Neometals Ltd

A.C.N. 099 116 631

Annual Financial Report
for the financial year ended 30 June 2018

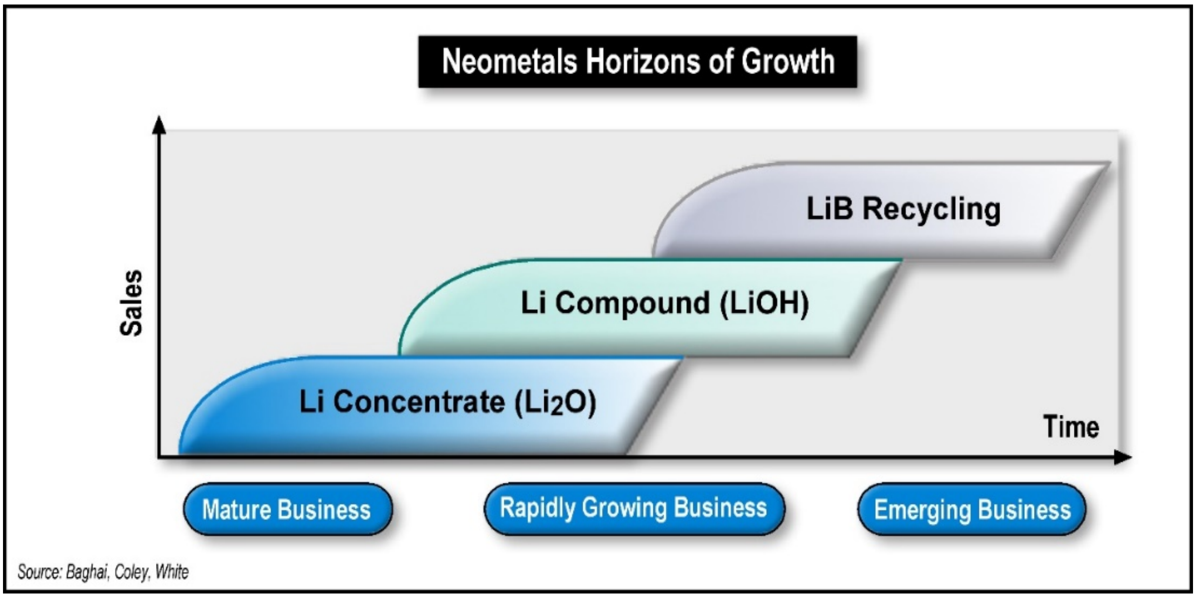
REVIEW OF OPERATIONS

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 integrated lithium business unit, the titanium / vanadium project (Barrambie) and developing its technology business unit.

LITHIUM BUSINESS UNIT

Figure 1 - *Neometals Horizons of Growth*



MT MARION LITHIUM PROJECT

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

Production achieved a steady state annualised production of 400ktpa of combined 6% and 4% grade during the year. A total of 382ktpa of spodumene concentrate was exported (209K WMT 6% and 173K WMT 4%).

Construction of the upgrade to the concentrator circuits to facilitate production of 6% Li_2O only concentrate is in progress and on track for completion in quarter two FY19 with the plant being ramped up to 100% high grade production shortly thereafter.

The achieved price for 6% and 4% spodumene products averaged A$879 per wet tonne for all tonnes exported. Pricing is linked to international lithium carbonate and hydroxide prices rather than bilateral spodumene market prices. The 6% spodumene price for quarter four of FY18 was agreed at US$961 per dry tonne CFR China (US$929 per wet tonne). CFR cash costs for FY18 averaged A$576 per wet tonne exported.

During the year RIM repaid 50% of the shareholder loans advanced for working capital purposes. The remaining 50% was repaid in July 2018. The repayment to Neometals was $8,208,916 in total.

Mt Marion is a globally significant lithium deposit, containing total Indicated and Inferred Mineral Resources 77.8Mt at 1.37% Li_2O and 1.09% Fe, at a cut-off grade of 0.5% Li_2O

Lithium Market Commentary

Market Analysis

Lithium carbonate and lithium hydroxide prices rose to historical highs during the year buoyed by strong demand growth from the lithium-ion battery industry. In Q1 2018 the price of lithium carbonate battery grade in China peaked at US$24,750/tonne. In recent months new raw material supply has entered the market, especially from hard rock mining operations in Australia, along with new lithium carbonate supply from lithium brine operations in Western China and Chinese lithium chemical converters. These changes have resulted in a downwards trend in Chinese domestic prices for lithium carbonate. By the end of June Chinese domestic prices for battery grade lithium carbonate had dropped to US$18,000 per tonne and are expected to soften further in H2 2018.

International prices for lithium carbonate and lithium hydroxide have been at high levels during the year and relatively stable. This is largely because of the longer-term pricing arrangements in supply contracts outside of China, growing demand for lithium hydroxide and a relatively balanced market. Demand for lithium hydroxide is growing at a more rapid rate than demand for lithium carbonate owing to the preferential use of this material in the production of cathode materials required by the automotive sector for NMC and NCA batteries.

Battery grade lithium hydroxide prices have been at or near US$20,000 per tonne CIF North Asia since late 2017 but some softening is anticipated in H2 2018.

The FOB price of spodumene has been at or near US$900 per tonne in recent months and has been fairly stable. With the addition of new spodumene supply in H2 2018 and lower Chinese lithium carbonate prices there is some downwards pressure on spodumene prices. However, this is currently being offset by increasing demand from Chinese lithium chemical converters.

KALGOORLIE LITHIUM REFINERY

(Neometals 100% through Neomaterials Pty Ltd)

During the year Neometals made substantial advances towards its goal of becoming an integrated lithium chemical producer. These included:

- Neometals subsidiary, Neomaterials Pty Ltd, executed an option agreement for the sub-lease of a 40Ha industrial site 5km from Kalgoorlie (adjacent to critical infrastructure) and entered a Memorandum of Understanding (“MOU”) with City of Kalgoorlie-Boulder (“**CKB**”); and

- Front-End Engineering and Design (‘’**FEED**’’) Study commencement by M+W Group (“**M+W**”) for the Neometals Kalgoorlie Lithium Refinery (“**KLR**”).

The KLR is expected to increase the value of the spodumene concentrate that would be purchased under the Company’s Mt Marion Spodumene Concentrate Offtake Option (“**Offtake Option**”). When exercised, the Offtake Option will provide source spodumene concentrate for conversion into battery grade lithium hydroxide and lithium carbonate for supply to Lithium Ion Battery (“**LIB**”) cathode and cell makers. The KLR is being designed to have 10,000tpa lithium carbonate equivalent (“**LCE**”) production capacity from mid-2021, subject to the Board making a final project investment decision (‘’**FID**’’) in mid-2019.

Table 1 - *KLR Indicative Key Dates and Schedule*

Vendor Test-work/Updated Cost Study	March 2018	*Completed*
FEED Study	May 2018	*In progress*
Finalise plant location	May 2018	*Completed*
FEED Study Results	March Q 2019	
Feasibility Study Results and Investment Decision	June Q 2019	
Start Commissioning (subject to Investment Decision)	Mid 2021	

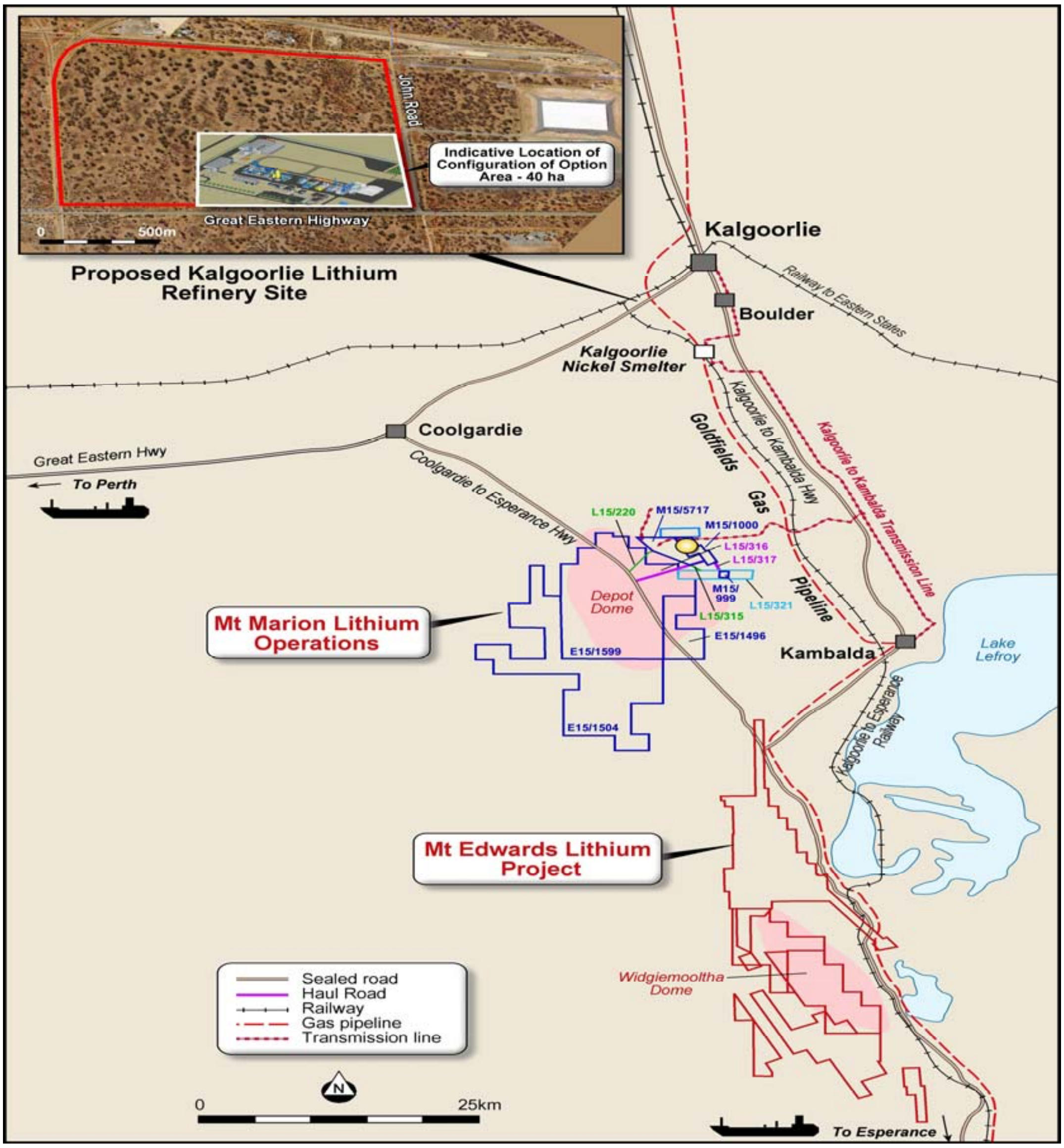
M+W was appointed during the quarter to deliver the FEED Study for the Company’s KLR by the end of CY 2018. The FEED Study will establish project capital and operating costs to an accuracy of +/- 15%, sufficient accuracy from which to determine project feasibility. The Feasibility Study report will integrate the FEED Study results with commercial studies so the Company can make a project investment decision.

The FEED Study is based on the successful process flowsheet testing report delivered by Veolia Water Technologies’ HPD division in March 2018. The Veolia program produced a 99.99% pure battery grade lithium hydroxide material from Mt Marion run of mine spodumene concentrates (6% Li_2O) and demonstrated that the proposed KLR refining process is technically fit for purpose. These results validate the suitability of a conventional direct-conversion sulphate process and the data has been used to develop material balances for each unit operation and the process design criteria in the FEED Study. Leading Chinese lithium chemical producer Ganfeng Lithium uses a technically-similar direct sulphate conversion process and has been producing battery grade lithium hydroxide from Mt Marion concentrates for more than a year.

Neometals undertook site selection studies over the past 3 years and concluded that the Kalgoorlie area offers the best logistic and cost solution for conversion of bulk spodumene concentrates. The Company has executed an option agreement with the City of Kalgoorlie-Boulder (“**CKB**”) over a sub-lease for a 40-hectare site near the township. The site is only 70km by major highway from Mt Marion, sits near the Kalgoorlie rail terminal and has adjacent reticulated power and gas supply. Reducing the concentrate transport distance reduces the environmental footprint and operating cost to improve the competitive position of the operation against conversion plants in China.

The agreement provides Neometals with a two-year option over the site (with provision for an additional two-year extension). During this time Neometals will complete Feasibility and FEED studies and secure a low cost reclaimed industrial water supply. The MOU also provides the Company with assistance from CKB in procurement of certain infrastructure and utilities for the KLR. Site studies and permit application drafting is in progress.

