

Neometals Ltd
A.C.N. 099 116 631

Half-Year Report
for the 6 months ended 31 December 2019

The directors of Neometals Ltd (“**Company**”) (“**Neometals**”) submit herewith the financial report of Neometals and its subsidiaries (“**Group**”) (“**Consolidated Entity**”) for the half-year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Mr S. Cole – Appointed 24 July 2008
 Mr D. Reed – Appointed 20 December 2001
 Mr C. Reed – Appointed 20 December 2001
 Dr N. Streltsova – Appointed 14 April 2016
 Mr D. Ritchie – Appointed 14 April 2016
 Mr L. Guthrie – Appointed 27 September 2018
 Dr J. Purdie – Appointed 27 September 2018

REVIEW OF OPERATIONS

Neometals innovatively develops opportunities in minerals and advanced materials essential for a sustainable future. With a focus on the electric vehicle and energy storage megatrends, the strategy focuses on de-risking and developing long-life projects with strong partners and vertically integrating down the value chain to increase margins and return value to shareholders.

Final development evaluation is being co-funded by partners across all three of Neometals core projects:

- Lithium-ion Battery Recycling – a proprietary process for recovering cobalt and other valuable materials from spent and scrap lithium batteries. Pilot plant testing currently underway with plans established to conduct demonstration scale trials with potential JV partner SMS Group;
- Barrambie Titanium and Vanadium Project - one of the world's highest-grade hard-rock titanium-vanadium deposits, working towards a development decision in mid-2021 with potential JV partner IMUMR; and
- Lithium Refinery Project – co-funding evaluation studies for the development of a lithium refinery to supply lithium hydroxide to the lithium battery industry with potential JV partner Manikaran Power, underpinned by a binding life-of-mine annual offtake option for 57,000 tonnes per annum of Mt Marion 6% spodumene concentrate.

LITHIUM BATTERY RECYCLING PROJECT (Neometals Ltd 100%)

Neometals has developed a recycling process flowsheet targeting the recovery of greater than 90% of all battery materials contained in production scrap and end-of-life lithium-ion batteries (**LIBs**) that might otherwise be disposed of in land fill or processed in high-emission pyrometallurgical recovery circuits. Neometals’ technology targets the recovery of valuable materials from consumer electronic batteries (devices with lithium cobalt oxide (**LCO**) cathodes), and electric vehicle and stationary storage battery chemistries (lithium-nickel-manganese-cobalt (**NMC**) cathodes). The flowsheet is designed to recover cobalt, nickel, lithium, and manganese into saleable products and is being validated currently in a pilot plant at SGS Lakefield in Ontario, Canada (**Pilot**).

A scoping study, based on previous bench scale test-work, highlighted robust economics. Data from the current Pilot will feed next stage engineering and feasibility studies.

The recycling flowsheet, which is being optimised at Pilot, comprises two sections:

1. Shredding and removal of metal casings and plastics in the feed preparation facility (“**Feed Preparation**”); and
2. Leaching, recovery and refining to deliver chemical products via the hydrometallurgical processing facility (“**Hydrometallurgical Processing**”).

Pilot Plant

The Pilot and associated mass and energy balance development was continued by SGS in Lakefield, Canada with substantial input from NMT technical staff, Primero and Strategic Metallurgy, Perth. The Pilot program moved into its final phases with the majority of cathode metals successfully recovered and refined into high purity chemical products suitable for the LIB supply chain.

Specifically, during the period Neometals reported successful piloting of the recovery processes for cobalt, manganese and nickel. High purity solutions of cobalt, manganese and nickel sulphate were prepared in readiness for final solution “polishing” and crystallisation tests from which chemical product evaluation samples will be prepared. Pilot recovery rates were high and exceeded expectations.

Neometals has established, and successfully tested, the process conditions for the cobalt, manganese and nickel recovery at pilot scale, and the final process testing for the extraction of lithium has begun.

MOU with SMS

To accelerate commercial development of the recycling project, Neometals announced during the period that it had entered a binding memorandum of understanding (“**MOU**”) with leading global processing plant manufacturer SMS Group (“**SMS**”). SMS has an exclusive due diligence period in which it will evaluate the results of the Neometals Pilot.

Successful completion of the Pilot will precede a decision to form a 50:50 joint venture (“**JV**”) to commercialise the Neometals recycling technology. The JV will design and construct a demonstration plant at SMS sites in Germany and Austria and a Class 3 Engineering Cost Study will be completed concurrently. A working committee was formed comprising representatives from both companies and discussions are ongoing to advance preparation for the potential JV, including facilitating access to interim Pilot test information and demonstration plant preliminary designs.

