue |
| Number of notes: | 2,000,000 |
| Face value: | $1 |
| Coupon rate: | A floating rate that is 3% above the rate paid by noteholder under the noteholder's external financing arrangments. Interest is payable monthly in arrears. |
| Conversion price: | $0.03 |
| Conversion date: | Any time prior to the redemption date, which is 12 months following issue. |

## 16. Borrowings (continued)

(i) (continued)

The Company granted interests associated with David Reed security over its shares in Australian Vanadium Corporation (Holdings) Pty Ltd, the holding entity of the Barrambie Project, as security for the Loan Facility, and on conversion to the convertible note facility, for the convertible notes.

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 22 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. |

Accordingly, the convertible notes may be converted into 50,000,000 fully paid ordinary shares on or prior to 22 November 2015.

In accordance with Accounting Standards the equity portion of the convertible note has been recognised. All convertible notes remain unconverted as at the date of this report.

## 17. Issued capital

| | 2015 $ | 2014 $ |
|---|---|---|
| 502,212,757 fully paid ordinary shares (2014: 523,453,895) | 157,910,617 | 158,292,130 |

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of financial year | 523,453,895 | 158,292,130 | 520,809,564 | 158,046,134 |
| Issue of shares for cash | - | - | - | - |
| Share issue costs | - | - | - | (4,650) |
| Shares cancelled through share buy back | (24,000,000) | (432,000) | - | - |
| Other share based payments | 2,758,862 | 50,487 | 2,644,331 | 250,646 |
| **Balance at the end of the financial year** | **502,212,757** | **157,910,617** | **523,453,895** | **158,292,130** |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

### Share options

At balance date there were no share options in existence over ordinary shares (2014: 1,000,000). Details relating to these options can be found in Note 9. Share options carry no rights to dividends and no voting rights.

### Convertible Notes

As outlined in Note 16 above, 2 million convertible notes are held by David Reed and may be converted into 50,000,000 fully paid ordinary shares on or prior to 22 November 2015.

## 18. Reserves

The share-benefits reserve arises on the grant of share options and performance rights for the provision of services by consultants and to executives and employees under the employee share option plan, performance rights plan, employment contracts or as approved by shareholders. Amounts are transferred out of the reserve and into issued capital when the options are exercised or when shares are issued pursuant to the terms of the performance rights. Further information about share-based payments to employees is provided in Note 9 to the financial statements.

| | 2015 $ | 2014 $ |
|---|---|---|
| **Share based payments reserve:** | | |
| Balance at the beginning of the financial year | 5,179,214 | 5,574,092 |
| Increase/ (Decrease) in share based payments | 140,825 | (144,233) |
| Amounts transferred to share capital on exercise | (50,487) | (250,645) |
| **Balance at the end of the financial year** | **5,269,552** | **5,179,214** |
| **Other reserve:** | | |
| Balance at the beginning of the financial year | 158,629 | - |
| Increase for convertible note issued / varied | 141,720 | 158,629 |
| Amounts transferred to share capital on exercise | - | - |
| **Balance at the end of the financial year** | **300,349** | **158,629** |
| **Total Reserves** | **5,569,901** | **5,337,843** |

## 19. Accumulated losses

| | 2015 $ | 2014 $ |
|---|---|---|
| **Accumulated losses:** | | |
| Balance at the beginning of the financial year | (139,946,373) | (123,279,948) |
| Net loss attributable to members of the Company | (10,314,405) | (16,666,425) |
| **Balance at the end of the financial year** | **(150,260,778)** | **(139,946,373)** |

## 20. Loss per share

| | 2015 Cents per share | 2014 Cents per share |
|---|---|---|
| **Basic and diluted loss per share:** | | |
| Continuing operations | (2.05) | (2.79) |
| Continuing and discontinued operations | (2.05) | (2.93) |

**Basic and diluted loss per share**

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

| | 2015 $ | 2014 $ |
|---|---|---|
| Loss [a] | | |
| Continuing operations | (10,314,405) | (14,573,783) |
| Continuing and discontinued operations | (10,314,405) | (16,663,785) |

| | 2015 No. | 2014 No. |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic loss per share | 502,212,757 | 523,152,785 |

(a) Loss used in the calculation of loss per share reconciles to net loss in the consolidated statement of comprehensive income.

All potential ordinary shares are not dilutive and are therefore excluded in the weighted average number of ordinary shares for the purposes of diluted loss per share.

## 21. Commitments for expenditure

### (a) Exploration and evaluation expenditure commitments

The Consolidated Entity holds mineral exploration licences in order for it to undertake its exploration, evaluation activities. To continue to hold tenure over these areas the Group is required to undertake a minimum level of expenditure on or in relation to the leases. Minimum expenditure commitments for the exploration and mining leases for the 2016 financial year are $599,130 (2015: $1,213,600). Due to the nature of this expenditure, in that the expenditure commitments may be reduced by the relinquishment of tenements, estimates for the commitment have not been forecast beyond June 2016. However, should the Group continue to hold the tenements beyond this date additional expenditure commitments would arise.