Figure 2 – *Proposed KLR Site Location*

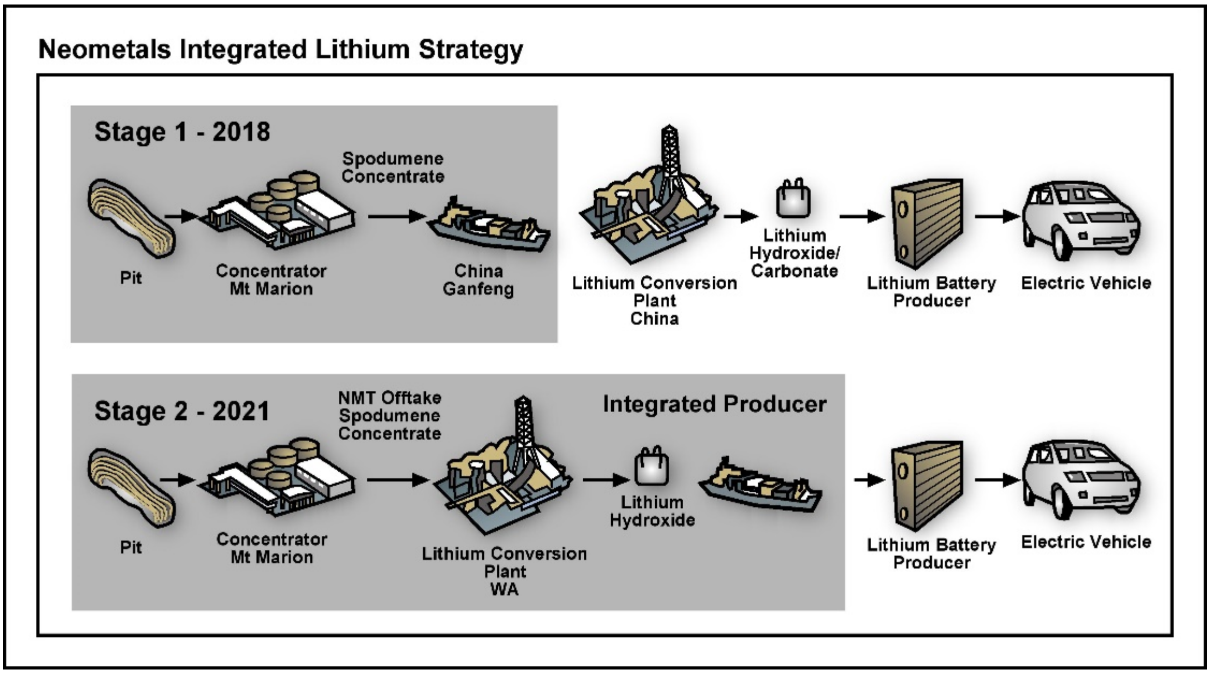


Approximately seven tonnes of spodumene concentrate is required to produce one tonne of lithium hydroxide, so raw material transport will represent a significant proportion of refinery operating costs. Reducing haulage of bulk concentrates, reagents and residues is therefore critical to project economics and minimisation will contribute to a reduced environmental footprint for the operation. Strategically, Australia remains as one of the most secure free-market jurisdictions in which to develop downstream lithium production. Chinese spodumene converters and South American brine-based lithium producers have chosen Australia as the location to diversify their production base through the construction of several widely publicised spodumene conversion plants in Western Australia.

Subsequent to the end of the quarter, Azure Capital was engaged to advise on the financing of the Lithium Hydroxide Refinery. This shall include conducting a formal offtake and partner selection process.

During the year the Company continued to assess the development of a lithium processing facility close to its Mt Marion Lithium Operation. The retention by the Company of its binding offtake option rights for a minimum of 12.37% of production from Mt Marion from February 2020, which will provide a secure supply of feedstock at the Company's discretion, to support the prospective development of its own downstream processing plant.

Figure 3 – *Neometals Integrated Lithium Strategy*



MT EDWARDS LITHIUM PROJECT

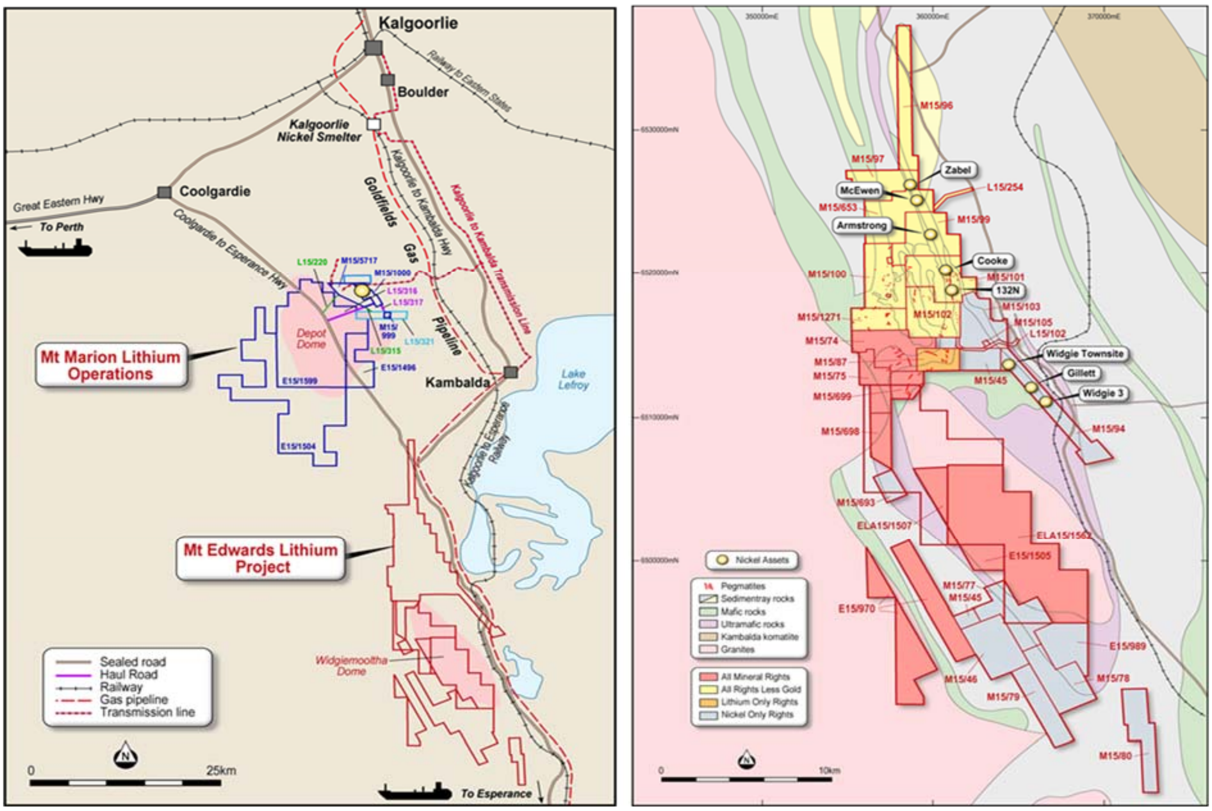
(Neometals 100% through Mt Edwards Lithium Pty Ltd)

During the second half of the financial year Neometals acquired 100% of the lithium rights of the Mt Edwards Lithium Project ("**Mt Edwards**") for cash consideration of $2.5M, additional contingent payments upon satisfaction of certain milestones and a royalty (see ASX announcement date 15th March 2018). The Company has secured the underlying tenure to all the tenements comprising Mt Edwards (other than M15/87), together with some neighbouring tenements and the nickel rights on an adjoining nickel rights package.

Mt Edwards is located 40km south of Mt Marion and is situated centrally within what is emerging as a highly endowed and globally significant lithium province. The tenements cover an area of 240 square kilometres and historical exploration confirms that multiple fertile Lithium-Caesium-Tantalum ("LCT") pegmatites are present.

The Company intends to conduct exploration aimed at defining lithium resources that can provide additional feedstocks at the KLR. The Company engaged CSA Global to review the extensive historical data sets and produce a prospectivity and targeting study. Exploration has since commenced on the project.

Figure 4 – *Project Location and Tenure Map*



Shortly after acquisition Neometals announced a maiden JORC nickel mineral resource estimate at Mt Edwards. While the Company has acquired Mt Edwards for its lithium prospectivity, the associated nickel rights package contains valuable nickel resources. Neometals was able to evaluate and upgrade the historical nickel Mineral Resource to comply with JORC Code 2012 standards using the historical resource data (refer to ASX announcement dated 19th April 2018).

Following the initial Mt Edwards nickel resource estimate announced in April (3.05 million tonnes at 1.6% Ni for 48,200t of contained nickel), Neometals updated the estimate when the assignment of nickel rights was completed over four additional deposits. The Mt Edwards, Widgie Townsite, Widgie 3 and Gillett deposits were added to the portfolio as part of the acquisition of nickel rights previously held by Apollo Phoenix Resources Pty Ltd (see ASX announcement dated 25th June 2018). The revised nickel Resource Estimate saw an approximate 155% increase in contained nickel with 7.4 million tonnes at 1.7% nickel for 123,340 tonnes contained.

Nickel is an essential component of batteries for the electric vehicle (EV) and static/grid power storage markets.

TITANIUM BUSINESS UNIT

BARRAMBIE TITANIUM PROJECT

(Neometals 100% through Australian Titanium Pty Ltd)

The Barrambie Titanium and Vanadium Project in Western Australia ("**Barrambie**") is one of the world's highest-grade titanium deposits and hosts significant levels of high grade vanadium. Neometals is undertaking a dual track evaluation of development alternatives for Barrambie with a staged development approach afforded by distinct high-grade zones and co-product streams. Neometals is investigating direct shipping ore ("DSO") being toll beneficiated and smelted in China as a phase 1 operation with a parallel phase 2 development utilising on-site processing options.

During the year, Neometals updated the Barrambie Mineral Resource Estimate (see ASX announcement dated 17th April 2018) which now contains a Total Indicated and Inferred Mineral Resource Estimate[1] of 280.1 million tonnes[2] at 9.18% TiO_2 and 0.44% V_2O_5 to 80m vertical depth. Contained Titanium Dioxide (TiO_2) in the total mineral resource estimate exceeds 25 million tonnes whilst contained Vanadium Pentoxide (V_2O_5) in the total mineral resource estimate exceeds 1.2 million tonnes. Within the total resource is a high-grade Titanium subset of the total mineral resource estimate of 53.6 million tonnes[3] at 21.17% TiO_2 and 0.63% V_2O_5 and a high-Grade Vanadium subset of Total Mineral Resource estimate of 64.9 million tonnes4 at 0.82% V_2O_5 and 16.90% TiO^2.

In addition, the total Barrambie Exploration Target[1] is estimated to be 470 to 700Mt, grading at 6 to 10% TiO_2 and 0.3 to 0.5% V_2O_5.

The updated estimate is a result of an additional 20 diamond drill holes ("**DDH**") and 21 reverse circulation (RC) drill holes drilled into the deposit this financial year. The key take-away for Neometals is the project's significance in terms of size (resources and exploration target) and grade/s (including a discrete high-grade titanium component) coupled with strong optionality in terms of timing, scale and commodity focus for optimal development.

During the year, Neometals despatched a 40-tonne bulk sample from the Eastern band of Barrambie following successful sighter test work on cores from the aforementioned drill program. The Eastern band is the main feed source for potential phase 1 DSO operations. The sighter beneficiation and pyrometallurgical test-work, to confirm the traditional flowsheet suitability to produce titanium, vanadium and iron products was awarded to The Institute of Multipurpose Utilisation of Mineral Resources Academy of Geological Sciences ("**IMUMR**"). IMUMR is based in Chengdu, is rated as one of the top metallurgical institutes in China and has extensive experience in the mineral processing and smelting of Vanadium Titano-Magnetite ("**VTM**") deposits including extensive work on the Panzhihua and Chengde VTM deposits in China.

In parallel with DSO considerations, the following Phase 2 on site processing options continue to be evaluated:

1. Updating the operating and capital cost section of the Company's 2009 Definitive Feasibility Study on a primary vanadium operation; and
2. Ongoing test-work and piloting programs related to production of titanium dioxide hydrolysate, vanadium pentoxide and iron oxide product utilising the Neomet patented hydrometallurgical process.

Titanium and Vanadium Market Commentary

The majority of titanium feedstocks (an annual market of US$17 Billion or 85% by value) are used to produce titanium dioxide ("TiO_2") pigment which is then used as an additive in paints, plastics, paper and ink with the balance (15%) used to produce titanium metal products. The current price for high quality titanium dioxide pigment is US$3,400 per tonne on a cif basis to USA (Source: Industrial Minerals 19 July 2018).

Pigment producers are facing a shortage of high-grade titanium feedstocks including rutile and titanium slag following a decline in supply of both materials from Australia, Canada and South Africa. The tightened supply of rutile largely reflects a decrease in output from Iluka's closed Murray Basin operation, while availability, current prices and contracts are already being affected by the announcement from Tronox Limited that it will remove around 20,000 tonnes of rutile and leucoxene from the market by end of this year. In addition, the imminent closure of Sibelco's Stradbroke Island mine will remove up to 35,000 tonnes of rutile from the market by 2020. This supply tightness has triggered rutile price increases for the third quarter of 2018.