A final investment decision (“**FID**”) will follow for the construction of the first commercial-scale operation. A positive FID would involve Neometals contributing technical and commercial know how to the JV and SMS would contribute to the engineering design, fabrication, operation and maintenance of future recycling plants. SMS would also, on a best endeavours basis, procure debt financing for no less than 50% of the capital expenditure required.

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

The Barrambie Vanadium and Titanium Project in Western Australia (“**Barrambie**”) is one of the largest vanadiferous-titanomagnetite (“**VTM**”) resources globally (280.1Mt at 9.18% TiO₂ and 0.44% V₂O₅)*, containing the world’s second highest-grade hard rock titanium resource (53.6Mt at 21.17% TiO₂ and 0.63% V₂O₅)* and high-grade vanadium resource (64.9Mt at 0.82% V₂O₅ and 16.9% TiO₂) subsets (referred to as the Eastern and Central Bands respectively) based on the latest Neometals 2018 Mineral Resource Estimate (*for full details refer to ASX announcement entitled “Updated Barrambie Mineral Resource Estimate” released on 17 April 2018).

Barrambie is located approximately 80km North-west of Sandstone in Western Australia, and has a granted mining lease covering its mineral resource.

Global Resource as at 17 April 2018

	Tonnes (MT)	TiO ₂ (%)	V ₂ O ₅ (%)
Indicated	187.1	9.61	0.44
Inferred	93.0	8.31	0.40
Total	280.1	9.18	0.44

Reporting criteria: ≥ 10% TiO₂ or ≥ 0.2% V₂O₅; small discrepancies may occur due to rounding
For full details refer to ASX announcement entitled “Updated Barrambie Mineral Resource Estimate” released on 17 April 2018

High Grade V₂O₅ Resource (at 0.5% V₂O₅ cut-off)*

	Tonnes (MT)	TiO ₂ (%)	V ₂ O ₅ (%)
Indicated	49.0	16.93	0.82
Inferred	15.9	16.81	0.81
Total	64.9	16.90	0.82

*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.

High Grade TiO₂ Resource (at 14% TiO₂ cut-off)*

	Tonnes (MT)	TiO ₂ (%)	V ₂ O ₅ (%)
Indicated	39.3	21.18	0.65
Inferred	14.3	21.15	0.58
Total	53.6	21.17	0.63

*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.

IMUMR MOU

During the period, Neometals entered a memorandum of understanding (“**MOU**”) with Chinese research organisation, IMUMR, to jointly advance development of Barrambie. MOU activities included beneficiation and pilot hydrometallurgical evaluation with future activities planned to include a hydrometallurgical processing demonstration plant. The MOU outlines a potential pathway towards a 50:50 joint venture to advance Barrambie’s commercial exploitation. Further, it establishes a pathway to enhance and realise Barrambie value through development with a potential partner to considerably reduce Neometals funding requirements and project risk.

IMUMR is among the top Chinese metallurgical institutes and has extensive experience in mineral processing and smelting of VTM concentrates. Importantly, IMUMR also has acknowledged expertise and deep relations with China’s titanium and vanadium chemical processing industry. IMUMR has previously conducted beneficiation and pyrometallurgical test-work for Neometals on bulk-ore samples from Barrambie and from those studies is intimately familiar with the Barrambie orebody.

Under the MOU, Neometals’ current test work program (to produce high-purity titanium and vanadium chemicals from the titanium-rich Eastern Band of Barrambie) will continue with beneficiation and piloting occurring in Australia. Subject to pilot study results, and subject to a decision to proceed with a Chinese demonstration plant, Neometals will deliver up to 10 tonnes of Eastern Band concentrate which is currently being prepared. IMUMR proposes to fund the demonstration plant at its extensive test work facilities in China and subject to satisfactory results, the parties will jointly fund a Class 3 Engineering Cost Study (“**ECS**”) to evaluate a mining and concentrating operation at Barrambie with subsequent downstream processing in China. Following completion of the ECS, the parties will review the results to determine whether to proceed to a financial investment decision and negotiate in good faith the terms of the 50:50 production JV.

It should also be recognised that IMUMR has a Chinese national mandate that includes development of upstream supply chains for industries of strategic relevance to China. IMUMR will have the right, subject to Neometals approval, to assign its interests under the MOU to a commercial Chinese chemical processing partner.

Pilot Plant

With regards titanium pilot plant progress, test work has generated titanium chemical samples (titanium hydrolysate) and a site visit has been conducted by IMUMR. As reported subsequent to the end of the period, the pilot plant recovered high purity (>98%) titanium hydrolysate (hydrated titanium dioxide - $\text{TiO}_2 \cdot 2\text{H}_2\text{O}$) with titanium recoveries from Barrambie concentrate exceeding 90% (for full details refer to ASX announcement entitled “Barrambie – Successful Titanium Pilot and Project Update” released on 23 January 2020).

