

Neometals Ltd
A.C.N. 099 116 631

Annual Financial Report
for the financial year ended 30 June 2016

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 minerals projects, Mt Marion (Lithium) and Barrambie (Titanium).

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))

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

As at 30 June 2016 RIM was owned 13.8% by Neometals, 43.1% MRL and 43.1% by Ganfeng. PMI commenced the construction phase of Mt Marion in the December 2015 quarter. Construction progressed on schedule in all material respects, with first production from the Project expected in the December 2016 quarter. The plant is designed to produce more than 200,000tpa of chemical grade spodumene concentrate at 6% Li₂O content and 200,000tpa of between 4% and 6% content.



Mt Marion is a globally significant lithium deposit, containing total Indicated and Inferred Mineral Resources 60.5Mt at 1.36% Li₂O and 1.09% Fe, at a cut-off grade of 0.3% Li₂O (refer to table 1 below and Mineral and Ore Reserve Statement). The 0.3% cut-off grade reflects the strategy of mining to the lithium-bearing pegmatite contacts. Activities during the year included an extensive exploration and resource development drilling program that resulted in significant improvements in knowledge of the mineralogy of the deposit, improved planning of the exploitation of the deposit and a significantly larger resource.

Table 1 Mt Marion Resource Table for 0.3% Li₂O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li ₂ O (%)	Fe (%)
Indicated	26.4	1.33	1.09
Inferred	34.1	1.39	1.08
Total	60.5	1.36	1.09

Figure may not sum due to rounding. Significant figures do not imply an added level of precision

LITHIUM HYDROXIDE PROJECT (ELi Process)

(Neometals 70%, Mineral Resources Limited 30%)

All downstream lithium processing technology and patents are owned by Reed Advanced Materials Pty Ltd (“RAM”). RAM is beneficially owned 70:30 by the Company and MRL. During the year the Engineering Cost Study was completed by the subsidiary of the German-owned EPC contractor M+W Group, M+W Group (Singapore), in support of a Feasibility Study (“FS”) for the commercialisation of RAM’s ELi downstream processing technology in a 15,000 – 20,000tpa LCE lithium hydroxide plant. The FS was completed and announced to the market 11 July 2016.

Feasibility Study

The FS confirmed the technical feasibility and economic viability of the proposed operation to produce 20,000tpa of lithium carbonate equivalent (‘LCE’) as battery quality lithium hydroxide and lithium carbonate by conversion of spodumene concentrates at a proposed plant in Malaysia. The FS incorporates an Engineering Cost Study (‘ECS’) with technical, engineering and economic assessments carried out by to provide capital and operating cost estimates to an accuracy of ±15%.

Project Development and Corporate strategy

Based on the robust FS results, RAM supports the project progressing to a full, integrated pilot plant study to refine the process design and confirm the operating parameters to sufficient accuracy for the detailed design phase for a full scale plant. RAM plans to undertake this pilot plant evaluation of the patented ELi Process in the FY2016-17, subject to Board approval. A decision to progress to the construction phase of a full scale plant would be subject to successful execution of the full pilot scale test work and completion of detailed design of the full scale plant.

Neometals and MRL have rights to deploy the ELi Process and to purchase spodumene concentrates from Mt Marion to secure the supply chain for an ELi processing plant.

The key highlights of the FS are summarised in the table below:

Feasibility Study Highlights	
Average Annual Production	14,000t LiOH.H ₂ O 5,600t Li ₂ CO ₃
Life of Plant (LOP)	20 years
Life of Plant Revenue	US\$ 4,042 million
Pre-tax Net Cash flow (per annum)	US\$ 82.39 million
Pre-tax NPV (12% discount rate)	US\$481.7 million
Pre-tax Internal Rate of Return	51%
Cash Operating Cost per tonne of LiOH.H ₂ O	US\$ 4,630
Cash Operating Cost per tonne of Li ₂ CO ₃	US\$ 5,345
Pre-production Capital cost (including EPCM and Contingency)	US\$ 158 million
Payback of capital costs	2.6 years

Key assumptions

Operating and capital costs are presented as at end of the 4th Quarter of FY2015-16 with an indicative accuracy of ±15%. All analysis is in US dollars and assumes real long-term prices of US\$11,000/t for high purity 'battery quality' LiOH.H₂O and US\$ 10,000/ t of high purity 'battery quality' Li₂CO₃.