The price of rutile concentrate min 95% TiO2 bulk cif China rose to $950-1,100 per tonne on July 5 from $850-950 per tonne a week earlier. Bulk shipments of rutile concentrate min 95% TiO_2 for pigment fob Australia increased to $930-1,020 per tonne on July 5 from $800-900 per tonne in the prior week.

Although chloride pigment producers are typically able to switch between rutile, synthetic rutile and chloride slag, some could struggle to source sufficient feedstock because chloride slag availability has also been reduced because of major disruptions at

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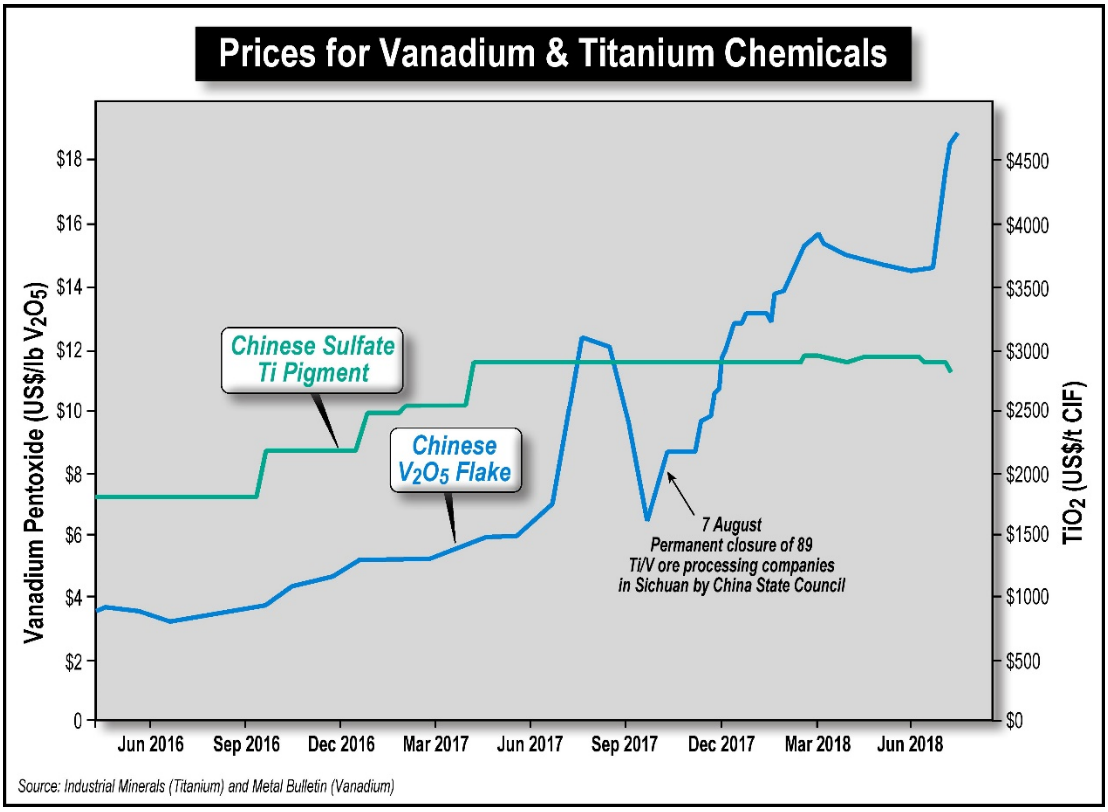
[1] See ASX Announcement titled "Updated Barrambie Mineral Resource Estimate" dated 17th April 2018
[2] Based on Cut-off grades of ≥10% TiO_2 or ≥0.2% V_2O_5
[3] The high-grade titanium and vanadium figures are a sub-set of the total Mineral Resource. These figures are not additive and are reporting the same block model volume but using different cut-off grades.
[4] The high-grade titanium and vanadium figures are a sub-set of the total Mineral Resource. These figures are not additive and are reporting the same block model volume but using different cut-off grades.

Rio Tinto's South African Richards Bay Minerals operation. It is estimated that around 120,000-150,000 tonnes of chloride slag have been removed from the market because of these disruptions. Rio Tinto has cut its titanium slag production forecast for 2018 to 1.1-1.2 million tonnes from its previous guidance of 1.1-1.3 million tonnes in April and 1.2-1.4 million tonnes in February.

The majority of vanadium feedstocks (annual consumption of 88.6kt V or 91% by volume) are used in steel production with the balance (8.9kt V or 9% by volume) used to produce non-ferrous alloys and chemicals for energy storage.

The FOB China price for vanadium pentoxide (min 98%) has continued to rise in response to tight supply conditions and reached US$18.50 – 19.00 per pound or US$40,790 – 41,890 per tonne mid-July (source: Metal Bulletin 17 July 2018). This represents a 25% increase since April. It is anticipated that prices will continue their bull run with supplier inventories at low levels and traders unable to restock at current prices. Recent offers by Chinese exporters have been above US$20 per pound.

Figure 5 – *Titanium and Vanadium Pricing as at June 2018*



NEOMET PROCESSING TECHNOLOGY

(Neometals 100% and 25% Net Profit Interest through Alphamet Management Pty Ltd)

Neometals, via its wholly owned Canadian subsidiary Alphamet Management Pty Ltd, is responsible for managing the commercialisation and development of the "Neomet Process". This patented (USA, Canada, Australia), environmentally friendly process technology has broad application in the recovery of a wide range of metal oxides from chloride leach solutions, including titanium. The energy-efficient recovery and regeneration of hydrochloric acid with minimal effluent is an environmentally sustainable, competitive advantage over conventional processing flowsheets.

All revenue received from the commercialisation of the technology is to be split 25:75 between Neometals and the owners of the technology. Neometals has a Strategic Alliance with Sedgman Limited (a wholly owned subsidiary of CIMIC Group Limited (ASX:CIM) to provide the platform for the commercialisation of the Neomet technology.

The Neomet process can be applied to a range of different 'feed' materials and of particular interest to Neometals is its amenability as an on-site processing option for Barrambie and/or other titanium ores. Neometals is planning to complete a pilot program in the first half of CY2019 utilising the Neomet patented hydrometallurgical process.

Should the titanium hydrolysate chemical processing pilot test-work advance sufficiently, Neometals will look to attract a titanium industry partner and licence the Neomet Process to titanium and other relevant industries. The multi-purpose plant housed in Neometals' Montreal facility is currently dedicated to the Company's battery recycling trial and it is intended the equipment will then be used for a customer trial with electric arc furnace (EAF) dust and then applied to a high grade mineral concentrate from Barrambie.

TECHNOLOGY BUSINESS UNIT

LITHIUM BATTERY RECYCLING TECHNOLOGY

(Neometals 100% Commercialisation Rights through Urban Mining Pty Ltd, 50% Ownership in IP)

Neometals is commercialising a technology to economically recover high-value cobalt that can be re-cycled within the battery manufacturing chain. Currently less than 5% of used lithium-ion batteries are recycled as disposal is typically either paid-for recycling or landfill.

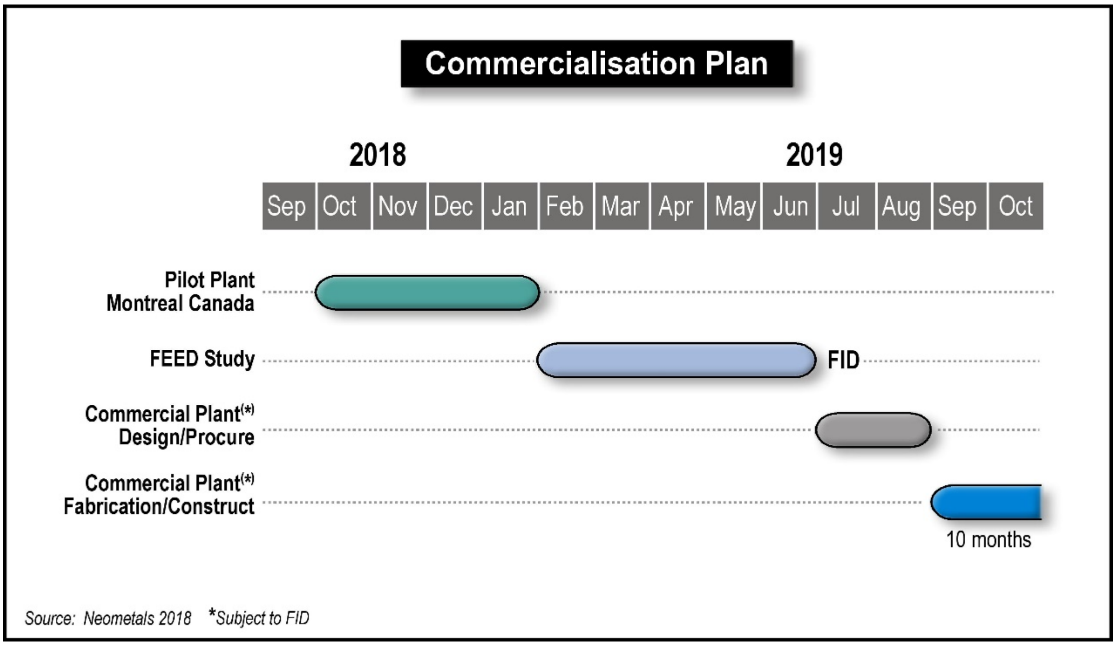
During the Year, Neometals continued the construction of the pilot facility for cobalt extraction from lithium cobalt ("**LCO**") batteries (predominant cathode in consumer electronics). The Company engaged leading lithium EPC engineers, Primero Group Pty Ltd, to project manage the construction, commissioning and operation of the 100kg/day LCO pilot plant program from their Montreal branch to accelerate progress. The leaching section of the pilot plant has been water commissioned and the critical path item is a new 50/t day commercial scale beneficiation circuit (front end battery shredding), which is under construction in the US and expected to be installed in the September quarter.

In parallel with the pilot construction and commissioning activities, process flowsheet development for the extraction of multiple metallic elements from lithium-nickel-manganese-cobalt ("**NMC**") batteries (predominant cathode in electric vehicle batteries) continued. The additional NMC product recovery and purification process will be subsequently incorporated into the pilot plant post completion of the LCO test work program.

Post the internal LCO and NMC testing phase on feedstocks sourced from external aggregators, the pilot plant will then be used to batch test batteries supplied by consumer electronics manufacturers and car makers.

Subject to the success of the test-work, it is the Company's intention to proceed with an Engineering Cost Study (±15% accuracy) to complete the technical and economic evaluation of a decision to proceed with the construction of a 10t/day commercial plant. Neometals has internal financial resources with which to fund evaluation, construction and commissioning of the commercial-scale plant and is in preliminary discussions with several interested parties from the lithium battery supply chain.

Figure 6 – *Battery Recycling Indicative Timeline*



CORPORATE

Finances

Cash and term deposits on hand as of 30 June 2018 totalled A$30.4 million, including $4.1 million in restricted use term deposits supporting performance bonds and other contractual obligations.

Capital Management

On 21 February 2018 the on-market buy-back of ordinary shares under which the company was permitted to acquire up to a maximum of 5% of the Company's current issued ordinary shares (28,150,043 shares) expired. During the FY18 a total of 5,371,209 shares were acquired under the on-market buy back bringing the total acquired for the buy-back period to 22,271,311 shares.

The total number of shares on issue as at 30 June 2018 was 543,532,473.

A special dividend of 1 cent per share unfranked was paid to the holders of fully paid ordinary shares on 8 June 2018.

Compliance Statement

The information in this report that relates to Mineral Resource Estimates and Exploration Targets for the Mt Marion Lithium Project, Barrambie Titanium Project and Mt Edwards Project are extracted from ASX Announcements entitled "Mt Marion Resource Upgrade" lodged 27 October 2016, "Updated Barrambie Mineral Resource Estimate" lodged 17 April 2018 and "Mt Edwards Project Mineral Resource Over 120,000 Nickel Tonnes" lodged 25 June 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified form the original market announcements.

Directors' Report

The directors of Neometals Ltd submit their report for the financial year ended 30 June 2018.

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

Current Directors

Name | **Particulars**

Steven Cole

Non-executive Chairman

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.

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.

Steven's professional qualifications include:

- Llb (hons)– University of Western Australia
- AICD Company Directors Diploma and Fellow;
- Wharton Business School – University of Pennsylvania – Corporate Governance Program 2010
- Harvard – Corporate Governance Program 2015

Appointed: 24 July 2008

Special responsibilities: Chairman of each of the Nomination and Remuneration Committees and Member of the Audit Committee.