Generation of high-quality chemicals represents a key milestone towards recovering value from both titanium and vanadium minerals at Barrambie. It demonstrates the ability to make a high-purity intermediate product that is commonly produced by prospective titanium pigment customers and can be readily benchmarked for value in use. Specifically, Neometals is now in an advanced position to commence offtake discussions with potential partners who will look to add value to titanium and vanadium/iron bearing concentrates prepared in Australia.

With mineral concentrates and titanium chemical samples available for delivery to end users in China, we expect IMUMR should be in a position to formalise its scope of work in relation to the proposed Chinese demonstration facility in the coming quarter.

Approvals and Permits

Neometals has received a five-year extension to its Ministerial Approval 911 to develop a fully integrated mine, concentrator and chemical processing facility. Post 31 December 2019 Neometals received approval of a Mining Proposal for a ~1Mtpa mining, crushing and screening operation. Neometals’ strategy is to have Barrambie development ready as it enters the final stage of demonstrating the significant value-in-use of its Barrambie mineral concentrates to the largest titanium pigment market, China.

LITHIUM HYDROXIDE REFINERY PROJECT (Neometals Ltd 100%)

The key driver of the lithium refinery project (“**LR**”) is to realise value by the conversion of future spodumene concentrates purchased under the Company’s Mt Marion spodumene concentrate offtake option (“**Offtake Option**”). The annual Offtake Option provides a fixed volume of up to 57,000tpa of 6% spodumene concentrate for conversion into battery grade lithium hydroxide (**LiOH**) for supply to LIB cathode and cell makers. The LR has been designed to produce lithium hydroxide and lithium carbonate in a plant with capacity of approximately 10,000tpa lithium hydroxide equivalent.

The LR represents a strategic option for Neometals to produce lithium chemicals when the lithium market fundamentals are stronger. Development timelines have been designed to align with projected supply deficits forecast mid decade.

MOU with Manikaran Power

Pursuant to the MOU between the parties, Neometals and Manikaran Power Limited (“**Manikaran**”) have agreed to contribute their respective skills, resources and know-how to co-fund evaluation studies of the development of a LR in India and to share the costs of the evaluation equally. Upon completion of evaluation studies, and subject to agreement on terms, a final investment decision (“**FID**”) will be considered for a 50:50 joint venture (“**JV**”) to progress and develop the LR in India.

A positive FID and formal JV commitment would see Neometals contributing to the venture its ‘life-of-mine’ Offtake Option volume. Additional spodumene feed would be secured, as required, from external sources to meet the LR’s needs depending on nameplate

capacity. It is proposed Manikaran will take the lead role in procuring project financing for not less than 50% of the capital expenditure required, securing regulatory approvals and Indian government subsidies (as available), securing a suitable site for the LR and necessary utility and reagent supplies.

Synthetic Zeolite from Lithium Refinery Residue

Neometals has developed a process to manufacture zeolites from LR waste which offers scope to generate co product revenue and mitigate environmental disposal challenges from a Neometals owned LR, but also to commercialise independently. Zeolites are advanced industrial materials (naturally occurring and synthetically produced) used for water treatment, gas adsorption and green chemistry applications. Synthetic zeolites, including the types now produced by Neometals at bench-scale, are typically used in demanding industrial applications such as molecular sieves for air and hydrocarbon purification. The biggest suppliers of zeolites synthesize them by combining various aluminium and silica bearing minerals or powder precursors that are procured at market prices.

Neometals' has synthesized various zeolite products at bench scale using Mt Marion and third party LR waste. End user product evaluation has shown the ability to make commercial grade materials and guides synthesis optimisation test-work which is running in parallel with continued evaluation of the optimal design scale for its LR. Neometals engaged global engineering company Exyte to complete a Class 4 Engineering Cost Study ("ECS") (pre-feasibility level) based on the current bench scale test-work being managed by Queensland University of Technology.

Commercial product evaluation will be undertaken in parallel with a proposed pilot project, with product sent to zeolite manufacturers and end-users for independent product endorsement. The Neometals technology has successfully processed residues from multiple feedstock sources to support the potential to commercialise with third party lithium refiners.

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

The Mt Edwards project is located 90km south of Kalgoorlie and 35km west of Kambalda in Western Australia. The tenements cover an area of 240km² across the historic Widgiemooltha Dome nickel sulphide belt and host more than 130,000 tonnes of contained nickel estimated across eleven nickel sulphide Mineral Resources held by Neometals (*for full details refer to ASX announcement entitled "Additional Nickel Mineral Resource at Mt Edwards" released on 13 November 2019*).