### (b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 22 to the financial statements. There are no finance lease commitments that exist at reporting date (2014: Nil).

### (c) Other

As referred to in Note 11 (i) to the accounts, 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.

## 22. Leases

**Finance leases:**

**Leasing arrangements**

The Group had no finance leases in the current or prior period.

**Operating leases:**

**Leasing arrangements**

Operating leases relate to the lease of commercial premises, a photocopier and a motor vehicle. The lease agreement for the Company's registered head office expired on 31 August 2015. A new agreement was entered into for the 10 month period to 30 June 2016. The lease of a photocopier is for a period of 48 months expiring in February 2019. The commitments are based on the fixed monthly lease payment and a monthly estimate for copying charges. The lease of a vehicle is for a period of 60 months expiring in July 2019. The commitments are based on the fixed monthly lease payment.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Payments recognised as an expense** | | |
| Minimum lease payments | 180,542 | 385,381 |
| Contingent rentals | 105,096 | 70,964 |
| | **285,638** | **456,345** |
| **Non-cancellable operating lease commitments** | | |
| Not longer than 1 year | 204,237 | 365,142 |
| Longer than 1 year and not longer than 5 years | 72,747 | 69,556 |
| Longer than 5 years | - | - |
| | **276,984** | **434,698** |

## 23. Disposal of subsidiary

On 27 June 2014 the Group disposed of Sand Queen Gold Mines Pty Ltd which held the Comet Vale Gold Project situated near Kalgoorlie, Western Australia.

### (a) Consideration Received

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Consideration received in cash and cash equivalents | - | 1,931,183 |
| **Total Consideration Received** | **-** | **1,931,183** |

### (b) Analysis of assets and liabilities over which control was lost

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Cash and cash equivalents | - | 20 |
| Other receivables | - | 6,045 |
| **Non-current assets** | | |
| Exploration, evaluation and development expenditure | - | 3,454,786 |
| Property, plant and equipment | - | 750,430 |
| Other financial assets | - | 64,683 |
| **Non-current liabilities** | | |
| Rehabilitation Provision | - | (252,138) |
| **Net assets disposed of** | **-** | **4,023,826** |

### (c) Loss on disposal of subsidiary

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Consideration Received | - | 1,931,183 |
| Net assets disposed of | - | (4,023,826) |
| **Loss on disposal** | **-** | **(2,092,643)** |

### (d) Net cash inflow on disposal of subsidiary

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Consideration received in cash | - | 1,931,183 |
| Less: cash and cash equivalent balances disposed of: | - | (64,703) |
| | **-** | **1,866,480** |

The loss on disposal is included in the loss for the year from discontinued operations in the statement of comprehensive income. Refer to Note 7 for details of discontinued operations.

## 24. Joint arrangements

| Name of operation | Principal activity | Interest 2015 % | Interest 2014 % |
|---|---|---|---|
| Mt Finnerty Iron Ore Project [i] | Iron ore exploration | - | 20 |
| Reed Industrial Minerals Pty Ltd[ii] | Evaluation of lithium production | 70 | 70 |

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

(i) Mt Finnerty Iron Ore Project
The joint venture ended during the 2014 year. Neometals has since relinquished the majority of the project tenements.

(ii) Reed Industrial Minerals Pty Ltd
On 16 October 2012 Neometals Ltd entered into a shareholders agreement with Mineral Resources Ltd ("**MRL**") and its subsidiary Process Minerals International Pty Ltd ("**PMI**") whereby PMI was issued new shares totalling 30% of the issued share capital of Reed Industrial Minerals Pty Ltd ("**RIM**"). Based on the terms of the shareholders agreement Neometals has determined that the agreement constitutes a Joint Venture pursuant to AASB 11 Joint Arrangements and accounts for its investment in RIM using the equity method of accounting.
The purpose of the joint venture is to pursue the development of the Mt Marion lithium project. The joint venturer's preferred option is to develop a vertically integrated mine-downstream processing operation to supply essential lithium compounds to the world's battery manufacturing markets. To this end on 19 September 2015 RIM entered into formal agreements with China's second largest lithium producer Jiangxi Ganfeng Lithium Co., Ltd. Upon financial close, scheduled for late September early October 2015, NMT's interest in RIM will reduce from 70% to 45% at this time. For further details refer to the Directors Report or note 32 below. Until such time as financial close occurs under the Shareholders Agreement development of the project is fully funded by MRL.

Summarised financial information for the joint venture:

| | 2015 $ | 2014 $ |
|---|---|---|
| Carrying value of investment in the joint venture | 1,099,159 | 1,495,399 |
| Loan to joint venture [i] | 1,681,952 | 1,042,617 |
| Share of loss of joint venture recognised in profit or loss[ii] | 398,240 | 15,436 |

(i) Under the shareholders agreement dated 16 October 2012 the current and future loan amounts will be repayable out of the revenue received from the sale of "Contract Minerals", after payment of PMI's loan and operating costs. Refer to note 32 in relation to the transaction with Ganfeng. The loan to the joint venture will be repaid from these sale proceeds upon financial close of the transaction in early October 2015.
(ii) The equity accounted share of the joint venture's loss is credited to the carrying value of the investment in the joint venture.