Directorships of other listed companies: Non-executive Director Matrix Composites and Engineering Ltd

David J. Reed OAM

Non-executive Director

David Reed is a Fellow of CPA Australia with over 45 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 served as chairman of several ASX listed mineral exploration companies and served as Chairman of Neometals Ltd since inception in 2001 to 27 November 2015 when he was succeeded by Steven Cole. 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.

Appointed: 20 December 2001

Special responsibilities: Deputy Chairman and Member of the Risk, Nomination and Remuneration Committees

Directorships of other listed companies: Nil

Christopher J. Reed

Managing Director

Chris Reed is an accountant with over 26 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 (now Neometals 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 a councilor of the Association of Mining and Exploration Companies having served for 13 years,10 years as Vice-president.

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.

Appointed: 20 December 2001

Special responsibilities: CEO

Directorships of other listed companies: Nil

Dr. Natalia Streltsova

Non-executive Director

Natalia Streltsova is a PhD qualified chemical engineer with over 26 years' experience in the minerals industry, including over 10 years in senior technical and corporate roles with mining majors - WMC, BHP and Vale. Dr Streltsova has considerable international experience covering project development and acquisitions in South America, Africa and the Former Soviet Union. She is currently a Non-Executive Director of Western Areas Limited and Parkway Minerals NL.

Appointed: 14 April 2016

Special responsibilities: Chairman of the Risk Committee and Member of each of the Remuneration and Audit Committees.

Directorships of other listed companies: Parkway Minerals NL & Western Areas Ltd

Mr Douglas Ritchie

Non-executive Director

Doug has four decades experience working in the mining industry, including as a member of Rio Tinto's Executive Committee, and the Group Executive responsible for China, Doug's expertise across the industry is extensive.

He has previously been a Director of Jinchuan Group International Resources (HKSE), Coal & Allied Limited (ASX 50), Rossing Uranium Limited, Arrium Limited and Chairman of Riversdale Mining Limited. He was also formerly Chairman of the Coal Industry Advisory Board to the International Energy Agency, a Director of the World Coal Association and a Director of the Queensland Resources Council. Between 2013 and April 2016, Doug was Chairman of UniQuest, the main commercialisation vehicle of the University of Queensland.

Doug is a Fellow of the Australian Institute of Mining and Metallurgy and a Fellow of the Australian Institute of Company Directors.

Appointed: 14 April 2016

Special responsibilities: Chairman of the Audit Committee and Member of each of the Nomination and Risk Committees.

Directorships of other listed companies: Nil

Company Secretary

Jason Carone

Chief Financial Officer and Company Secretary

Mr. Carone is a Chartered Accountant with over 20 years' experience in accounting and company administration in Australia and South East Asia.

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.

Appointed: 4 March 2009

Review of operations

The consolidated profit after income tax for the year attributable to members of Neometals Ltd was $20.2 million (2017: $4.7 million). A detailed review of the Company's operations during the financial year can be found on pages 1 to 9 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 and developing its technology business unit.

Events after the reporting period

On 16 August 2018, the Company announced to the market the intention to demerge Barrambie Titanium-Vanadium Project and associated non-lithium technology assets, subject to shareholder/regulatory approvals and third party consents.

Future developments

The Consolidated Entity intends to continue its focus on disciplined evaluation and development of its two core assets, the Mt Marion Lithium Project and Barrambie Titanium project, and to develop its technology business units. 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.

Neometals Vision, Strategy & Execution

Vision

Neometals' vision is to combine innovative cost advantages and strong partners to develop a portfolio of globally significant mineral resources into lower-risk, long-life, high-margin operations to optimise stakeholder returns.

Strategy

Grow market cap from maximising returns from existing operations, increasing margins via higher value (downstream) products and developing growth options.

Execution

The Company has established individual business plan objectives addressing the building blocks for delivering on the strategic objectives.

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

In respect of the financial year ended 30 June 2018, a special dividend of 1 cent per share unfranked was paid to the holders of fully paid ordinary shares on 8 June 2018.

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 refer to the Remuneration Report at page 15 below for details of Performance rights issued as part of KMP remuneration.

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 Number	Share Options Number	Performance rights Number
S. Cole	1,232,783	-	163,948
C. Reed	9,978,170	-	2,409,074
D. Reed	47,188,900	-	-
D. Ritchie	27,048	-	39,348
N. Streltsova	-	-	66,396

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 committee meeting, 5 remuneration committee meetings, 1 risk committee and 3 audit committee meetings were held.

	Board of Directors		Nomination Committee		Remuneration Committee		Risk Committee		Audit Committee	
Directors	Held	Attended	Held(1)	Attended	Held(1)	Attended	Held(2)	Attended	Held	Attended
S. Cole	9	9	2	2	5	5	n/a	n/a	3	3
C. Reed	9	9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D. Reed	9	9	2	2	5	4	1	1	n/a	n/a
N. Streltsova	9	9	n/a	n/a	5	5	1	1	3	3
D.Ritchie	9	9	2	2	n/a	n/a	1	1	3	3

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) Excludes several informal meetings of the members of the Nomination and 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.

(2) Excludes several informal meetings of the members of the Risk Committee and management to discuss matters including the Company's strategic direction and resultant changes in risk exposure.

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.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/Chairman
- David Reed Non-executive Director/Deputy Chairman
- Natalia Streltsova Non-executive Director
- Douglas Ritchie Non-executive Director

Executive Directors

- Christopher Reed Managing Director and CEO

Other executives

- Jason Carone Chief Financial Officer and Company Secretary
- Michael Tamlin Chief Operating Officer
- Darren Townsend Chief Development Officer – Appointed 21 September 2017

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 $600,000 as approved by shareholders at the Annual General Meeting on 27 November 2015. 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 and invited to salary sacrifice fees for performance rights pursuant to the company's Performance Rights Plan ("**PRP**").

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 revised PRP for its staff, executive KMP and Non-executive Directors in November 2017 and shareholders reapproved the issue of securities under the plan in November 2017. 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 2,377,312 (2017: 1,096,599) performance rights were offered to and accepted by KMP. Of this amount 2,210,516 performance rights are subject to relative and absolute Total Shareholder Return ("TSR") and other strategic hurdles, details of which can be found in the "Service agreements - performance based remuneration" section below. Testing undertaken for the period ended 30 June 2017 and 31 December 2017 resulted in 2,802,919 performance rights subject to the TSR criteria vesting.

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 and absolute TSR performance against a comparator group of companies as well as other strategic hurdles.

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 2018:

	30 June 2018 $	30 June 2017 $	30 June 2016 $	30 June 2015 $	30 June 2014 $
Revenue[(i)]	-	-	-	419,526	7,800,372
Net profit / (loss) before tax	19,641,936	4,745,744	83,832,380	(10,314,405)	(14,573,782)
Net profit / (loss) after tax	20,210,541	4,963,444	84,606,280	(10,314,405)	(16,666,425)
Share price at start of year	0.27	0.450	0.091	0.018	0.032
Share price at end of year	0.30	0.270	0.450	0.091	0.018
Market capitalisation at year end (undiluted)	163,059,742	147,447,206	251,590,166	45,701,361	9,422,170
Basic profit / (loss) per share	0.0373	0.0085	0.1568	(0.0203)	(0.0279)
Diluted profit / (loss) per share	0.0372	0.0084	0.1562	(0.0203)	(0.0293)
Dividends Paid	5,435,325	11,260,217	11,181,785	Nil	Nil

(i) Although the past 3 financial years have returned a net profit before tax there has been no revenues from ordinary activities. The group has been profitable in these financial years from the sell down of the investment held in RIM in 2016, the respective associate profits booked from the project over the past 2 financial years and an impairment reversal within the current year relating to the Barrambie project.

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.

2018	Short-term employee benefits				Post-employment benefits	Share based payments			
	Salary & fees $	Bonus FY 17'18 $	Non-Monetary (2) $	Other $	Super-annuation $	Shares $	Options and rights $	Total $	% remuneration linked to performance
Non-executive Directors									
S. Cole	73,059	-	-	-	6,941	-	50,000	130,000	-
D. Reed	73,059	-	-	-	6,941	-	-	80,000	-
N. Streltsova	62,100	-	-	-	5,900	-	12,000	80,000	-
D. Ritchie	62,100	-	-	-	5,900	-	12,000	80,000	-
	270,318	**-**	**-**	**-**	**25,682**	**-**	**74,000**	**370,000**	-
Executive directors									
C. Reed	515,000	61,200	2,409	-	25,000	-	159,374	762,983	29
	515,000	**61,200**	**2,409**	-	**25,000**	-	**159,374**	**762,983**	-
Other executives:									
M. Tamlin	349,400	50,000	127,866	-	25,000	-	67,803	620,069	19
J. Carone	275,000	50,000	22,324	-	25,000	-	56,503	428,827	25
D. Townsend[(i)]	209,414	50,000	-		15,909		32,271	307,594	27
	833,814	**150,000**	**150,190**	-	**65,909**	-	**156,577**	**1,356,490**	-
Total	**1,619,132**	**211,200**	**152,599**	**-**	**116,591**	**-**	**389,951**	**2,489,473**	**-**

(1) Commenced 13 November 2017

(2) Relates to fringe benefits received by key management personnel

2017	Short-term employee benefits				Post-employment benefits	Share based payments			
	Salary & fees $	Bonus FY 16'17 $	Non-Monetary (1) $	Other $	Super-annuation $	Shares $	Options and rights $	Total $	% remuneration linked to performance
Non-executive Directors									
S. Cole	118,722	-	-	-	11,278	-	-	130,000	-
D. Reed	73,059	-	-	-	6,941	-	-	80,000	-
N. Streltsova	73,059	-	-	-	6,941	-	-	80,000	-
D. Ritchie	73,059	-	-	-	6,941	-	-	80,000	-
	337,899	**-**	**-**	**-**	**32,101**	**-**	**-**	**370,000**	-
Executive directors									
C. Reed	510,000	54,000	1,622	-	30,000	-	127,292	722,914	25
	510,000	**54,000**	**1,622**	-	**30,000**	-	**127,292**	**722,914**	-
Other executives:									
M. Tamlin	330,000	56,400	21,335	-	30,000	-	117,972	555,707	31
J. Carone	270,000	50,250	20,695	-	30,000	-	45,628	416,573	23
	600,000	**106,650**	**42,030**	-	**60,000**	-	**163,600**	**972,280**	-
Total	**1,447,899**	**160,650**	**43,652**	**-**	**122,101**	**-**	**290,892**	**2,065,194**	**-**

(1) Relates to fringe benefits received by key management personnel

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: Chief Financial Officer / Company Secretary
Term: No defined term
Termination: 3 months notice period and 3 months termination payment

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 up to 25% of the KMP's annual salary package ($300,000 inclusive of superannuation for 2017-18). 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. The STI for 2017-18 was set at a maximum of $75,000 of which 67% or $50,000 was agreed to be paid by management.

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

$$P = \frac{33}{100} \times \frac{S}{VWAP}$$

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.

Name: Mr. C. Reed
Position: Managing Director
Term: Expiry date of 30 June 2019
Termination notice period: 12 months by employee
Termination notice period: 6 months by executive

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 one third of the KMP's annual salary package ($540,000 inclusive of superannuation for 2017-18). The STI for 2017-18 was set at a maximum of $180,000 representing approximately 33% of the annual base salary package of which 34% or $61,200 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 60 day volume weighted average price of ordinary shares in Neometals Ltd for the period ended 30 June of the preceding financial year.

Name: Mr. M. Tamlin
Position: Chief Operating Officer
Term: No defined term
Termination notice period: 6 months

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 ($374,400 inclusive of superannuation for 2017-18). The STI for 2017-18 was set at a maximum of $123,552 representing approximately 33% of the annual base salary package of which 40.5% or $50,000 was acknowledged and agreed by the board and Mr M Tamlin. 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

$$P = \frac{33}{100} \times \frac{S}{VWAP}$$

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.

Name: Mr. D. Townsend
Position: Chief Development Officer
Term: No defined term
Termination notice period: 6 months

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 ($360,000 inclusive of superannuation for 2017-18). The STI for 2017-18 was set at a maximum of $118,000 representing approximately 33% of the annual base salary package of which $50,000 was acknowledged and agreed by the CEO and Mr D Townsend. 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

$$P = \frac{33}{100} \times \frac{S}{VWAP}$$

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 grant of Performance Rights is designed to reward long term sustainable business performance measured over a three year period with an opportunity for the performance conditions to be re-measured six months later should they not vest at the first vesting date. The KMP's entitlement to the performance rights is dependent on 3 criteria:

(a) Tranche 1 – Relative TSR

The performance conditions of 40% of Performance Rights will be measured as at each vesting date by comparing the Company's total shareholder return (**TSR**) with that of a comparator group of resource companies over the relevant period.

The Performance Rights will vest depending on the Company's percentile ranking within the comparator group on the relevant Vesting Date as follows:

- If the Company ranks below the 50^{th} percentile, none of the Performance Rights will vest.
- If the Company ranks at the 50^{th} percentile, 50% of the Performance Rights will vest.
- For each 1% ranking at or above the 51st percentile, an additional 2% of the Performance Rights will vest, with 100% vesting where the Company ranks at or above the 75th percentile.