During the period, the Company commenced a nickel targeting and exploration study with Newexco exploration consultants conducting a thorough review of geophysical datasets. Neometals is methodically validating and improving the drill-hole database, and in turn re-interpreting the geology and growing the Mineral Resources. Exploration results to date, coupled with predicted material growth for nickel demand from the lithium-ion battery sector, give the Company strong encouragement regarding its alternatives to realise value for shareholders from Mt Edwards. Exploration drilling has been targeting high grade nickel sulphide shoots within existing resources and the targeting program in aggregate aims to prepare multiple deposits for mine planning by a dedicated management team.

Exploration highlights are summarised below and included high grade massive sulphide nickel assay results from small drilling campaigns over existing and newly acquired deposits. Drill programs have successfully tested high grade nickel sulphide near and within existing mineral resources. In addition, global Mt Edwards Mineral Resources were expanded with an updated nickel Mineral Resource at the Munda deposit.

Zabel, Lake Eaton and Mandilla

In August the Company announced assay results from a 15-hole (2,705m) reverse circulation ("RC") infill drill and sample program on three tenements (*for full details refer to ASX announcement entitled "Mt Edwards Nickel – Drill Results" released on 5 August 2019*):

1. E15/989 (Lake Eaton)
Neometals holds Nickel minerals rights in the exploration licence; all other mineral rights are held by Mincor Resources NL. Eight RC holes drilled at Lake Eaton area, focussed on the ultramafic–basalt contact located along strike from the Mincor's Cassini Nickel Mineral Resource (Cassini);
2. M15/97 (Zabel prospect)
Three holes were drilled at Zabel to confirm targeting infill areas of the nickel Mineral Resource; and
3. M15/96 (a regional area west of the Mandilla gold prospects)
Four holes were drilled on M15/96 to test geophysical anomalies.

Munda

In early October, Neometals announced assay results from diamond core drilling at the Munda deposit ("Munda") which was acquired during the period (*for full details refer to ASX announcement entitled "Further Nickel Drill Results at Mt Edwards" released on 9 October 2019*). The assay results confirmed an 8.3 metre (down hole width) zone of nickel sulphide mineralisation from 93 metres down hole, with an enriched zone of 2.3m @ 6.11% nickel from 99 metres which coincides with the base of the ultramafic unit. Further, the Munda drilling supported an updated Munda Inferred Nickel Mineral Resource Estimate, being 320,000 tonnes at 2.23% nickel for 7,140 tonnes of contained nickel. The Munda deposit nickel Mineral Resource increased the global Mt Edwards nickel Mineral Resource to 7.7 million tonnes at 1.7% nickel for circa 130,400 tonnes of contained nickel.

Widgie South Trend

During the latter part of the year the company completed a 13-hole, 2,419 metre RC drill and sample program across the prospects and deposits comprising the 'Widgie South Trend'. High grade nickel sulphide assay results were returned including:

- 16 metres @ 1.45% nickel including 2 metres @ 4.79% and 5 metres @ 1.81% nickel;
- 21 metres @ 1.05% nickel including 4 metres @ 2.42% nickel; and
- 7 metres @ 1.37% nickel including 3 metres @ 2.39% nickel.

Drilling, sampling and down-hole electromagnetic ("DHEM") surveys were conducted across the Widgie 3 and Gillett deposits and the Widgie 3 North, Rhona and Widgie 3 South prospects within the Widgie South Trend. Assay results support the interpretation of thick disseminated nickel sulphide intercepts (up to 21 metres down-hole width) with smaller high-grade zones of matrix, semi-massive to massive nickel sulphide. The results also confirm strike extension of nickel mineralisation at Gillett, both to the North (~110 metres) and to the South (~275 metres), supporting at least a 50% increase in known strike length beyond the current Gillett Mineral Resource (for full details refer to ASX announcement entitled "Mt Edwards Nickel – Drill Results from Widgie South Trend" released on 11 December 2019).

In addition, during the period Neometals completed a 3,303 metre air core drill program across the Baldrick, Percy and Double Eagle prospects located on Mining Leases M15/45, M15/46, M15/77 & M15/79. The areas investigated are on the western side of the Widgiemootha dome and south of Mincor's Wannaway Nickel mine. Results from the air core drill and sample program are pending.