## 25. Subsidiaries

| Name of entity | Country of incorporation | Ownership interest 2015 % | Ownership interest 2014 % |
|---|---|---|---|
| **Parent entity** | | | |
| Neometals Ltd | Australia | | |
| **Subsidiaries** | | | |
| Australian Vanadium Corporation (Holdings) Pty Ltd | Australia | 100 | 100 |
| Australian Vanadium Corporation (Investments) Pty Ltd | Australia | 100 | 100 |
| Australian Vanadium Exploration Pty Ltd | Australia | 100 | 100 |
| Barrambie Gas Pty Ltd | Australia | 100 | 100 |
| GMK Administration Pty Ltd | Australia | 100 | 100 |
| GMK Exploration Pty Ltd [i] | Australia | 100 | 100 |
| Gold Mines of Kalgoorlie Ltd | Australia | 100 | 100 |
| Mount Finnerty Pty Ltd | Australia | 100 | 100 |
| Reed Advanced Materials Pty Ltd | Australia | 100 | 100 |
| Reed Exploration Pty Ltd | Australia | 100 | 100 |

(i) GMKE was placed in Administration on 16 August 2013 and deconsolidated at this time.

All of these companies are members of a tax consolidated group. Neometals Ltd is the head entity of the tax consolidated group.

## 26. 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 Group operates under two operating segments comprised of the Group's titanium/vanadium and 'other segments' which comprises the Mount Marion lithium project and other minor exploration projects. The titanium/vanadium operating segment is separately identified given it possess different competitive and operating risks and meets the quantitative criteria as set out in the AASB 8. Previously the Group operated under three reportable operating segments comprised of the Group's gold, titanium/vanadium and 'other segments'. The 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

### For the year ended 30 June 2015

| Reportable operating segments | Titanium/ Vanadium $ | Other $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| Revenue from external customers | 419,526 | - | - | 419,526 |
| Cost of sales | (159,872) | - | - | (159,872) |
| Gross profit/(loss) | 259,654 | - | - | 259,654 |
| | | | | |
| Other income | - | 200,006 | 825,412 | 1,025,418 |
| Impairment | 119,214 | (1,372,129) | - | (1,252,915) |
| Depreciation and amortisation | - | - | (43,747) | (43,747) |
| Total revenue | 419,526 | 200,006 | 825,412 | 1,444,944 |
| Total expense | (6,515,064) | (2,035,250) | (3,209,035) | (11,759,349) |
| **Loss before tax** | **(6,095,538)** | **(1,835,244)** | **(2,383,623)** | **(10,314,405)** |
| **Discontinued operations** | | | | |
| Total revenue | - | - | - | - |
| Total expenses | - | - | - | - |
| Loss before tax | - | - | - | - |
| **Consolidated loss before tax** | **(6,095,538)** | **(1,835,244)** | **(2,383,623)** | **(10,314,405)** |

### As at 30 June 2015

| Reportable operating segments | Titanium/ Vanadium $ | Other $ | Unallocated $ | Total $ |
|---|---|---|---|---|
| Increase/(decrease) in non-current assets | 1,052,470 | (215,223) | (419,857) | 417,390 |
| Decrease in classified as held for sale | - | - | - | - |
| Consolidated increase/(decrease) in non-current assets | 1,052,470 | (215,223) | (419,857) | 417,390 |
| Total segment assets | 11,800,550 | 2,972,934 | 7,788,430 | 22,561,914 |
| Assets classified as held for sale | - | - | - | - |
| **Consolidated total assets** | **11,800,550** | **2,972,934** | **7,788,430** | **22,561,914** |

## 26. Segment information (continued)

### For the year ended 30 June 2014

| Reportable operating segments | Gold $ | Titanium/ Vanadium $ | Other $ | Unallocated $ | Total $ |
|---|---|---|---|---|---|
| Revenue from external customers | 7,570,850 | 229,522 | - | - | 7,800,372 |
| Cost of sales | (9,849,479) | (83,007) | - | - | (9,932,486) |
| Gross profit/(loss) | (2,278,629) | 146,515 | - | - | (2,132,114) |
| Other income | 2,769 | - | (101,399) | 636,936 | 538,305 |
| Impairment | - | (407,865) | (390,316) | - | (798,181) |
| Depreciation and amortisation | - | - | - | (113,725) | (113,725) |
| Total revenue | 7,573,619 | 229,522 | (101,399) | 636,936 | 8,338,678 |
| Total expense | (10,438,358) | (1,818,396) | (296,463) | (12,451,886) | (25,005,103) |
| **Loss before tax** | **(2,864,739)** | **(1,588,874)** | **(397,862)** | **(11,814,950)** | **(16,666,425)** |
| **Discontinued operations** | | | | | |
| Total revenue | - | - | - | - | - |
| Total expenses | - | - | - | - | - |
| Loss before tax | - | - | - | - | - |
| **Consolidated loss before tax** | **(2,864,739)** | **(1,588,874)** | **(397,862)** | **(11,814,950)** | **(16,666,425)** |