(b) Tranche 2 – Absolute TSR

The performance conditions of 40% of Performance Rights will be measured as at each vesting date by calculating the Company's TSR calculated over the period commencing on the Comparator Start Date and ending on the relevant Vesting Date (**Absolute TSR**).

The Performance Rights will vest depending on the Company's Absolute TSR on the relevant Vesting Date as follows:

- If the Company's Absolute TSR is less than 15%, none of the Performance Rights will vest.
- If the Company's Absolute TSR is 15%, 50% of the Performance Rights will vest.
- For each additional 1% TSR above 15% Absolute TSR, an additional 10% of the Performance Rights will vest, with 100% vesting where the Company's Absolute TSR is at or above 20%.

(c) Tranche 3 – Business plan

The performance conditions of 20% of Performance Rights will be measured as at each Vesting Date as follows:

10% will vest if the combined market capitalisation of Neometals and any entity demerged from the Neometals Group and separately listed on the ASX would meet the threshold for entry into the ASX/S&P 200 Index.

10% will vest if any two of the following have been achieved (as assessed by the Board):

- an LiOH plant is under construction or in operation;
- a Barrambie/Neomet plant under construction/in operation;
- an Li-Battery recycling plant under construction/in operation;
- third party royalties received from the commercialisation of Neometals' technology >A$5M in aggregate.

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

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 to the uncertain nature of the Group's business, that is, mineral exploration, mining and developing new mineral processing technologies.

The comparator group adopted by the company for LTI granted in 2016-2017 is as follows:

- Galaxy Resources Limited (ASX: GXY)
- TNG Ltd (ASX: TNG)
- Nemaska Lithium Inc. (TSX: NMX)
- Iluka Resources Limited (ASX: ILU)
- Argex Titanium Inc. (TSX: RGX)
- Pilbara Minerals Limited (ASX: PLS)
- Global X Lithium ETF (NYSE Arca: LIT)
- S&P ASX Small Resources Index (ASXR: ASX)
- S&P ASX 300 (XKO: ASX)
- Orocobre Limited (ORE.ASX)
- Ganfeng Lithium (2460.SZ)

The comparator group adopted by the company for LTI granted in 2017-2018 is as follows:

- Galaxy Resources Limited (ASX: GXY)
- TNG Ltd (ASX: TNG)
- Nemaska Lithium Inc. (TSX: NMX)
- Iluka Resources Limited (ASX: ILU)
- Argex Titanium Inc. (TSX: RGX)
- Pilbara Minerals Limited (ASX: PLS)
- Global X Lithium ETF (NYSE Arca: LIT)
- S&P ASX Small Resources Index (ASXR: ASX)
- S&P ASX 300 (XKO: ASX)
- Orocobre Limited (ORE.ASX)
- Umicore Belgium (BSE: UMI)

The comparator group adopted by the company for LTI granted in 2018-2019 is as follows:

- Galaxy Resources Limited (ASX: GXY)
- TNG Ltd (ASX: TNG)
- Nemaska Lithium Inc. (TSX: NMX)
- Iluka Resources Limited (ASX: ILU)
- Argex Titanium Inc. (TSX: RGX)
- Pilbara Minerals Limited (ASX: PLS)
- Global X Lithium ETF (NYSE Arca: LIT)
- S&P ASX Small Resources Index (ASXR: ASX)
- S&P ASX 300 (XKO: ASX)
- Orocobre Limited (ORE.ASX)
- Umicore Belgium (BSE:UMI)
- Australian Vanadium Limited (ASX:AVL)

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.

The Company's performance rights plan was approved by shareholders at the 2017 AGM.

Performance rights issued as part of KMP remuneration

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(2)	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone	3/10/2017	370,012	-	93,243	31/12/2020	-
M. Tamlin	3/10/2017	444,015	-	111,892	31/12/2020	-
C. Reed	11/12/2017	952,474	-	320,984	31/12/2020	-
D. Townsend	11/12/2017	444,015	-	149,633	31/12/2020	-
S. Cole(3)	5/01/2018	112,700	-	50,000	30/06/2018	-
N. Streltsova(3)	5/01/2018	27,048	-	12,000	30/06/2018	-
D. Ritchie(3)	5/01/2018	27,048	-	12,000	30/06/2018	-
Total		2,377,312	-	749,752		-

(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 3 year period. Accordingly, at the date of this report 166,796 performance rights had vested.

(2) These values have been calculated using the monte carlo valuation method.

(3) These Non-executive Directors elected to sacrifice Directors Fees for performance rights pursuant to the company's PRP.

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

2018	Balance at 01/07/17 No.	Grant date	Granted No.	Fair value of rights at grant date $	Vested during the financial year No.	Forfeited/ lapsed during the financial year No.	Balance at 30/06/2018 No.	Ordinary shares issued on exercise of rights No.
KMP:								
J. Carone(1)	314,995	03/10/2017	370,012	149,419	-	98,932	586,075	494,540
C. Reed(1)	887,163	03/10/2017	952,474	482,512	-	265,902	1,573,735	1,329,190
M. Tamlin(1)	455,160	11/12/2017	444,015	179,304	-	195,885	703,290	979,189
D. Townsend(1)	-	11/12/2017	444,015	149,633	-	-	444,015	-
N. Streltsova(2)	-	05/01/2017	27,048	12,000	27,048	-	-	-
D. Ritchie(2)	-	05/01/2017	27,048	12,000	27,048	-	-	-
S. Cole(2)	-	05/01/2017	112,700	50,000	112,700	-	-	-
Total	1,657,318		2,377,312	1,034,868	166,796	560,719	3,307,115	2,802,919

(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 2-3 year period as set out in the section above.
(2) Under the Performance Rights Plan, Non-Executive Directors were invited to sacrifice part of their fees for their services in exchange for performance rights.

2017	Balance at 01/07/16 No.	Grant date	Granted No.	Fair value of rights at grant date $	Vested during the financial year No.	Forfeited/ lapsed during the financial year No.	Balance at 30/06/2017 No.	Ordinary shares issued on exercise of rights No.
KMP:								
J. Carone(1)	593,472	14/09/2016	216,063	56,176	494,540	-	314,995	3,911,608
C. Reed(1)	1,595,092	14/09/2016	621,261	161,528	1,329,190	-	887,163	-
M. Tamlin(1)	1,175,074	14/09/2016	259,275	67,412	979,189	-	455,160	-
Total	3,363,638		1,096,599	285,116	2,802,919	-	1,657,318	3,911,608

(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 2 year period 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.

Use of remuneration consultants

During the year remuneration consultants were used in relation to the company's Performance Rights Plan. Services included tax considerations and documentation review and updates totalling $3,750.

Loans to Directors and Executives

During the year, Mr. C Reed fully repaid his staff loan down to nil (2017: $24,593). Loan interest charged for the period totalled $603 (2017: $1,880).

This is the end of the audited remuneration report.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 29 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.

CReed.

Mr. Chris Reed

Managing Director

West Perth, WA

26 September 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Neometals Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Neometals Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Carrying Value of equity accounted associate
(Refer to Note 26 Investment in Associates)

As at 30 June 2018 the company had equity accounted investments in Reed Industrial Minerals Pty Ltd and Hannans Limited. The total carrying value of these investments is $28,613,742.

Significant judgement is required in assessing whether facts and circumstances indicate that these investments are recorded at an amount in excess of their recoverable value and therefore an impairment should be recognised.</td><td>Our procedures included, but were not limited to:

• Obtaining an understanding of management's process for determining the recoverable amount of the investment;

• Assessing the consistency of the associate's accounting policies with those used by Neometals;

• Reviewing the reported results and applicable ASX announcements of the associate, and assessing any relevant adjustments, including consideration of the appropriate treatment of any non-recurring transactions recorded by the investee's during the period; and

• Assessing the existence of impairment triggers, and any resulting impairment.

We also assessed the appropriateness of the disclosures in Notes 26 and 3 to the financial statements.</td></tr>
<tr><td>Barrambie Project Impairment Reversal
(Refer to Note 13 Exploration and evaluation expenditure)

On 30 June 2018, the Group reversed a previous impairment charge with respect to the Barrambie exploration project for $14.69 million.

The reversal of a previous impairment charge requires significant judgement, including determining if the facts and circumstances that were present at the time of the original impairment no longer exist and determination of the recoverable amount.</td><td>Our procedures included, but were not limited to:

• Reviewing and substantiating management's position for the previous impairment charge, and the reasons why those conditions no longer existed at 30 June 2018;
• Reviewing the work of management's expert used to determine the recoverable amount of the exploration project;
• Assessing the competencies and objectivity of managements expert;
• Assessing the recoverable amount in light of the board approved transaction that was announced post year-end; and
• Assessing other available information, including the market price for vanadium, which indicated that the conditions that existed at the point of previous impairment no longer existed.

We also assessed the appropriateness of the disclosures in Notes 3 and 13 to the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Review of Operations which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): letter from the Chairman, and additional stock exchange information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the letter from the Chairman, and additional stock exchange information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 23 of the Director's Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Neometals Ltd for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants
Perth, 26 September 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

26 September 2018

Dear Board Members

Neometals Ltd

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

As lead audit partner for the audit of the financial statements of Neometals Ltd for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ian Skelton
Partner
Chartered Accountants

Directors' declaration

The directors declare that:

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

(b) 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
26 September 2018

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2018

	Note	2018 $	2017 $
Continuing operations			
Revenue from sale of goods		-	-
Cost of sales		-	-
Gross profit / (loss)		-	-
Other income	5	1,417,210	2,137,660
Employee expenses	5	(3,815,040)	(2,995,416)
Occupancy expenses		(663,214)	(494,019)
Administration expenses		(3,284,845)	(3,376,018)
Finance costs	5	(62,599)	(97,874)
Other expenses		(2,340,733)	(770,343)
Foreign exchange (loss)/gain		53,231	(80,063)
Impairment of related party loan	25	(1,677,554)	-
Impairment reversal	13	14,694,964	-
Profit on deconsolidation of subsidiary	24	-	9,487,578
Share of profit/(loss) of associate	26	15,320,516	511,810
Share of profit/(loss) of joint venture		-	19,989
Write-off of non-current assets	13	-	(1,409)
Profit before income tax		19,641,936	4,341,895
Income tax benefit	6	568,605	403,849
Profit for the year from continuing operations	20	**20,210,541**	**4,745,744**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on available-for-sale financial assets during the year	19	-	217,700
Total comprehensive income/(loss) for the year		**20,210,541**	**4,963,444**
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	21	3.73	0.85
Diluted (cents per share)	21	3.72	0.84

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

Consolidated statement of financial position as at 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	31 (a)	26,342,414	42,129,157
Related party loan		4,104,458	-
Trade and other receivables	11	448,960	878,542
Other financial assets	12	252,181	-
		31,148,013	43,007,699
Assets classified as held for sale	10	-	8,433,162
Total current assets		**31,148,013**	**51,440,861**
Non-current assets			
Loans to joint ventures	25	-	1,665,938
Exploration and evaluation expenditure	13	31,506,853	12,515,296
Intangibles		461,328	284,490
Investments in joint ventures		1	1
Investment in associate	26	28,613,742	13,226,310
Other financial assets	12	4,536,000	4,626,000
Other assets		609,638	609,638
Property, plant and equipment	14	955,689	234,717
Total non-current assets		**66,683,251**	**33,162,390**
Total assets		**97,831,264**	**84,603,251**
Current liabilities			
Trade and other payables	15	1,225,740	1,044,574
Provisions	16	1,177,288	1,100,250
Borrowings	17	-	11,278
Total current liabilities		**2,403,028**	**2,156,102**
Non-current liabilities			
Provisions	16	2,807,526	3,562,808
Borrowings	17	-	15,573
Total non-current liabilities		**2,807,526**	**3,578,381**
Total liabilities		**5,210,554**	**5,734,483**
Net assets		**92,620,710**	**78,868,768**
Equity			
Issued capital	18	154,101,518	155,367,391
Reserves	19	7,094,532	6,851,933
Accumulated losses	20	(68,575,340)	(83,350,556)
Total equity		**92,620,710**	**78,868,768**