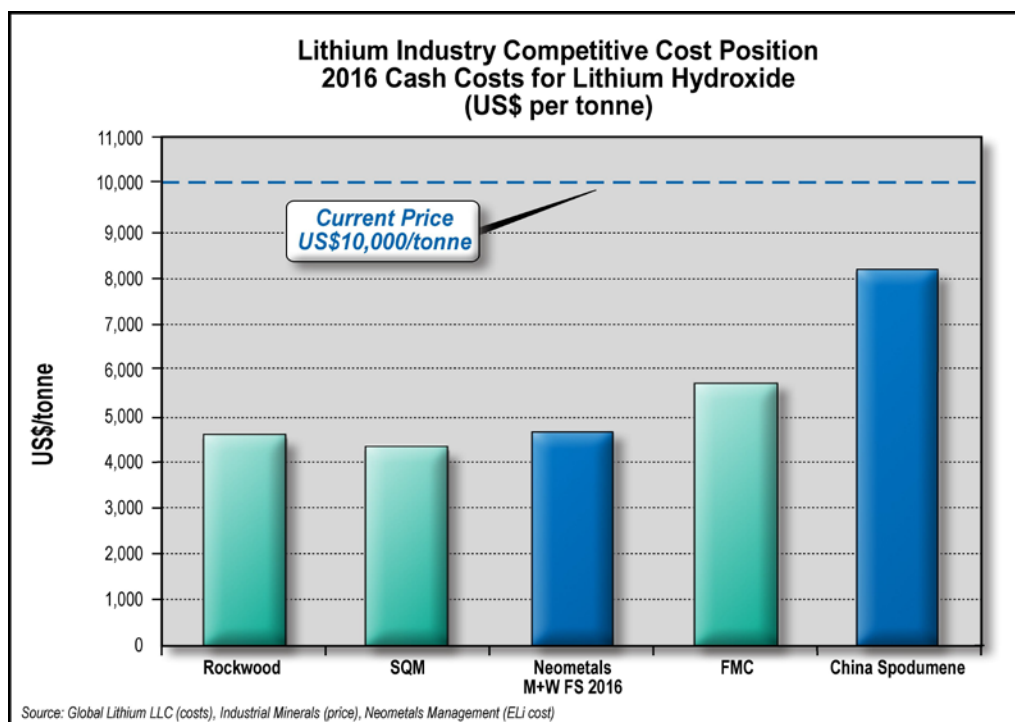


Figure 1. Benchmarking Feasibility Study with 2015 Industry Cash Costs

Lithium market

The current market for battery grade lithium hydroxide and lithium carbonate is in tight supply due to high demand growth and constrained supply resulting from low installed base of production capacity in the high purity product sector. The market demand is forecast to grow significantly for the next 4 years through to 2020 (the timeframe in which Neometals and MIN are aiming to commence production at the project). It is the view of some market analysts that whilst the market remains tight in the short term there would appear to be no supply constraint in the long term. The supply response from existing major producers to the increased demand is now reasonably clear. Increased production from the major producing brine and spodumene deposits is anticipated within 1-3 years and in capacity increments of approx 20,000tpa. Addition of capacity from these sources will supplement existing supply and moderate the tight supply conditions that exist in 2016.

The current median prices for battery-grade lithium hydroxide are steady at approx US\$10,000 per tonne, on a CIF basis to Europe and US, with anecdotal evidence of prices for small volume transactions in excess of US\$20,000 per tonne (source: Industrial Minerals 24 August 2016).

The price of chemical grade lithium concentrates (6% Li₂O) are estimated at US\$572 per tonne on a CIF China basis. (source: Ganfeng). Supply of this grade of concentrate is tight due to the marketing policy of the only significant current supplier.

BARRAMBIE TITANIUM PROJECT

(Neometals 100% through Australian Titanium Pty Ltd)

During the year the Company completed the legal agreements for a global (excluding Russia and China) exclusive licence of the proprietary technology that is currently being evaluated for its Barrambie Titanium Project.

Barrambie is one of the world's highest grade titanium deposits, containing total Indicated and Inferred Mineral Resources of 47.2Mt at 22.2% TiO₂, 0.63% V₂O₅ and 46.7% Fe₂O₃, at a cut-off grade of 15% TiO₂ (refer to Barrambie Mineral Resource Estimate estimate below).

Project Development and Corporate Strategy

Neometals plans to undertake a full pilot plant evaluation of the proprietary hydrometallurgical technology. The work plan is to complete mini-pilot plant optimisation testwork (which has been approved by the Neometals Board and scheduled to start in the September Quarter 2016), then to commence the full pilot plant evaluation in the first half of 2017.. Subject to the success of the full pilot scale test work it is Neometals' intention to complete a Feasibility Study (FS) in 2017.