### As at 30 June 2014

| Reportable operating segments | Gold $ | Titanium/ Vanadium $ | Other $ | Unallocated $ | Total $ |
|---|---|---|---|---|---|
| Increase/(decrease) in non-current assets | (28,409,998) | 211,031 | 580,906 | (3,010,301) | (30,628,362) |
| Decrease in classified as held for sale | - | - | - | - | - |
| Consolidated increase/(decrease) in 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** |

### Information about major customers

Revenue from external customers includes:

- There were no gold and silver bullion sales to third parties (2014: $7.6 million). These sales occurred prior to the Administration and deconsolidation of GMKE. The gold and silver was sold at spot through the refinery. As the gold produced by the Group was refined to a globally accepted standard the Group was not reliant on other parties or customers to sell its production.

### Geographical information

The Group operates in a single geographical area being Australia (country of domicile).

## 27. Related party disclosures

### (a) Equity interests in related parties

**Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 25 to the financial statements.

### (b) Key management personnel remuneration

Details of Key Management Personnel remuneration are disclosed on pages 8-14 of the Directors' Report.

### (c) Key management personnel equity holdings

**Fully paid ordinary shares of Neometals Ltd**

| 2015 | Balance at 01/07/14 No. | Balance on appointment No. | Received on exercise of options No. | Net other change No. | Balance at 30/06/15 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | |
| S. Cole | 1,120,083 | - | - | - | 1,120,083 | - |
| D. Reed | 28,121,259 | - | - | - | 28,121,259 | - |
| **Executive directors** | | | | | | |
| C. Reed [i] | 4,209,202 | - | - | 2,758,862 | 6,968,064 | - |
| **Other executives** | | | | | | |
| J. Carone [i] | 400,000 | - | - | - | 400,000 | - |
| **Total** | **33,850,544** | **-** | **-** | **2,758,862** | **36,609,406** | **-** |

(i) Excludes shares issued subsequent to year end for performance rights that vested 30 June 2015 .

| 2014 | Balance at 01/07/13 No. | Balance on appointment No. | Received on exercise of options No. | Net other change No. | Balance at 30/06/14 No. | Balance held nominally No. |
|---|---|---|---|---|---|---|
| **Non-executive directors** | | | | | | |
| S. Cole | 120,083 | - | - | 1,000,000 | 1,120,083 | - |
| V. Guthrie [i] | 50,000 | - | - | n/a | n/a | - |
| C. Johnstone [ii] | - | - | - | n/a | n/a | - |
| D. Reed | 12,022,353 | - | - | 16,089,906 | 28,121,259 | - |
| **Executive directors** | | | | | | |
| C. Reed | 909,202 | - | - | 3,300,000 | 4,209,202 | - |
| L.Tonkin [iii] | 878,015 | - | - | n/a | n/a | - |
| **Other executives** | | | | | | |
| J. Carone | 142,500 | - | - | 257,500 | 400,000 | - |
| C. Fawcett [iv] | 150,000 | - | - | - | n/a | - |
| D. Lim [v] | 180,000 | - | - | - | n/a | - |
| D. Wates [vi] | 151,121 | - | - | - | n/a | - |
| **Total** | **14,603,274** | **-** | **-** | **20,647,406** | **33,850,544** | **-** |

(i) Dr. V. Guthrie ceased being a director on 20 November 2013.
(ii) Mr. C. Johnstone being a director on 30 September 2013.
(iii) Mr. L. Tonkin resigned and ceased employment on 30 September 2013.
(iv) Mr. C. Fawcett resigned and ceased employment 2 August 2013.
(v) Mr. D. Lim was made redundant and ceased employment 22 October 2013.
(vi) Mr. D. Wates was made redundant and ceased employment 9 October 2013.

## 27. Related party disclosures (continued)

**Share options of Neometals Ltd**

No options were issued to related parties during the current period.

| 2014 | Balance at 01/07/13 No. | Granted as remuneration No. | Exercised /(lapsed) No. | Balance at 30/06/14 No. | Balance vested at 30/06/14 No. | Vested but not exercisable No. | Vested and exercisable No. | Options vested during year No. |
|---|---|---|---|---|---|---|---|---|
| S. Cole | 350,000 | - | (350,000) | - | - | - | - | - |
| J. Carone | 1,500,000 | - | (1,500,000) | - | - | - | - | - |
| C. Fawcett | 750,000 | - | (750,000) | - | - | - | - | - |
| D. Wates | 500,000 | - | (500,000) | - | - | - | - | - |
| Others[i] | 600,000 | - | (600,000) | - | - | - | - | - |
| **Total** | **3,700,000** | **-** | **(3,700,000)** | **-** | **-** | **-** | **-** | **-** |

(i) "Others" includes options issued to non-KMP employees.