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 2018

	Issued Capital $	Investment revaluation reserve $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance at 01/07/16	**160,047,735**	**801,937**	**300,349**	**5,295,914**	**(76,836,283)**	**89,609,652**
Profit for the period	-	-	-	-	4,745,744	4,745,744
Other comprehensive income, net of tax	-	217,700	-	-	-	217,700
Total comprehensive income for the period	-	217,700	-	-	4,745,744	4,963,444
Recognition of share-based payments (see note 18)	-	-	-	290,892	-	290,892
Recognition of convertible note equity (see Note 18)	-	-	-	-	-	-
Recognition of shares issued under performance rights plan	54,859	-	-	(54,859)	-	-
Recognition of share buy back	(4,727,942)	-	-	-	-	(4,727,942)
Issue of dividends	-	-	-	-	(11,260,017)	(11,260,017)
Share issue costs, net of tax	(7,261)	-	-	-	-	(7,261)
Balance at 30/06/17	**155,367,391**	**1,019,637**	**300,349**	**5,531,947**	**(83,350,556)**	**78,868,768**
Profit for the period	-	-	-	-	20,210,541	20,210,541
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	20,210,541	20,210,541
Recognition of share-based payments (see note 18)	-	-	-	501,324	-	501,324
Recognition of convertible note equity (see Note 18)	-	-	-	-	-	-
Recognition of shares issued under performance rights plan	258,725	-	-	(258,725)	-	-
Recognition of share buy back	(1,524,598)	-	-	-	-	(1,524,598)
Issue of dividends	-	-	-	-	(5,435,325)	(5,435,325)
Share issue costs, net of tax	-	-	-	-	-	-
Balance at 30/06/18	**154,101,518**	**1,019,637**	**300,349**	**5,774,546**	**(68,575,340)**	**92,620,710**

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

Consolidated statement of cash flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		-	-
Tax refunds		763,008	358,354
Payments to suppliers and employees		(9,411,576)	(7,791,996)
Net cash used in operating activities	31 (c)	(8,648,568)	(7,433,642)
Cash flows from investing activities			
Net cash outflow on disposal of subsidiary		-	(1,000,000)
Payments for property, plant & equipment		(796,864)	(122,318)
Payments for intellectual property		(207,055)	(158,049)
Payments for exploration and evaluation costs		(1,947,634)	(694,410)
Payments for acquisitions		(2,500,000)	-
Interest received		984,720	1,280,786
Investment in bonds		-	(264,620)
Net investment in equity instruments		224,553	(11,837)
Loans repaid from joint venture parties		4,104,458	-
Loans paid to joint venture parties		(11,615)	(8,576,543)
Net cash generated by / (used in) investing activities		(149,437)	(9,546,991)
Cash flows from financing activities			
Share issue costs		-	(7,261)
Share buy-back		(1,541,335)	(4,728,247)
Repayment of borrowings		(25,379)	(10,954)
Amounts received from related parties		22,717	65,257
Amounts received from secured deposits		-	1,000,000
Dividends paid		(5,435,325)	(11,260,017)
Interest and other finance costs paid		(60,000)	(97,646)
Net cash used in financing activities		(7,039,322)	(15,038,868)
Net increase/(decrease) in cash and cash equivalents		(15,837,327)	(32,019,501)
Cash and cash equivalents at the beginning of the financial year		42,129,157	74,228,721
Effect of exchange rates on cash balances		50,584	(80,063)
Cash and cash equivalents at the end of the financial year	31 (a)	26,342,414	42,129,157

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

Index to Notes to the consolidated financial statements

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 3, 1292 Hay 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 26 September 2018.

Basis of preparation

The accounting policies adopted are consistent with those adopted and disclosed in the Consolidated Entity's 2017 Annual Financial Report for the financial year ended 30 June 2017, 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 2017.

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.

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 2017.

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

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

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

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 2018:

Standard	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 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to	1 January 2018	30 June 2019

	Australian Accounting Standards – Effective date of AASB 15'		
•	AASB 16 'Leases'	1 January 2019	30 June 2020
•	AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2022	30 June 2023
•	AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2018. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

(i) AASB 9 Financial Instruments

AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 january 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.

<u>Classification and measurement</u>

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.

The assessment is ongoing. The preliminary result to date indicates a change in disclosure with no material remeasurement impact at 1 July 2018.

(ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued this new standard for the recognition of revenue. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. In accordance with new standard revenue from contracts with customers is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under the current standard. It also provides further guidance on the measurement of sales on contracts which have discounts, rebates and consignment inventories. During the year the company carried out a detailed review of the current recognition criteria for revenue including payments made to customers against the requirements of AASB 15 and is in the process of finalising this assessment.

(iii) AASB 16 Leases

The AASB has issued this new standard which eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its Statement of Financial Position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117. The impact of this adoption is currently in the process of being assessed by the Company however, the impact has not yet been quantified. The Company will adopt this standard from 1 July 2019.

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 period 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 term deposits with a 30 day cancellation policy. 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.

(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) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar ($), which is Neometals Ltd's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

(d) 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 (r).

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.

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.

(e) 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.

(f) 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.

(g) 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.

(h) 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).

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.

(i) 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.

(j) 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.

(k) 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 27 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.

(l) 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.

(m) Intangibles

Trademarks, licences and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Research and development

Research expenditure is recognised as an expense as incurred. Development expenditure is recognised as an asset as incurred. Research and development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(n) 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.

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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as available-for-sale (AFS) and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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.

(s) 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.

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.

(t) 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.

(u) 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.

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 venture or a joint operation. 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.

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 2018 is $31.5 million (2017: $12.5million).

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.

(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 taxes included in the consolidated statement of financial position at 30 June 2018 is Nil (2017: 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	2018 $	2017 $
Assets		
Current assets	47,061,206	50,590,547
Non-current assets	18,547,206	19,553,934
Total assets	**65,608,412**	**70,144,481**
Liabilities		
Current liabilities	1,303,468	937,730
Non-current liabilities	-	15,573
Total liabilities	**1,303,468**	**953,303**
Net Assets	**64,304,944**	**69,191,178**
Equity		
Issued capital	154,101,518	155,367,391
Retained earnings	(95,871,470)	(92,008,509)
Reserves		
Share based payments	6,074,896	5,832,296
Total equity	**64,304,944**	**69,191,178**
Financial Performance		
Profit for the year	**8,395,058**	**4,648,914**
Other comprehensive income	-	-
Total comprehensive income	**8,395,058**	**4,648,914**
Guarantees entered into on behalf of subsidiaries[(i)]	**4,000,000**	**4,000,000**

(i) Neometals Energy Pty Ltd, a wholly owned subsidiary of the Company, is party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd. The parent entity has provided security for a bank guarantee required under the contract for $4.0 million. Refer to Note 12 for details.

5. Profit/(loss) for the year continuing operations

	2018 $	2017 $
(a) Income		
Income from operations consisted of the following items:		
Revenue from the sale of goods	-	-
Other income:		
Interest revenue	926,376	1,421,398
Other	490,834	716,262
	1,417,210	2,137,660
(b) Profit / (loss) before income tax		
Profit / (loss) before income tax has been arrived at after charging the following expenses:		
Cost of goods sold	-	-
Employee benefits expense:		
Equity settled share-based payments	(501,324)	(290,892)
Defined contribution superannuation plans	(183,793)	(170,194)
Other employee benefits	(3,129,923)	(2,534,330)
	(3,815,040)	(2,995,416)
Finance costs:		
Borrowing costs	(490)	-
Facility fees	(60,000)	(95,650)
Interest expense	(2,109)	(2,224)
	(62,599)	(97,874)
Impairment of non-current assets	(1,677,554)	(1,409)
Depreciation of non-current assets	(42,530)	(33,822)

6. Income taxes

	2018 $	2017 $
(a) Income tax benefit recognised in profit or loss		
Tax benefit comprises:		
Current tax expense	-	-
Research and development claim	(568,605)	(310,549)
Deferred tax benefit relating to the origination and reversal of temporary differences	0	(93,300)
Total tax benefit	(568,605)	(403,849)
The prima facie income tax expense on pre-tax accounting profit from continuing operations reconciles to the income tax benefit in the financial statements as follows:		
Profit / (Loss) from continuing operations	20,210,541	4,745,744
Income tax calculated at 30%	6,063,162	1,423,723
Effect of income and expenses that are not deductible in determining taxable profit	(8,519,077)	44,903
Utilisation of previously unrecognised tax losses	2,123,230	(2,462,708)
Non-assesable income - R&D credit	(170,581)	-
Non-deductible loan write-off	503,266	994,082
Refund of prior year R&D claim	(568,605)	(310,549)
Deferred tax expense recognised directly in other comprehensive income	-	(93,300)
Income tax expense / (benefit) recognised	**(568,605)**	**(403,849)**
Deferred tax assets recognised in other comprehensive income	-	93,300
Relating to available-for-sale financial assets	**-**	**93,300**

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.

(b) Deferred tax balances

Deferred tax balances are presented in the statement of financial position as follows:

	2018 $	2017 $
Deferred tax liabilities	(8,130,761)	(7,814,139)
Deferred tax assets	8,130,761	7,814,139
Net deferred tax balance	**-**	**-**

(c) Deferred tax assets not brought to account

At 30 June 2018 the amount of unrecognised tax losses was (gross) $94,261,460 (June 2017: $86,647,181).

6. Income taxes (continued)

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 27.

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. Key management personnel compensation

Details of key management personnel compensation are provided on pages 15-23 of the Directors' Report.

The aggregate compensation made to key management personnel of the Group is set out below:

	2018 $	2017 $
Short-term employee benefits	1,982,931	1,652,201
Post-employment benefits	116,591	122,101
Share-based payments	389,951	290,892
	2,489,473	**2,065,194**

8. Share based payments

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

Performance Rights Plan ("PRP")

In accordance with the provisions of the PRP, as approved by shareholders at the Company's AGM on 24 November 2017, employees, Non-Executive Directors and consultants 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, Non-Executive Directors and consultants 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 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.

8. Share based payments (continued)

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

2018	Grant date	Number	Vesting date/ Expiry date	Grant date share price	Probability factor	Fair value at grant date
Jason Carone	14/09/2016	216,063	31/12/2018	0.31	n/a	56,176
Chris Reed	14/09/2016	621,261	31/12/2018	0.31	n/a	161,528
Mike Tamlin	14/09/2016	259,275	31/12/2018	0.31	n/a	67,412
Jason Carone	3/10/2017	370,012	31/12/2020	0.30	n/a	93,243
Mike Tamlin	3/10/2017	444,015	31/12/2020	0.30	n/a	111,892
Staff and consultants	3/10/2017	400,000	30/06/2019	0.30	n/a	120,000
Chris Reed	11/12/2017	952,474	31/12/2020	0.38	n/a	320,984
Darren Townsend	11/12/2017	444,015	31/12/2020	0.38	n/a	149,633
Staff and consultants	11/12/2017	280,312	31/12/2020	0.38	n/a	94,465
Staff and consultants	11/12/2017	500,000	30/06/2019	0.38	n/a	192,500
Natalia Streltsova	5/01/2018	27,048	30/06/2018	0.46	n/a	12,000
Doug Ritchie	5/01/2018	27,048	30/06/2018	0.46	n/a	12,000
Steven Cole	5/01/2018	112,700	30/06/2018	0.46	n/a	50,000
Total		4,654,223				1,441,832

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 $501,324 (2017: $290,892).

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

	2018	2017
	Performance Rights No.	Performance Rights No.
Balance at beginning of the financial year	4,460,237	7,275,246
Granted during the financial year as compensation	3,557,624	1,096,599
Vested during the financial year (i)	(2,802,919)	(3,911,608)
Lapsed during the financial year (ii)	(560,719)	-
Balance at the end of the financial year (iii)	**4,654,223**	**4,460,237**

(i) 2,802,919 shares in the Company were issued on vesting of performance rights (2017: 3,911,608).

(ii) 560,719 performance rights lapsed during the financial year (2017: nil).

(iii) Subject to the satisfaction of certain retention and performance conditions 1,538,395 performance rights vest at the end of the year (2017: 3,363,638)

9. Dividends on equity instruments

Declared and paid during the year:	2018 $	2017 $
Dividends paid on ordinary shares:		
Special dividend for 2018: 1.0 cents per share paid on 8 June 2018 (2017: 2.0 cents)	5,435,325	11,260,217

The dividend franking account has a nil balance as at 30 June 2018 (2017: nil).

On 25 May 2018, the directors declared an unfranked dividend of 1 cent per share to the holders of fully paid ordinary shares, paid to shareholders on 8 June 2018.

10. Assets classified as held for sale

	2018 $	2017 $
Assets classified as held for sale [(i)]	-	8,433,162
Liabilities directly associated with assets classified as held for sale [(i)]	-	-

(i) In February 2017, the Company decided to divest its 13.8% shareholding in Reed Industrial Minerals Pty Ltd. After commencement of the sale process the company is yet to receive a compliant offer from shareholders or external third parties. The Company will continue to consider offers for the remaining stake if a reasonable offer is received. Settlement for Reed Exploration Pty Ltd which relates to the prior year held for sale asset took place during the financial year. Refer to note 24 for further information.

Amounts recognised in this note relate to Reed Industrial Minerals Pty Ltd, owner of the Reed Industrial Minerals Pty Ltd Mt Marion Lithium Project for the 2017 financial year.