The current preferred project development strategy is to advance the project to a sufficient stage of evaluation that facilitates Neometals obtaining a titanium industry partner which would fund and operate the development of the Barrambie project on a shared equity or joint-venture basis.

Titanium market

The majority of titanium feedstocks (an annual market of US\$17 Billion or 85% by value) are used to produce titanium dioxide pigment which is then used as an additive in paints, plastics, paper and ink with the balance (15%) used to produce titanium metal products.

The current median price for high quality titanium dioxide pigment is US\$2,275 per tonne on a CIF basis to USA (source: Industrial Minerals 21 July 2016).

NEOMET PROCESSING TECHNOLOGY

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

Alphamet will be responsible for managing the commercialisation and development of the technology ("Neomet Process"). All revenue received from the commercialisation of the technology will be split 25:75 between Alphamet and the owners of the technology. Alphamet has entered a strategic alliance with the prominent EPC contractor company Sedgman Limited. Sedgman will market the technology, coordinate customer evaluation testwork and design process plant for clients which will operate the Neomet Process plant under licence from Alphamet. The Neomet Process is expected to have wide application in the low cost regeneration of process acids and recovery of metals.

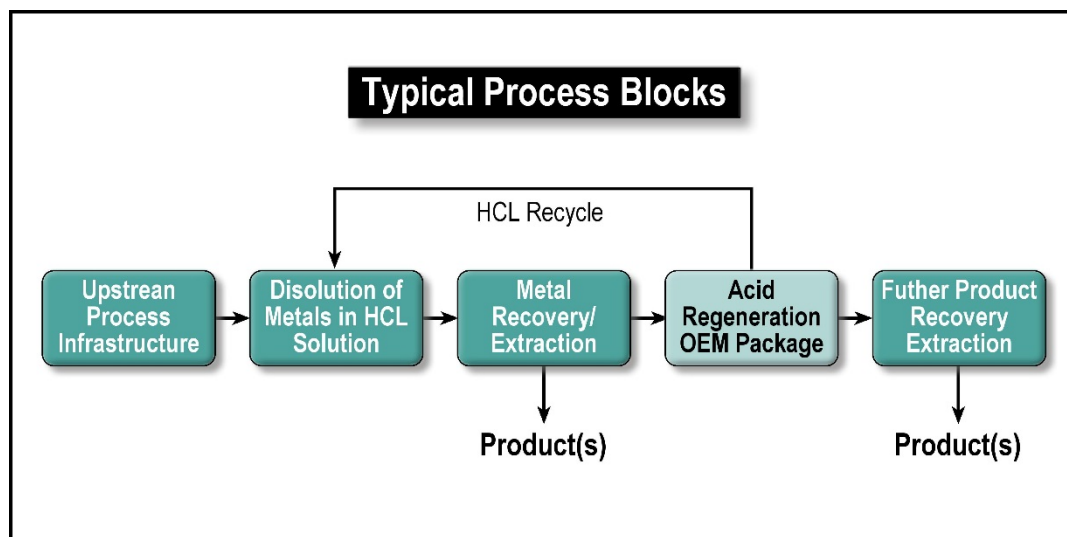