All share options have been issued in accordance with the provisions of the employee share option plan or as approved by shareholders.

**Performance rights of Neometals Ltd**

In the current reporting period the Company granted 9,394,155 (2014: 4,408,739) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan. At the reporting date 6,580,916 of these performance rights had vested.

Further details of the employee share option plan and of share options and performance rights granted are contained in Note 10 to the financial statements.

**Performance Rights granted to related parties**

The following tables summarises information relevant to the current financial year in relation to the grant of performance rights to KMP as part of their remuneration. Performance rights are issued by Neometals Ltd.

| | During the Financial year | | | | | |
|---|---|---|---|---|---|---|
| Name | Grant date | No. granted | No. vested | Fair value at grant date | Earliest exercise date | Consideration payable on exercise |
| **KMP:** | | | | | | |
| J. Carone[1] | 01/08/2014 | 2,813,239 | - | 42,008 | 30/06/2016 | - |
| C. Reed[1] | 01/08/2014 | 6,580,916 | - | 101,312 | 30/06/2015 | - |
| **Total** | | 9,394,155 | - | 143,320 | | - |

(i) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the 1 or 2 year period as set out in the relevant employee's employment contract. At 30 June 2015 no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

## 27. Related party disclosures (continued)

| Name | Grant date | Fair value of rights at grant date $ | No. granted | Vested during the financial year % | Forfeited/ lapsed during the financial year % | Ordinary shares issued on exercise of rights $ |
|---|---|---|---|---|---|---|
| **KMP:** | | | | | | |
| J. Carone[1] | 01/08/2012 | 53,205 | 295,584 | 246,310 | - | 246,310 |
| J. Carone[2] | 07/10/2013 | 12,851 | 1,098,369 | - | - | - |
| C. Reed[3] | 23/08/2013 | 60,580 | 3,310,370 | 2,758,862 | 551,508 | 2,758,862 |
| **Total** | | | | **3,005,172** | **551,508** | **3,005,172** |

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the 3 year period as set out in the employee's employment contract. As a result of the testing of the Company's performance over this period 246,310 rights vested and shares were issued on 13 July 2015. The balance of the performance rights will be retested at 31 December 2015 in accordance with the TSR testing criteria.
(2) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the 1 or 2 year period as set out in the relevant employee's employment contract. At the date of this report no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.
(3) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the 1 year period as set out in the employee's employment contract. As a result of the testing of the Company's performance over this period 2,758,862 rights vested and shares were issued on 6 February 2015. The balance of the performance rights lapsed without vesting.

The performance rights granted entitle the grantee to one fully paid ordinary share in Neometals Ltd for nil cash consideration on satisfaction of the vesting criteria.

### (d) Other transactions with key management personnel

| | 2015 $ | 2014 $ |
|---|---|---|
| The loss from operations includes the following items of revenue and expense that resulted from transactions other than compensation or equity holdings, with Key Management Personnel or their related parties: | | |
| Interest income | 5,449 | 5,976 |
| Other Income | - | - |
| **Total recognised as income** | **5,449** | **5,976** |
| Rent | - | (4,920) |
| Interest and fees expense | (272,055) | (142,231) |
| **Total recognised as expenses** | **(272,055)** | **(147,151)** |

### (e) Transactions with other related parties

Other related parties include:

- The parent entity;
- Associates;
- Joint ventures in which the entity is a venturer;
- Subsidiaries;
- Key Management Personnel of the Group;
- Former Key Management Personnel; and
- Other related parties.

## 27. Related party disclosures (continued)

### Transactions involving the parent entity

The directors elected for wholly-owned Australian entities within the Group to be taxed as a single entity from 1 July 2003.

The parent entity has loaned funds to subsidiaries. The loans totalled $0.2 million at 30 June 2015 (2014: $0.4 million) after recognising an impairment of $2.9 million (2014: $10.5 million) in the current financial year. These loans are repayable on demand and are interest free.

No other transactions occurred during the financial year between entities in the wholly owned Group.

### Transactions involving other related parties

In the 2012 financial year the Company provided a loan to Mr. C Reed of $150,000 at a commercial interest rate of 7.2%. The interest rate is subsequently adjusted in line with changes to the official cash rate announced by the Reserve Bank of Australia ("**RBA**") from time to time. The facility was an interest only loan until March 2013 at which time repayments of principal and interest commenced. The remaining balance of the loan ($113,285) was rescheduled to be fully repaid by July 2015. Post balance sheet date the remaining balance of the loan has been repaid to $90,000 with an extended repayment date to 31 December 2015. Loan interest charged for the period totalled $5,449 (2014: 5,976).

### Existing agreements involving other related parties

As disclosed in the Company's prospectus dated 24 June 2002, the Company has contracted to pay royalty payments from the Mount Finnerty Project properties to a company controlled by Mr. C Reed. To date no mining has been undertaken on these properties and accordingly no royalty payments have been paid to Mr. C Reed.