Classified as held for sale	2018 $	2017 $
Loan receivable	-	8,208,916
Investment in Reed Industrial Minerals Pty Ltd	-	224,246
Assets classified as held for sale	-	8,433,162
Trade and other payables	-	-
Liabilities directly associated with assets classified as held for sale	-	-
Net assets classified as held for sale	**-**	**8,433,162**

11. Trade and other receivables

	2018 $	2017 $
Current		
Related party receivable[i]	4,104,458	-
Other receivables	320,665	658,002
Prepayments	128,295	220,540
Total	**4,553,418**	**878,542**

(i) Related party receivable relates to the amount loaned to associate Reed Industrial Minerals Pty Ltd. The amount was repaid in full to Neometals in July 2018.

12. Other financial assets

	2018 $	2017 $
Current		
Available-for-sale investments carried at fair value	252,181	-
Total Current	**252,181**	**-**
Non-current		
Available-for-sale investments carried at fair value	493,000	601,000
Barrambie Gas term deposit [i]	4,000,000	4,000,000
Rental bond term deposit	43,000	25,000
Total Non-current	**4,536,000**	**4,626,000**
Total	**4,788,181**	**4,626,000**

(i) Neometals Energy 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 $4.0 million bank guarantee.

13. Exploration and evaluation expenditure

	Consolidated Capitalised exploration and evaluation expenditure $
Gross carrying amount	
Balance at 1 July 2016	**32,061,406**
Transfer on deconsolidation of subsidiary	-
Additions	909,574
Balance at 1 July 2017	**32,970,980**
Transfer on deconsolidation of subsidiary	-
Acquisition(i)	2,500,000
Additions	1,796,593
Balance at 30 June 2018	**37,267,573**
Accumulated amortisation and impairment	
Balance at 1 July 2016	**20,454,275**
Amortisation expense	-
Expenditure written off (iii)	1,409
Balance at 1 July 2017	**20,455,684**
Amortisation expense	-
Impairment reversal(ii)	(14,694,964)
Expenditure written off (iii)	-
Balance at 30 June 2018	**5,760,720**
Net book value	
As at 30 June 2017	**12,515,296**
As at 30 June 2018	**31,506,853**

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 Group acquired Mt Edwards Lithium Pty Ltd (MEL) during the year. Total cash consideration of $2,500,000 was paid to acquire the lithium and nickel rights and an exploration licence held within MEL. This has been treated as an Asset Acquisition for accounting purposes as the company did not have active operations.

(ii) An impairment reversal in relation to the Barrambie Titanium/ Vanadium Project has been made during the year. The market conditions that existed at 30 June 2012 when the impairment was made are no longer present. The vanadium commodity price is approximately 3 times higher than existed in 2012. Accordingly, the impairment that was recorded in 2012 has now been reversed.

(iii) The Group writes off any amounts that are allocated to surrendered tenements.

14. Property, plant and equipment

	Consolidated Plant and equipment at cost $
Gross carrying amount	
Balance at 1 July 2016	360,070
Additions	124,133
Disposals	(934)
Transfers to property, plant and equipment	-
Impairment	-
Balance at 1 July 2017	483,269
Additions	796,864
Disposals	-
Transfers to PP&E	-
Written off	(65,881)
Balance at 30 June 2018	1,214,252
Accumulated depreciation	
Balance at 1 July 2016	215,211
Disposals	(481)
Depreciation expense	33,822
Balance at 1 July 2017	248,552
Disposals and write offs	(32,518)
Depreciation expense	42,529
Balance at 30 June 2017	258,563
Net book value	
As at 30 June 2017	**234,717**
As at 30 June 2018	**955,689**

15. Trade and other payables

	2018 $	2017 $
Trade payables	504,948	466,814
Accrued expenses	690,207	569,833
Other	30,585	7,927
	1,225,740	**1,044,574**

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.

16. Provisions

	2018 $	2017 $
Current		
Annual leave	316,251	237,063
Long service leave	101,512	103,662
Other (a)	759,525	759,525
	1,177,288	1,100,250
Non-current		
Other (a)	2,807,526	3,562,808
	2,807,526	3,562,808
	3,984,814	**4,663,058**

(a) Detail of movement in other provisions

	Onerous Contracts (i) $
2018	
Balance at 1 July 2017	4,322,333
Additional provisions recognized	-
Reductions arising from payments/ other sacrifices of future economic benefits	(755,283)
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 2018	3,567,050
Comprised of:	
Current provision	759,525
Non-current provision	2,807,526
	3,567,051

(i) The onerous contract relates to a contract entered into by Neometals Energy 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 remaining gas transmission obligations under the contract for gas transmission not expected to be utilised or on sold.

16. Provisions (continued)

2017	Onerous Contracts (i) $
Balance at 1 July 2016	5,243,256
Additional provisions recognized	-
Reductions arising from payments/ other sacrifices of future economic benefits	(833,432)
Additions/(reductions) resulting from re-measurement or settlement without cost	(87,491)
Unwinding of discount and effect of changes in the discount rate	-
Balance at 30 June 2017	4,322,333
Comprised of:	
Current provision	759,525
Non-current provision	3,562,808
	4,322,333

(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. 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.

17. Borrowings

	2018 $	2017 $
Current - at amortised cost		
Motor Vehicle Lease	-	11,278
	-	**11,278**
Non-current - at amortised cost		
Motor Vehicle Lease	-	15,573
	-	**15,573**

18. Issued capital

	2018 $	2017 $
543,532,473 fully paid ordinary shares (2017: 546,100,763)	154,101,518	155,367,391

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.

	2018		2017	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	546,100,763	155,367,391	559,089,257	160,047,735
Issue of shares on conversion of convertible note	-	-	-	-
Share issue costs	-	-	-	(7,261)
Shares cancelled through share buy back	(5,371,209)	(1,524,598)	(16,900,102)	(4,727,942)
Other share based payments	2,802,919	258,725	3,911,608	54,859
Balance at the end of the financial year	**543,532,473**	**154,101,518**	**546,100,763**	**155,367,391**

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 (2017: nil).

19. 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 8 to the financial statements.

	2018 $	2017 $
Share based payments reserve:		
Balance at the beginning of the financial year	5,531,947	5,295,914
Increase/ (Decrease) in share based payments	501,324	290,892
Amounts transferred to share capital on exercise	(258,725)	(54,859)
Balance at the end of the financial year	**5,774,546**	**5,531,947**
Other reserve:		
Balance at the beginning of the financial year	300,349	300,349
Balance at the end of the financial year	**300,349**	**300,349**
Investment revaluation reserve[(i)]:		
Balance at the beginning of the financial year	1,019,637	801,937
Investment revaluation reserve	-	217,700
Balance at the end of the financial year	**1,019,637**	**1,019,637**
Total Reserves	**7,094,532**	**6,851,933**

(i) The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income.

20. Accumulated losses

	2018 $	2017 $
Accumulated losses:		
Balance at the beginning of the financial year	(83,350,556)	(76,836,283)
Net profit / (loss) attributable to members of the Company	20,210,541	4,745,744
Payment of dividends	(5,435,325)	(11,260,017)
Balance at the end of the financial year	**(68,575,340)**	**(83,350,556)**

21. Earnings per share

	2018 Cents per share	2017 Cents per share
Basic earnings per share:		
Continuing and discontinued operations	3.73	0.85
Diluted earnings per share:		
Continuing and discontinued operations	3.72	0.84

Basic and diluted profit / (loss) per share

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

	2018 $	2017 $
Profit / (loss) [(a)]		
Continuing operations	20,210,541	4,745,744
Continuing and discontinued operations	20,210,541	4,745,744

	2018 No.	2017 No.
Weighted average number of ordinary shares for the purpose of basic profit / (loss) per share	541,458,075	560,882,485
Weighted average number of ordinary shares for the purpose of diluted profit / (loss) per share	543,961,504	561,753,755

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

22. Commitments for expenditure

(a) Exploration and evaluation expenditure commitments

The Consolidated Entity holds mineral exploration licences in order for it to undertake its exploration and 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 2019 financial year are outlined in the table below.

	30 June 2018 $	30 June 2017 $
Exploration expenditure commitments		
Not longer than 1 year(i)	2,612,527	376,700

(i) 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 2019. 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 23 to the financial statements.

(c) Other

As referred to in Note 16 (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 $4.0 million (30 June 2017: $4.0 million) as security a bank guarantee, which approximates the present value of the Group’s commitment under the agreement. The obligations under the gas transmission agreement commenced on 1 July 2010.

23. Leases

Operating leases:

Leasing arrangements

Operating leases relate to the lease of commercial premises in West Perth, Welshpool and Canada and a photocopier. The lease agreement for the Company’s Canadian branch premises was entered into on 1 May 2016 for a 60 month period expiring on 30 April 2021. The lease of a photocopier is for a period of 48 months expiring in June 2022. The commitments are based on the fixed monthly lease payment and a monthly estimate for copying charges. The commitments are based on the fixed monthly lease payment.

	2018 $	2017 $
Payments recognised as an expense		
Minimum lease payments	518,527	486,125
Contingent rentals	43,003	26,849
	561,531	**512,974**
Non-cancellable operating lease commitments		
Not longer than 1 year	505,626	242,380
Longer than 1 year and not longer than 5 years	507,443	766,618
	1,013,069	**1,008,998**

24. Deconsolidation of subsidiary

Deconsolidation of Reed Exploration Pty Ltd (REX)

On 26 September 2016, the Company divested its REX nickel projects by way of a sale of the subsidiary to Hannans Limited. A binding share sale agreement was executed on 10 August 2016 and settlement of the transaction took place on 26 September 2016.

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

	26 September 2016 $
Net assets of REX de-recognised on deconsolidation	(687,422)
Cash amount paid in relation to the transaction	(1,000,000)
Shares received in Hannans Limited on settlement	11,175,000
Profit on disposal	**9,487,578**

Reconciliation of REX net assets de-recognised on deconsolidation:

	$
Current Assets	-
Non-current assets	687,422
Total Assets	**687,422**
Current liabilities	-
Non-current liabilities	-
Total Liabilities	-
Net Assets	**687,422**

25. Joint arrangements

Name of operation	Principal activity	Interest	
		2018 %	2017 %
Reed Advanced Materials Pty Ltd[(i)]	Evaluation of lithium hydroxide process	70	70

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

(i) Reed Advanced Materials Pty Ltd

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

Summarised financial information for the joint venture:

	2018 $	2017 $
Carrying value of investment in the joint venture	-	-
Loan to joint venture [(i)]	-	1,665,938
Share of (profit)/loss of joint venture not recognised in profit or loss	(87,657)	398,945
Current assets	184,537	174,183
Non-current assets	308,345	183,629
Current liabilities	(2,868)	(4,636)
Non-current liabilities	(1,968,678)	(1,957,063)

(i) The loan to RAM totalling $1,677,554 was impaired in full during the year as no further work streams are planned for the ELi technology at this point in time. The recoverability will be reviewed periodically in the future.

26. Investment in associate

(i) Reed Industrial Minerals Pty Ltd

Name of operation	Principal activity	Interest	
		30 June 2018 %	30 June 2017 %
Reed Industrial Minerals Pty Ltd	Mt Marion Lithium Project	13.8	13.8

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

Summarised financial information for the associate:

	30 June 2018 $	30 June 2017 $
Carrying value of investment in the associate	15,856,197	224,246
Loan to associate	4,104,458	8,208,916
Share of profit / (loss) of associate recognised in profit or loss[(i)]	**15,631,951**	-
Current assets	117,050,100	45,914,000
Non-current assets	78,907,700	69,607,000
Current liabilities	(55,700,500)	(86,088,600)
Non-current liabilities	(46,489,000)	(10,760,000)
Net assets	**93,768,300**	**18,672,400**

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

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

	30 June 2018 $	30 June 2017 $
Development expenditure commitments		
Not longer than 1 year	214,000	262,000
Longer than 1 year and not longer than 5 years	735,000	2,727,000
Longer than 5 years	1,658,000	1,806,000
	2,607,000	4,795,000

26. Investment in associate (continued)

(ii) Hannans Limited

Name of operation	Principal activity	Interest	
		30 June 2018 %	30 June 2017 %
Hannans Limited	Exploration of nickel and lithium	35.7	42.2

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

Summarised financial information for the associate:

	30 June 2018 $	30 June 2017 $
Carrying value of investment in associate	12,757,545	13,226,310
Share of loss of associate recognised in profit or loss(i)	(311,435)	511,810
Current assets	4,210,668	1,766,574
Non-current assets	2,717,056	2,841,239
Current liabilities	(139,415)	(457,634)
Non-current liabilities	-	(121,885)

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

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

	30 June 2018		30 June 2017	
	No.	$	No.	$
Shares held in Hannans prior to disposal of REX(i)	63,750,000	1,147,500	63,750,000	1,147,500
Consideration shares received on disposal of REX(i)	620,833,333	11,175,000	620,833,333	11,175,000
Close out of options(ii)	25,250,000	392,000	25,250,000	392,000
Net shares disposed(ii)	(3,623,850)	(157,330)	-	-
Share of profit in associate	N/A	200,375	N/A	511,810
Balance at the end of the period	**706,209,483**	**12,757,545**	**709,833,333**	**13,226,310**