Nickel Mineral Resource

Deposit	Measured		Indicated		Inferred		Total Mineral Resources		
	Tonne (Kt)	Nickel (%)	Tonne (Kt)	Nickel (%)	Tonne (Kt)	Nickel (%)	Tonne (Kt)	Nickel (%)	Nickel (t)
132N ¹			110	3.5	10	1.8	120	3.4	4,070
Armstrong ¹	10	2.1	280	2.3	30	4.9	320	2.6	8,180
Munda					320	2.2	320	2.23	7,140
Widgie Townsite ²			2,190	1.9			2,193	1.9	40,720
Cooke ¹					150	1.3	150	1.3	1,950
McEwen ¹					1,070	1.3	1,070	1.3	13,380
McEwen Hangingwall ¹					1,060	1.4	1,060	1.4	14,840
Zabel ¹					330	1.8	330	1.8	5,780
Mt Edwards ²					575	1.4	575	1.4	8,210
Gillett ²					955	1.8	955	1.8	17,050
Widgie 3 ²					625	1.5	625	1.5	9,160
TOTAL	10	2.1	2,580	2.0	5,125	1.6	7,718	1.7	130,480

Note: 1 refer announcement ASX: NMT 19 April 2018 titled: Mt Edwards JORC Code (2012 Edition) Mineral Resource 48,200 Nickel Tonnes.

Note: 2 refer announcement ASX: NMT 25 June 2018 titled: Mt Edwards Project Mineral Resource Over 120,000 Nickel Tonnes.

CORPORATE

Hannans Limited (ASX:HNR) (Yilgarn Nickel/Lithium/Gold)

As at 31 December 2019 Neometals holds 706,209,483 ordinary fully paid shares (36% of the issued capital) in Hannans on an undiluted basis. At 31 December 2019, Hannans' shares closed at 0.9c implying a value of \$6.4 million.

Critical Metals Limited (Unlisted) (Scandinavian Lithium/Cobalt/Base Metals)

Neometals holds 15.7% of unlisted public company Critical Metals Ltd, a company which now houses the Scandinavian mineral assets previously held by Hannans. Neometals will assist Critical Metals to realise lithium, cobalt and carbon opportunities in Scandinavia through a technical assistance arrangement. At 31 December 2019, the Company holds \$655,000 of Critical Metals Ltd shares.

Other Investments

The market value of the Company's other investments as at 31 December 2019 totalled \$1.5 million.

Finances

Cash and term deposits on hand as of 31 December 2019 totalled A\$100.7 million, including \$4.2 million in restricted use term deposits supporting performance bonds and other contractual obligations.

Issued Capital

During the period 463,948 ordinary shares were issued to eligible employees, consultants and Non-executive Directors following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan (2018: 414,748).

During the period 5,366,515 performance rights were issued to Neometals employees, consultants and Non-executive Directors (2018: 2,876,555) for nil cash consideration.

The total number of shares on issue at 31 December 2019 was 544,438,217.

Dividends

Dividends issued during the half year period: nil (2018: nil).

Compliance Statement

The information in this report that relates to Mineral Resource and Ore Reserve Estimates and updated DFS Results and start of Titanium Pilot for the Barrambie Vanadium/Titanium Project and Mineral Resource Estimates and Nickel drill results for the Mt Edwards Project are extracted from the ASX Announcements listed in the table below, which are also available on the Company's website at www.neometals.com.au

23/01/2020	Barrambie – Successful Titanium Pilot and Project Update
11/12/2019	Mt Edwards Nickel – Drill Results from Widgie South Trend
20/11/2019	Barrambie – Outstanding Titanium Test Work Results
13/11/2019	Additional Nickel Mineral Resource at Mt Edwards
9/10/2019	Further Nickel Drill Results at Mt Edwards
5/08/2019	Mt Edwards Nickel – Drill Results
21/05/2019	Barrambie Vanadium DFS Results and Start of Titanium Pilot
26/6/2018	Mt Edwards Nickel – Mineral Resource Over 120,000 Nickel Tonnes
19/04/2018	Mt Edwards Nickel – Mineral Resource Estimate
17/04/2018	Updated Barrambie Mineral Resource Estimate

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 from the original market announcements.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 8 of the half-year report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors,

A handwritten signature in blue ink that reads "C Reed".

Christopher Reed
Managing Director
Perth, 11 March 2020

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

11 March 2020

Dear Board Members,

Neometals Limited

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 Limited.