### (f) Controlling entities

The ultimate parent entity of the Group is Neometals Ltd, a company incorporated and domiciled in Australia.

## 28. Deconsolidation of subsidiary

### 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, the Company 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 GMKE de-recognised on deconsolidation | (11,971,581) |
| Investment in subsidiary entity recognised on deconsolidation | 1 |
| Cash received from GMKE Deed of Company Arrangement | 4,558,000 |
| Loan to subsidiary entity recognised on deconsolidation[i] | 432,000 |
| **Loss on disposal** | **(6,981,580)** |

(i) The intercompany loan from Neometals to GMK at the date of the appointment of the Administrators to GMK was $72,185,555. Neometals elected to write down the entire carrying value of the loan to GMK as at 31 December 2013, as the sale of the GMK assets was yet to be finalised. On 12 June 2014 the creditors of GMKE resolved to approve a Deed of Company Arrangement proposal that resulted in Neometals receiving $4,558,000 in cash on 30 June 2014 and the transfer and buy back of 24M shares in Neometals once approved by shareholder. The shareholder approval was obtained on 8 August 2014.

## 28. Deconsolidation of subsidiary (continued)

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 |

## 29. Notes to the cash flow statement

### a) Reconciliation of cash and cash equivalents

| | 2015 $ | 2014 $ |
|---|---|---|
| For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank over-drafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the statement of financial position as follows: | | |
| Cash and cash equivalents | 1,442,648 | 7,064,800 |
| | 1,442,648 | 7,064,800 |

### (b) Funds not available for use

Restrictions exist on several bank deposits with a total value of $6,095,000. These deposits are classified as financial assets (see Note 11).

Of the $6,095,000 held in restricted bank deposits $6,000,000 is held as security in relation to an unconditional performance bond issued by the National Australia Bank in favour of the Minister for State Development and DBNGP (WA) Transmission Pty Ltd. As part of the DBP credit review process this bank guarantee requirement was reduced to $5.0 million during the year but was not effected until July 2016. In addition, the Group has $95,000 on deposit as security for a rental bond relating to its leased business premises.

## 29. Notes to the cash flow statement (continued)

### (c) Reconciliation of loss for the period to net cash flows from operating activities

| | 2015 $ | 2014 $ |
|---|---|---|
| Loss for the period | (10,314,405) | (16,666,425) |
| Loss on sale of non-current assets | - | 16,736 |
| Loss on deconsolidation of subsidiary | - | 6,981,580 |
| Loss on disposal of discontinued operations | - | 2,092,643 |
| Loss on disposal/lapse of financial assets | 40,000 | - |
| Transfer from restricted cash | - | (2,700,000) |
| Gain on sale of royalty interest | - | (185,107) |
| Share of equity accounted entity's loss | 398,240 | 15,452 |
| Interest received on investments | (296,366) | (268,792) |
| Costs of borrowing | 337,898 | 482,042 |
| Depreciation and amortisation of non-current assets | 43,747 | 113,725 |
| Equity settled share-based payment | 140,824 | (148,882) |
| Exploration and evaluation expenditure write off | 392,221 | - |
| Impairment of non-current assets | 1,252,915 | 798,181 |
| (Increase) / decrease in assets: | | |
| Current receivables (i) | (202,503) | 223,679 |
| Other (i) | - | 20,000 |
| Increase / (decrease) in liabilities: | | |
| Current payables (i) | 520,848 | (232,358) |
| Provisions (i) | 4,770,744 | (77,092) |
| Net Cash generated from/ (used) in operating activities | **(2,915,837)** | **(9,534,618)** |

(i) Neometals deconsolidated GMKE as a result of the administration on 16 August 2013 and therefore the GMKE balance sheet was deconsolidated at this date.

## 30. Financial instruments

### (a) Financial risk management objectives

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

## 30. Financial instruments (continued)

### (c) Interest rate risk

The following tables detail the Group's exposure to interest rate risk:

| 2015 | Weighted average effective interest rate % | Variable interest rate $ | Maturity dates: Less than 1 year $ | Maturity dates: 1-5 years $ | Maturity dates: More than 5 years $ | Non interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | | | | | | | |
| Cash and cash equivalents | 2.60 | - | 1,442,496 | - | - | 152 | 1,442,648 |
| Barrambie Gas term deposit [i] | 3.19 | - | 6,000,000 | - | - | - | 6,000,000 |
| Bond term deposits [i] | 3.14 | - | 95,000 | - | - | - | 95,000 |
| Trade and other receivables | - | - | - | - | - | - | - |
| | | | | | | | |
| **Financial liabilities:** | | | | | | | |
| Trade payables | - | - | | - | - | 894,708 | 894,708 |
| Convertible note | 11.34 | - | 1,918,640 | - | - | - | - |

(i) The balances represent two term deposits that are restricted in their use and are classified in the current reporting period other financial assets. Additional information on all other term deposits is provided at Notes 11 and 29(b). The financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they are not accessible to the Group due to restrictions placed on accessing the funds.