Figure 2. Neomet Proprietary Acid Regeneration Technology Process Model

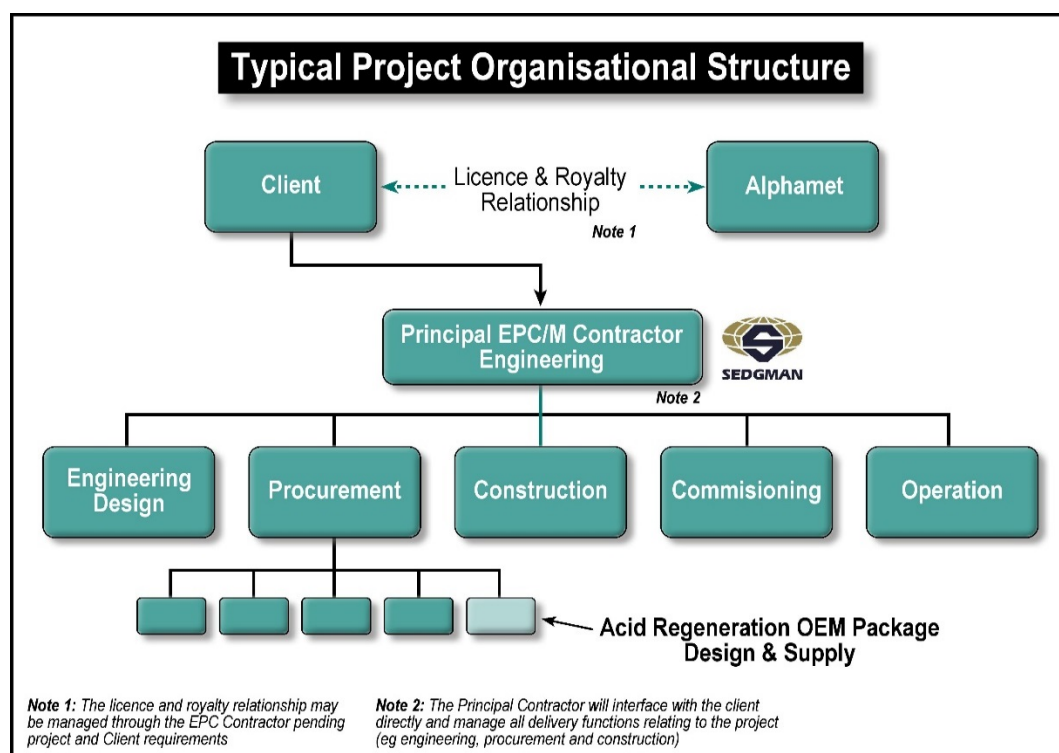


Figure 3. Structure of Strategic Alliance with Sedgman Limited

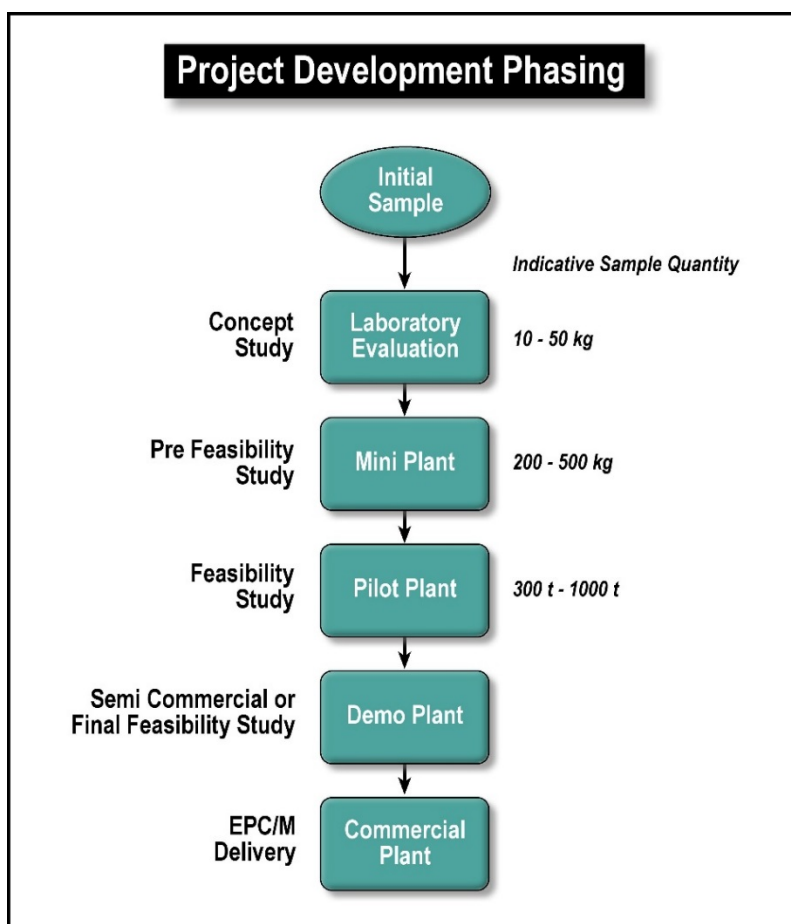


Figure 4. Structure of Testing/Evaluation Stages for Third Party testing

Alphamet has entered into a long term lease for the commercial laboratory facilities from one of the owners of the technology for use by the Strategic Alliance partners to test third party materials and operate pilot plant facilities.

FORRESTANIA NICKEL PROJECT

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

With Neometals focus being on the Mt Marion Lithium and Barrambie Titanium Projects, the Company has committed to divesting non-core assets from its portfolio. In line with this strategy, during the year the Company entered into a binding termsheet with Hannans Limited ("Hannans" or "HNR") under which Neometals will divest its Forrestania nickel assets via the sale of the Company's subsidiary company, Reed Exploration Pty Ltd ("REX"). As part of the divestment, Neometals took a placement of \$250,000 worth of HNR shares at 0.4c per share (approximately 8% of HNR's issued capital) and as part of the placement received 1 for 2 free attaching option (exercisable at 0.4c within 2 years). As at 30 June 2016 the mark to market book profit on Neometal's holding in HNR is \$1.1M and the current value of the shares to be received by Neometals for REX upon completion is \$8.7M (as at 21 September 2016).