As lead audit partner for the review of the half year financial report of Neometals Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Neometals Ltd, which comprises the condensed statement of financial position as at 31 December 2019, and the condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Neometals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Neometals Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Neometals Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton
Partner
Chartered Accountants
Perth, 11 March 2020

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Christopher Reed
Managing Director
11 March 2020

**Condensed consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2019**

		31 Dec 2019	31 Dec 2018
		\$	\$
Continuing operations			
Revenue		-	-
Cost of sales		-	-
Gross profit/(loss)		-	-
Forex gain/(loss)		(52,404)	10,651
Other income	3	1,204,866	528,083
Administration expenses		(1,900,357)	(2,586,549)
Employee expenses		(3,053,834)	(2,277,875)
Depreciation expenses		(369,222)	(30,939)
Finance costs		(58,499)	(30,325)
Occupancy expenses		(241,001)	(419,972)
Marketing expenses		(147,849)	(202,137)
Other expense		(275,725)	(110,611)
Research and development		(1,963,419)	(2,506,427)
Impairment expense in associate	6	(706,209)	(4,283,031)
Impairment expense		(462,585)	-
Onerous provision adjustment		-	1,029,138
Profit before income tax		(8,026,238)	(10,879,994)
Income tax benefit		1,974,131	523,088
Profit for the period from continuing operations		(6,052,107)	(10,356,906)
Discontinued operation			
Profit for the period from discontinued operation		-	11,561,336
(Loss)/profit for the period		(6,052,107)	1,204,430
Profit attributable to:			
Owners of the Company		(6,052,107)	1,204,430
Total comprehensive income attributable to:			
Owners of the Company		(6,052,107)	1,204,430
Profit per share			
From continuing and discontinued operations:			
Basic (cents per share)		(1.11)	0.22
Diluted (cents per share)		(1.10)	0.22

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

**Condensed consolidated statement of financial position
as at 31 December 2019**

	Note	31 Dec 2019 \$	30 Jun 2019 \$
Current assets			
Cash and cash equivalents		96,455,243	109,462,006
Trade and other receivables		2,359,929	627,599
Other financial assets		1,149,354	782,927
Total current assets		99,964,526	110,872,532
Non-current assets			
Property, plant and equipment		2,198,569	1,774,520
Exploration and evaluation expenditure	5	41,189,207	36,983,106
Intangibles		663,061	662,888
Investment in joint ventures		1	1
Investment in associates	6	6,355,885	7,062,095
Other financial assets		5,289,000	4,787,118
Other non-current assets		-	345,016
Right of use assets	10	1,338,097	-
Total non-current assets		57,033,820	51,614,744
Total assets		156,998,346	162,487,276
Current liabilities			
Trade and other payables		1,534,098	2,089,652
Provisions		1,173,109	1,154,882
Total current liabilities		2,707,207	3,244,534
Non-current liabilities			
Deferred tax liability		3,309,451	3,786,582
Lease liability		1,428,763	-
Provisions		1,081,901	1,378,062
Total non-current liabilities		5,820,115	5,164,644
Total liabilities		8,527,322	8,409,178
Net assets		148,471,024	154,078,098
Equity			
Issued capital		154,415,189	154,264,634
Reserves		7,915,211	7,620,733
Accumulated losses		(13,859,376)	(7,807,269)
Total equity		148,471,024	154,078,098

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

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2019**

	Issued Capital \$	Investment revaluation reserve \$	Other equity reserve \$	Share based payments reserve \$	Accumulated losses \$	Total \$
Balance as at 1/7/18	154,101,518	1,019,637	300,349	5,774,546	(68,575,340)	92,620,710
Profit (Loss) for the period	-	-	-	-	1,204,430	1,204,430
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,204,430	1,204,430
Recognition of share-based payments	-	-	-	327,075	-	327,075
Recognition of issue of shares under the employee rights plan	152,727	-	-	(152,727)	-	-
Balance at 31/12/18	154,254,245	1,019,637	300,349	5,948,894	(67,370,910)	94,152,215
Balance as at 1/7/19	154,264,634	1,019,637	300,349	6,300,747	(7,807,269)	154,078,098
Profit (Loss) for the period	-	-	-	-	(6,052,107)	(6,052,107)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(6,052,107)	(6,052,107)
Recognition of share-based payments	-	-	-	446,955	-	446,955
Recognition of issue of shares under the employee rights plan	152,477	-	-	(152,477)	-	-
Share issue costs, net of tax	(1,922)	-	-	-	-	(1,922)
Balance at 31/12/19	154,415,189	1,019,637	300,349	6,595,225	(13,859,376)	148,471,024