| 2014 | Weighted average effective interest rate % | Variable interest rate $ | Maturity dates: Less than 1 year $ | Maturity dates: 1-5 years $ | Maturity dates: More than 5 years $ | Non interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Financial assets:** | 1.12 | - | 7,064,648 | - | - | 152 | 7,064,800 |
| Cash and cash equivalents [i] | 2.82 | - | 6,000,000 | - | - | - | 6,000,000 |
| Barrambie Gas term deposit [ii] | 3.41 | - | 95,000 | - | - | - | 95,000 |
| Bond term deposits [ii] | - | - | - | - | - | 1,671,504 | 1,671,504 |
| Trade and other receivables | | | | | | | |
| | | | | | | | |
| **Financial liabilities:** | 11.10 | - | 1,917,577 | - | - | - | 1,917,577 |
| Convertible note | - | - | - | - | - | 14,756,555 | 14,756,555 |
| Trade payables [iii] | 11.34 | - | 1,918,640 | - | - | - | - |

(i) Includes cash and bank balances of $6,887 in a disposal group held for sale.
(ii) The balances represents two term deposits that are restricted in their use and are classified in the current reporting period other financial assets in addition to another deposit with a total value of $64,683 that is classified as a held for sale asset. Additional information on all other term deposits is provided at Notes 11 and 29(b). The financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they are not accessible to the Group due to restrictions placed on accessing the funds.
(iii) The trade payables include $3,508 classified as held for sale.

## 30.Financial instruments (continued)

### (d) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

### (e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

In addition to financial liabiltiies in note 16, the Company is required to meet minimum spend commitments to maintain the tenure over the Company's mineral exploration areas as described in note 21.

### (f) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values.

### (g) Commodity price risk

The Group is exposed commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. No hedging or derivative transactions have been used to manage commodity price risk.

### (h) Capital management

The board's policy is to endeavour to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group sources any additional funding requirements from either debt or equity markets depending on the market conditions at the time the funds are sourced and the purpose for which the funds are to be used. The Group is not subject to externally imposed capital requirements.

### (i) Interest rate risk management

The Group is exposed to interest rate risk as the Group has funds on deposit as security for the head office lease and the Barrambie Gas Pty Ltd onerous contract outlined at Note 15. The Group's financial borrowings (motor vehicle hire purchase lease) are not subject to interest rate risk as the rate is fixed at time of entering into the financing agreement.

The sensitivity analyses below has been calculated based on the exposure to interest rates at the end of the reporting period. A 50 basis point increase and decrease has been used when reporting the interest rate risk and represents management's assessment of the potential change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2015 would decrease/increase by $37,687 (2014: decrease/increase $65,798). This is mainly attributable to the Group's exposure to interest rates on the maturity of its term deposits.

## 31. Contingent Liability

The Company has been named in an action in a foreign court for $480,000. The Directors have been advised by its legal counsel that the Company has extremely strong ground to contest the action and would not expect any adverse findings to result. Accordingly, the Directors have not deemed it necessary to raise a provision in the accounts at this time.

## 32. Events occurring after the reporting period

On 2 July 2015 as part of the DBP credit review process the bank guarantee requirement for the Barrambie Gas Pty Ltd onerous contract was reduced from $6.0 million to $5.0 million and was effected 30 July 2015.

On 19 September the Company has entered into formal binding agreements ("Agreements") with China's second largest lithium producer Jiangxi Ganfeng Lithium Co., Ltd ("Ganfeng").

The Agreements sets out the key commercial terms for:

- 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. Neometals will net approximately US$19.5 million from this initial transaction;
- PMI and Ganfeng 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. If these options are fully exercised, Neometals will be left holding 13.8% of RIM;
- MIN building, owning and operating the Mount Marion mining, crushing and beneficiation infrastructure and equipment pursuant to a fixed price mining services contract;
- 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 RIM reserves the right to take 51% of the total production if greater commercial benefit can be derived from such product; and
- prudential corporate governance arrangements for RIM between Ganfeng and RIM's existing shareholders with equal board representation for all shareholders.

On 23 September 2015 the transaction became unconditional. Financial close of the transaction is due to occur in early October 2015.

Financial close will trigger a Final Investment Decision for the Mt Marion lithium concentrate operation and commencement of full plant construction and assemblage as all necessary approvals for the project have been secured by RIM. MIN is already well advanced with development planning and procurement, with commissioning and production of lithium concentrate product anticipated by mid-2016.