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

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

27. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2018 %	2017 %
Parent entity			
Neometals Ltd	Australia		
Subsidiaries			
Australian Titanium Pty Ltd (formerly Australian Vanadium Corporation (Holdings) Pty Ltd)	Australia	100	100
Alphamet Management Pty Ltd (formerly Australian Vanadium Corporation (Investments) Pty Ltd)	Australia	100	100
Inneovation Pty Ltd (formerly Australian Vanadium Exploration Pty Ltd)	Australia	100	100
Neometals Energy Pty Ltd (formerly Barrambie Gas Pty Ltd)	Australia	100	100
Neomaterials Pty Ltd (formerly GMK Administration Pty Ltd)	Australia	100	100
Neometals Investments Pty Ltd (formerly Gold Mines of Kalgoorlie Pty Ltd)	Australia	100	100
Urban Mining Pty Ltd (formerly Mount Finnerty Pty Ltd)	Australia	100	100
Adamant Technologies Pty Ltd	Australia	100	-
Mt Edwards Lithium Pty Ltd	Australia	100	-

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

28. 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 three operating segments comprised of the Group's lithium, titanium/vanadium and 'other segments' which comprises other minor exploration projects and mineral process technology businesses. 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 two reportable 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 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

28. Segment information (continued)

For the year ended 30 June 2018

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Revenue from external customers	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-
Other income	15,877,669	54	245,225	979,444	17,102,392
Impairment reversal	-	14,694,964	-	-	14,694,964
Depreciation and amortisation	-	-	-	(42,530)	(42,530)
Total revenue	15,877,669	14,695,018	245,225	979,444	31,797,356
Total expense	(1,864,557)	(1,185,875)	(320,047)	(8,784,941)	(12,155,420)
Profit/(loss) before tax	**14,013,112**	**13,509,143**	**(74,822)**	**(7,805,497)**	**19,641,936**
Consolidated profit/(loss) before tax	**14,013,112**	**13,509,143**	**(74,822)**	**(7,805,497)**	**19,641,936**

As at 30 June 2018

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Increase/(decrease) in segment assets	13,182,486	16,293,980	(342,730)	(15,905,723)	13,228,013
Decrease in classified as held for sale	-	-	-	-	-
Consolidated increase/(decrease) in segment assets	13,182,486	16,293,980	(342,730)	(15,905,723)	13,228,013
Total segment assets	23,281,587	29,747,134	13,799,765	31,002,777	97,831,263
Assets classified as held for sale	-	-	-	-	-
Consolidated total assets	23,281,587	29,747,134	13,799,765	31,002,777	97,831,263

For the year ended 30 June 2017

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Revenue from external customers	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-
Other income	-	-	9,599,517	2,349,506	11,949,023
Expenditure written off	-	-	(1,409)	-	(1,409)
Depreciation and amortisation	-	-	-	(32,888)	(32,888)
Total revenue	-	-	9,599,517	2,349,506	11,949,023
Total expense	-	(957,978)	246,652	(6,457,656)	(7,168,982)
Profit/(loss) before tax	**-**	**(957,978)**	**9,844,760**	**(4,141,038)**	**4,745,744**
Consolidated profit/(loss) before tax	**-**	**(957,978)**	**9,844,760**	**(4,141,038)**	**4,745,744**

28. Segment information (continued)

As at 30 June 2017

Reportable operating segments	Lithium $	Titanium $	Other $	Unallocated $	Total $
Increase/(decrease) in segment assets	77,102	1,666,387	11,101,934	(32,375,654)	(19,530,231)
Decrease in classified as held for sale	-	-	-	-	-
Consolidated increase/(decrease) in segment assets	77,102	1,666,387	11,101,934	(32,375,654)	(19,530,231)
Total segment assets	1,665,939	13,453,154	14,142,495	46,908,501	76,170,089
Assets classified as held for sale	8,433,162	-	-	-	8,433,162
Consolidated total assets	10,099,101	13,453,154	14,142,495	46,908,501	84,603,251

Geographical information

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

29. 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 27 to the financial statements.

(b) Key management personnel remuneration

Details of Key Management Personnel remuneration are disclosed on pages 15-23 of the Directors' Report.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Neometals Ltd

2018	Balance at 01/07/17 No.	Balance on appointment No.	Received on exercise of performance rights No.	Net other change No.	Balance at 30/06/18 No.	Balance held nominally No.
Non-executive directors						
S. Cole[(i)]	1,120,083	-	-	-	1,120,083	-
D. Reed	59,288,900	-	-	(12,100,000)	47,188,900	-
Executive directors						
C. Reed	10,548,980	-	1,329,190	(1,900,000)	9,978,170	-
Other executives						
J. Carone	4,400,000	-	494,540	(3,244,540)	1,650,000	-
M.Tamlin	-	-	979,189	-	979,189	-
Total	**75,357,963**	**-**	**2,802,919**	**(17,244,540)**	**60,916,342**	-

(i) Excludes shares issued subsequent to year end for performance rights that vested 30 June 2018.

29. Related party disclosures (continued)

2017	Balance at 01/07/16 No.	Balance on appointment No.	Received on exercise of performance rights No.	Net other change No.	Balance at 30/06/17 No.	Balance held nominally No.
Non-executive directors						
S. Cole	1,120,083	-	-	-	1,120,083	-
D. Reed	63,221,259	-	-	(3,932,359)	59,288,900	-
Executive directors						
C. Reed (i)	10,548,980	-	-	-	11,170,241	-
Other executives						
J. Carone (i)	695,584	-	3,911,608	(207,192)	4,400,000	-
Total	**75,585,906**	**-**	**3,911,608**	**(4,139,551)**	**75,979,224**	-

(i) Excludes shares issued subsequent to year end for performance rights that vested 30 June 2017.

Share options of Neometals Ltd

No options were issued to related parties during the current period (2017: nil).

Performance rights of Neometals Ltd

In the current reporting period the Company granted 2,377,312 (2017: 1,096,599) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan.

Further details of the employee share option plan and of share options and performance rights granted are contained in Note 8 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.

Name	During the Financial Year					
	Grant date	No. granted	No. Vested	Fair value at grant date	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone(1)	3/10/2017	370,012	-	93,243	30/06/2020	-
C. Reed(1)	11/12/2017	952,474	-	320,984	30/06/2020	-
M. Tamlin(1)	3/10/2017	444,015	-	111,892	30/06/2020	-
D. Townsend(1)	11/12/2017	444,015	-	320,984	30/06/2020	-
S. Cole(2)	5/01/2018	112,700	112,700	50,000	30/06/2018	-
D. Ritchie(2)	5/01/2018	27,048	27,048	12,000	30/06/2018	-
N. Streltsovava(2)	5/01/2018	27,048	27,048	12,000	30/06/2018	-
Total		**2,377,312**	**166,796**	**921,103**		**-**

(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 2-3 year period as set out in the relevant employee's employment contract.

(2) At 30 June 2018 Non-Executive Directors became entitled to securities whose vesting conditions were the subject to the rules of the Performance Rights Plan.

29. Related party disclosures (continued)

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

	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)	09/10/2015	49,644	593,472	-	98,932	494,540
C. Reed(1)	09/10/2015	133,429	1,595,092	-	265,902	1,329,190
M. Tamlin(1)	21/01/2016	127,081	1,175,074	-	195,885	979,189
J. Carone(2)	14/09/2016	56,176	216,063	-	-	-
C. Reed(2)	14/09/2016	161,528	621,261	-	-	-
M. Tamlin(2)	14/09/2016	67,412	259,275	-	-	-
J. Carone(2)	3/10/2017	93,243	370,012	-	-	-
C. Reed(2)	11/12/2017	320,984	952,474	-	-	-
M. Tamlin(2)	3/10/2017	111,892	444,015	-	-	-
D. Townsend(2)	11/12/2017	320,984	444,015	-	-	-
S. Cole(3)	5/01/2018	50,000	112,700	112,700	-	-
D. Ritchie(3)	5/01/2018	12,000	27,048	27,048	-	-
N. Streltsova(3)	5/01/2018	12,000	27,048	27,048	-	-
Total		**1,516,373**	**6,837,549**	**166,796**	**560,719**	**2,802,919**

(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 2 or 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 2,802,919 rights vested and shares were issued on 9 August 2017.

(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 2-year period as set out in the relevant employee's employment contract. At 30 June 2018 no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

(3) Under the Performance Rights Plan, Non-Executive Directors were invited to sacrifice part of their fees for their services in exchange for performance rights. At 30 June 2018 all performance rights have vested.

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

	2018 $	2017 $
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	603	1,880
Total recognised as income	**603**	**1,880**
Interest and fees expense	(23,710)	(21,000)
Total recognised as expenses	**(23,710)**	**(21,000)**

29. Related party disclosures (continued)

(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.

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.

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

Transactions involving other related parties

During the year, Mr. C Reed fully repaid his staff loan down to nil (2017: $24,593). Loan interest charged for the period totalled $603 (2017: $1,880).

(f) Controlling entities

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

30. Auditors remuneration

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:

	2018 $	2017 $
Auditor (Deloitte Touche Tohmatsu)		
Audit fees	91,000	84,945
Non-audit fees	-	-
	91,000	84,945

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.

31. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

	2018 $	2017 $
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 overdrafts. 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	26,342,414	42,129,157
Cash and cash equivalents included in a disposal group	-	-
	26,342,414	42,129,157

(b) Funds not available for use

Restrictions exist on bank deposits with a total value of $4,000,000. Deposits are classified as financial assets (see Note 12).

Of the $4,025,000 held in restricted bank deposits $4,000,000 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. In addition, the Group has $25,000 on deposit as security for a rental bond relating to its leased business premises.

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

	2018 $	2017 $
Profit / (loss) for the period	20,210,541	4,745,744
Profit on deconsolidation of subsidiary	-	(9,487,577)
Loan impairment	1,677,554	-
Impairment reversal	(14,694,964)	-
Profit on disposal of financial assets	(140,168)	(364,767)
Share of equity accounted entity’s (profit)/loss	(15,320,516)	(531,799)
Gain on sale of subsidiary presented as investing in cashflow	-	(1,000,000)
Fair value gains on available-for-sale investments	(72,599)	(136,800)
Interest received on investments	(926,376)	(1,421,398)
Costs of borrowing	62,599	97,874
Depreciation and amortisation of non-current assets	42,530	32,888
Equity settled share-based payment	501,324	290,892
Net foreign exchange loss/(gain)	(53,231)	80,063
Write off of non-current assets	-	1,409
(Increase) / decrease in assets:		
Current receivables	472,016	130,752
Other	13,768	75,916
Increase / (decrease) in liabilities:		
Current payables	268,476	11,166
Current borrowings	(11,278)	(660)
Provisions	(678,244)	42,655
Net Cash generated from / (used) in operating activities	**(8,648,568)**	**(7,433,642)**

32. 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.

(c) Interest rate risk

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

2018	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
	%	%	$	$	$	$	$
Financial assets:							
Cash and cash equivalents AUD	2.46%	-	24,467,829	-	-	-	24,467,829
Cash and cash equivalents USD	0.00%	-	346,609	-	-	-	346,609
Barrambie Gas term deposit (i)	2.70%	-	4,000,000	-	-	-	4,000,000
Bond term deposits (i)	2.60%	-	43,000	-	-	-	43,000
Cash deposits trust	2.65%	-	527,193	-	-	-	527,193
Trade and other receivables	0.00%	-	-	-	-	4,510,984	4,510,984
Financial liabilities:							
Trade payables	-	-	-	-	-	882,106	882,106

(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 12 and 30(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.

2017	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
	%	%	$	$	$	$	$
Financial assets:							
Cash and cash equivalents AUD	2.07	-	40,134,550	-	-	-	40,134,550
Cash and cash equivalents USD	0.03	-	1,994,607	-	-	-	1,994,607
Barrambie Gas term deposit (i)	2.70	-	4,000,000	-	-	-	4,000,000
Bond term deposits (i)	2.00	-	25,000	-	-	-	25,000
Trade and other receivables	4.20	-	24,593	-	-	853,949	878,542
Financial liabilities:							
Trade payables	-	-	-	-	-	1,044,574	1,044,574

(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 12 and 30(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.

32. 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 other than the Joint Venture. 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 liabilities in note 15, the Company is required to meet minimum spend commitments to maintain the tenure over the Company’s mineral exploration areas as described in note 22.

(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 16. 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 analysis 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 2018 would decrease/increase by $151,923 (2017: decrease/increase $230,771). This is mainly attributable to the Group's exposure to interest rates on the maturity of its term deposits.

33. Events after the reporting period

On 16 August 2018, the Company announced to the market the intention to demerge Barrambie Titanium-Vanadium Project and associated non-lithium technology assets, subject to shareholder/regulatory approvals and third party consents.