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

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2019**

	Note	31 Dec 2019 \$	31 Dec 2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(7,748,574)	(8,099,144)
Net cash used in operating activities		(7,748,574)	(8,099,144)
Cash flows from investing activities			
Exploration and evaluation costs		(3,643,468)	(2,473,686)
Payments for intangible assets		(74,920)	(98,924)
Payment for property, plant & equipment		(537,429)	(426,750)
Payments for tenements acquired	5	(550,000)	-
Net investment in equity instruments		(1,039,135)	215,601
Interest received		973,294	502,697
Loans repaid from RIM		-	4,104,458
Dividends received from associates		-	6,210,000
Net cash (used in)/generated by investing activities		(4,871,658)	8,033,396
Cash flows from financing activities			
Interest and finance costs paid		(337,412)	(30,325)
Net cash used in financing activities		(337,412)	(30,325)
Net (decrease)/increase in cash and cash equivalents		(12,957,644)	(96,073)
Cash and cash equivalents at the beginning of the period		109,462,006	26,341,296
Effects of exchange rate changes on the balance of cash held in foreign currencies		(49,119)	10,651
Cash and cash equivalents at the end of the period		96,455,243	26,255,874

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

Index to notes to the condensed consolidated financial statements

Note	Contents
1	Significant accounting policies
2	Segment information
3	Other income
4	Dividends
5	Exploration and evaluation expenditure
6	Investment in associates
7	Share capital
8	Financial instruments
9	Commitments
10	Leases
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Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2019, except for the accounting policy on leases described below which has changed as a result of the adoption of AASB 16 Leases. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half year.

New accounting standards

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 2019.

(i) AASB 16 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group has applied an incremental borrowing rate of 3.5%.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group has implemented the modified retrospective approach B, which has resulted in the Group's assets and liabilities increasing by \$1,631,224 as at 1 July 2019. There has been no impact on the comparative information or opening retained earnings as a result of the adoption.

2. Segment information

Basis for segmentation:

AASB 8 *Operating Segments* requires the presentation of information based on the components of the entity that management regularly reviews for its operational decision making. This review process is carried out by the chief operating decision maker ("CODM") for the purpose of allocating resources and assessing the performance of each segment. The amounts reported for each operating segment is the same measure reviewed by the CODM in allocating resources and assessing performance of that segment.

For management purposes the Company now operates under three reportable operating segments comprised of the Company's lithium, titanium and vanadium and 'other segments'. The lithium, titanium and vanadium and other operating segments are separately identified given they possess different competitive and operating risks, and meet the quantitative criteria as set out in AASB 8. The 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

For the six months ended 31 December 2019

Reportable operating segments	Lithium	Titanium & Vanadium	Other	Total
	\$	\$	\$	\$
Other income	-	-	1,204,866	1,204,866
Total Expenses	(1,282,896)	(1,496,799)	(6,451,409)	(9,231,104)
Profit/(loss) before tax	(1,282,896)	(1,496,799)	(5,246,543)	(8,026,238)
Share of profit / (loss) in associates and joint ventures	-	-	-	-
Income tax benefit	-	-	1,974,131	1,974,131
Consolidated loss after tax	(1,282,896)	(1,496,799)	(3,272,412)	(6,052,107)

As at 31 December 2019

Reportable operating segments	Lithium	Titanium & Vanadium	Other	Total
	\$	\$	\$	\$
Movement in assets	2,919,218	1,546,620	(9,954,767)	(5,488,929)
Impairment	706,209	462,585	-	1,168,794
Total segment assets	8,524,495	35,834,132	112,639,719	156,998,346
Assets classified as held for sale	-	-	-	-
Consolidated total assets	8,524,495	35,834,132	112,639,719	156,998,346

For the six months ended 31 December 2018

Reportable operating segments	Lithium	Titanium & Vanadium	Other	Total
	\$	\$	\$	\$
Other income	145,715	-	385,917	531,632
Total Expenses	(1,399,543)	(920,210)	(9,091,873)	(11,411,626)
Profit/(loss) before tax	(1,253,828)	(920,210)	(8,705,956)	(10,879,994)
Share of profit / (loss) in associates and joint ventures	11,561,336	-	-	11,561,336
Income tax benefit	-	-	523,088	523,088
Consolidated profit(loss) before tax	10,307,508	(920,210)	(8,182,868)	1,204,430

2. Segment information (continued)

As at 31 December 2018

Reportable operating segments	Lithium	Titanium & Vanadium	Other	Total
	\$	\$	\$	\$
Movement in assets	2,802,604	1,708,386	(4,341,698)	169,293
Re-classification as held for sale	21,207,533	-	-	21,207,533
Total segment assets	4,876,658	31,455,521	40,460,844	76,793,023
Assets classified as held for sale	21,207,533	-	-	21,207,533
Consolidated total assets	26,084,191	31,455,521	40,460,844	98,000,556

3. Other income

	31 December 2019	31 December 2018
	\$	\$
Interest income	1,044,014	353,747
Gas commodity charges recovered	156,984	145,710
Other income	3,868	23,626
Total other income	1,204,866	523,083

4. Dividends

No dividends were paid to the holders of fully paid ordinary shares during the half-year period (31 December 2018: nil).