# Additional stock exchange information
## AS OF 30 SEPTEMBER 2015

### Ordinary fully paid shares

**Top Holders Snapshot - Grouped**

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1. | MELAID HOLDING INC | 40,000,000 | 7.86 |
| 2. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 18,643,356 | 3.66 |
| 3. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 17,350,540 | 3.41 |
| 4. | CITICORP NOMINEES PTY LIMITED | 16,053,299 | 3.15 |
| 5. | MR DAVID JOHN REED | 12,701,674 | 2.50 |
| 6. | TRUCKING NOMINEES PTY LTD <D J REED SUPER FUND A/C> | 10,610,049 | 2.08 |
| 7. | MR KENNETH JOSEPH HALL <HALL PARK A/C> | 10,000,000 | 1.96 |
| 8. | BOND STREET CUSTODIANS LIMITED <HPODHH - V04614 A/C> | 7,524,711 | 1.48 |
| 9. | WESTERN MINING CORPORATION PTY LIMITED <TWO BOYS A/C> | 6,758,862 | 1.33 |
| 10. | GREAT GOLDEN INVESTMENT LIMITED | 5,000,000 | 0.98 |
| 11. | NICKEL INVESTMENTS PTY LTD <NICKEL INVESTMENT A/C> | 5,000,000 | 0.98 |
| 12. | TERAN NOMINEES PTY LTD | 4,154,325 | 0.82 |
| 13. | MS SIMONE ANNE MILASAS | 4,110,327 | 0.81 |
| 14. | MR ALEXANDER FAIRBAIRN RUSSELL | 3,886,796 | 0.76 |
| 15. | LINFOOT ONE SUPER PTY LTD <LINFOOT SUPER PLAN NO 1 A/C> | 3,847,508 | 0.76 |
| 16. | MS KERRY ANNE PURCELL | 3,519,481 | 0.69 |
| 17. | HORSESHOE INVESTMENTS PTY LTD <THE ROD RUSSELL FAMILY A/C> | 3,200,000 | 0.63 |
| 18. | BNP PARIBAS NOMS PTY LTD <DRP> | 3,070,000 | 0.60 |
| 19. | MR FRANCIS JAMES ROBINSON | 3,000,000 | 0.59 |
| 20. | MR NICOLAAS VAN ROOSENDAEL | 2,610,000 | 0.51 |
| **Totals: Top 20 holders of ORDINARY FULLY PAID SHARES** | | **181,040,928** | **35.57** |

# Additional stock exchange information
## AS OF 30 SEPTEMBER 2015

### Distribution of Equity Securities

**Analysis of number of equity security holders by size of holding:-**

| Range | Total holders |
|---|---|
| **1 - 1,000** | 373 |
| 1,001 - 5,000 | 680 |
| 5,001 - 10,000 | 654 |
| 10,001 - 100,000 | 1,953 |
| 100,001 - 9,999,999,999 | 639 |
| **Rounding** | |
| **Total** | **4,299** |
| **Unmarketable parcels*** | **672** |

*Minimum $ 500.00 parcel at $ 0.18 per unit

### Secured Convertible Notes

Number: 2.000.000
Face value: $1
Concession Price: $0.04
Redemption Date: 22 November 2015
The number of ordinary shares to be issued on conversion is 50.000.000

### Substantial Holders

Substantial holders in the Company are set out below:

| Ordinary Shares | Number Held | Percentage |
|---|---|---|
| Melaid Holding Inc | 40,000,000 | 7.86% |
| David Reed | 28,121,259 | 5.52% |

### Voting Rights

The voting rights attaching to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Other

Registers of Securities are held at the following addresses:

Level 1, 672 Murray Street, West Perth, Western Australia 6005.

# Additional stock exchange information
## AS OF 30 SEPTEMBER 2015
### The Mining Tenements Held

As at 30 September 2015 the Company has an interest in the following projects and tenements in Western Australia.

| Project Name | Licence name | Beneficial interest | Status |
|---|---|---|---|
| Barrambie | E57/769 | 100% | Live |
| Barrambie | E57/770 | 100% | Live |
| Barrambie | L57/30 | 100% | Live |
| Barrambie | L20/55 | 100% | Live |
| Barrambie | M57/173 | 100% | Live |
| | | | |
| Mount Marion | E15/1190 | 45% (*) | Live |
| Mount Marion | L15/315 | 45% (*) | Live |
| Mount Marion | L15/316 | 45% (*) | Live |
| Mount Marion | L15/317 | 45% (*) | Live |
| Mount Marion | L15/321 | 45% (*) | Live |
| Mount Marion | L15/0220 | 45% (*) | Live |
| Mount Marion | M15/999 | 45% (*) | Live |
| Mount Marion | M15/1000 | 45% (*) | Live |
| Mount Marion | M15/717 | 45% (*) | Live |
| | | | |
| Mount Finnerty | E15/1416 | 100% | Live |
| Mount Finnerty | E15/1430 | 100% | Live |
| Mount Finnerty | E16/341 | 100% | Live |
| Mount Finnerty | M15/978 | 100% | Live |
| | | | |
| Lake Johnston | E63/1365 | 80% | Live |
| | | | |
| Forrestania | E77/2207 | 100% | Live |
| Forrestania | E77/2219 | 100% | Live |
| Forrestania | E77/2220 | 100% | Live |
| Forrestania | E77/2239 | 100% | Live |

* - registered holder is Reed Industrial Minerals Pty Ltd (Neometals Ltd 45%, Mineral Resources Ltd 30%, Jiangxi Ganfeng Lithium Co.,Ltd 25%).

**Neometals**
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