5. Exploration and evaluation expenditure

	31 December 2019	30 June 2019
	\$	\$
Opening carrying value	36,983,106	31,506,853
Tenement acquisitions	550,000	-
Additions	3,656,101	5,476,253
Closing carrying value	41,189,207	36,983,106

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.

6. Investment in associates

Name of operation	Principal activity	Interest	
		31 December 2019	30 June 2019
		%	%
Hannans Limited ⁽ⁱⁱ⁾	Exploration of nickel and lithium	35.5	35.5

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

(i) Hannans Limited

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

Summarised financial information for the associate:

	31 December 2019	30 June 2019
	\$	\$
Opening carrying value of investment in associate	7,062,095	12,757,545
Share of profit/(loss) of associate recognised in profit or loss ⁽ⁱ⁾	-	(468,645)
Impairment expense ⁽ⁱⁱ⁾	(706,210)	(5,226,805)
Closing carrying value of investment in associate	6,355,885	7,062,095

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

(ii) The market value of the underlying shares has decreased significantly over a prolonged period as compared to the carrying value on a per share basis. Accordingly, the investment in associate has been impaired to bring the balance down to the market value as at 31 December 2019 of 0.9 cents per share.

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

	31 December 2019		30 June 2019	
	No.	\$	No.	\$
Shares held in Hannans prior to disposal of REX ⁽ⁱ⁾	63,750,000	1,147,500	63,750,000	1,147,500
Consideration shares received on disposal of REX ⁽ⁱ⁾	620,833,333	11,175,000	620,833,333	11,175,000
Exercise of options ⁽ⁱⁱ⁾	25,250,000	392,000	25,250,000	392,000
Net shares disposed ⁽ⁱⁱ⁾	(3,623,850)	(157,330)	(3,623,850)	(157,330)
Impairment expense	-	(5,933,015)	-	(5,226,805)
Share of loss in associate	N/A	(268,270)	N/A	(268,270)
Balance at the end of the period	706,209,483	6,355,885	706,209,483	7,062,095

(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.

7. Share capital

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

6 months to 31 December 2019:

During the 6 months to 31 December 2019 463,948 ordinary shares were issued to eligible employees, consultants and Non-executive Directors following the vesting of performance rights pursuant to the Neometals Ltd performance rights plan (2018: 414,748).

During the 6 months to 31 December 2019 no share options over the company's ordinary shares were issued during the reporting period (2018: Nil).

During the 6 months to 31 December 2019 5,366,515 performance rights were issued to Neometals employees, consultants and Non-executive Directors (2018: 2,876,555) for nil cash consideration. These performance rights may result in the issue of a total of 5,366,515 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

During the 6 months to 31 December 2019 no performance rights were cancelled relating to Neometals employees (2018: 75,000).

6 months to 31 December 2018:

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

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

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

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

8. Financial Instruments

The fair value of the Group's financial assets and liabilities are determined on the following basis.

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable. Levels are defined as follows:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities.
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2019, the Group has no material financial assets and liabilities that are measured on a recurring basis.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 31 December 2019 and 31 December 2018, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

9. Commitments

(a) Exploration and evaluation and associate commitments

Tenement commitments for the group total \$2,903,733 (2018: \$2,755,336).

(b) Other

As referred to in Note 16 (i) to the Annual Financial Report for the year ended 30 June 2019, Neometals Energy Pty Ltd (formerly 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 2018: \$4.0 million) as security a bank guarantee, which represented the present value of the Group's commitment under the agreement. The obligations under the gas transmission agreement commenced on 1 July 2010.

10. Leases

Leasing arrangements

Operating leases relate to the lease of commercial premises in West Perth, Welshpool, Canada and a photocopier. The lease agreement for the Company's West Perth premises was entered into on 1 July 2019 for a 48 month period expiring on 30 June 2023. The lease of the 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.

	31 December 2019		
	Buildings	Equipment	Total
	\$	\$	\$
Cost	1,605,014	26,210	1,631,224
Accumulated Depreciation	(288,759)	(4,368)	(293,127)
Carrying Amount	1,316,255	21,842	1,338,097

	31-Dec-19	30-Jun-19
	\$	\$
Amounts recognised in profit and loss		
Depreciation expense on right-of-use asset	293,127	-
Interest expense on lease liabilities	27,069	-
	320,196	-

11. Events subsequent to balance date

No matters have arisen since 31 December 2019 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.