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

1. Hannans to undertake a capital raising of \$1.25 million, which was completed in May 2016;
2. Neometals is contributing a maximum of \$1.25 million cash, through the placement, underwriting and the cash assets of REX at completion;
3. Neometals will hold approximately 40% of the issued capital in Hannans at completion, on an undiluted basis;
4. Hannans will divest its Swedish projects via an in specie distribution of the shares in its subsidiary company (Scandinavian Co) to shareholders of which Neometals will receive at least 13.5%;
5. Neometals will assist Scandinavian Co to realise lithium, cobalt and carbon opportunities in Scandinavia through a technical assistance arrangement; and
6. the Hannans board will be re-constituted to comprise of two existing Hannans directors and one director nominated by Neometals.

Completion of the sale of REX is subject to a number of conditions precedent and expected to be finalised late September 2016.

In the later part of the year REX completed a ground geophysical survey (IP) survey to identify any coincident geochemical and geophysical anomalies in the southern part of the Project tenure, some 7km north of the Flying Fox nickel sulphide mine in the Yilgarn region of Western Australia. The Company received approval for a POW for diamond drilling to test the centres of with closely spaced IP lines. Drilling commenced on 27 July 2016.

COMPETENT PERSONS STATEMENT

The Company confirms that it is not aware of any new information or data that materially affects the information included in the following ASX Releases reported herein:

06/12/2013	Barrambie - Amended JORC 2012 Mineral Resource Estimate
25/08/2015	Barrambie – Pre-feasibility Study Results
6/07/2016	160% increase in Mt Marion Resource Estimate

MINERAL RESOURCE & ORE RESERVE STATEMENT

Mt Marion Resource Table for 0.3% Li₂O cut-off

Category (JORC, 2012)	Tonnage (Mt)	Li ₂ O (%)	Fe (%)
Indicated	26.4	1.33	1.09
Inferred	34.1	1.39	1.08
Total	60.5	1.36	1.09

All tonnage and grade figures have been rounded down to two or three significant figures, respectively; slight errors may occur due to rounding of values.

Barrambie Mineral Resource Estimate for 15% TiO₂ cut-off

Category (JORC, 2012)	Tonnage (Mt)	TiO ₂ (%)	V ₂ O ₅ (%)	Fe ₂ O ₃ (%)	Al ₂ O ₃ (%)	SiO ₂ (%)
Indicated	34.7	22.25	0.64	46.77	9.48	14.95
Inferred	12.5	21.99	0.58	46.51	9.32	15.40
Total	47.2	22.18	0.63	46.70	9.44	15.07

All tonnage and grade figures have been rounded down to two or three significant figures, respectively; slight errors may occur due to rounding of values.

Ore Reserves

Project	Category (JORC, 2012)	Tonnage (MT)	TiO ₂ (%)	V ₂ O ₅ (%)	Fe ₂ O ₃ (%)
Barrambie	Probable	10.762	25.18	0.6	42.5

CORPORATE

Finances

Cash and term deposits on hand as of 30 June 2016 totalled \$79.25 million, including \$5 million in restricted use term deposits supporting performance bonds and other contractual obligations.

The 2 million convertible notes held by the former Chairman David Reed were converted into 50,000,000 fully paid ordinary shares in the company on 18 November 2015. Refer to note 17 of the accounts for further details.

Director Changes

At the Company's AGM held on 27 November 2015 the Company confirmed the appointment of Mr Steven Cole as Chairman as part of a broader plan to strengthen the Board as the company commenced the next phase of its evolution. Mr Cole, who joined the Board in 2008, succeeded long-serving Chairman Mr David Reed, who remains fully engaged on the board in a Non-Executive Director position.

In addition, the Company expanded its Board to drive strategic objectives by appointing Mr Doug Ritchie and Dr Natalia Streltsova to the Board on 14 April 2016. Mr Ritchie is a senior resources industry executive with over 35 years experience, including over 28 years working with Rio Tinto in various senior management roles including CEO Rio Tinto Energy Australia and most recently the Group Executive of Strategy based in the UK. Dr Streltsova is a PhD qualified chemical engineer with over 25 years experience in the minerals industry and an extensive background in mineral processing and hydrometallurgy across a range of commodities relevant to Neometals.

Capital Management

On 8 April 2016 the Company initiated an on-market buy-back of ordinary shares to acquire a maximum of 5% of the Company's current issued ordinary shares, and will not buy-back more than A\$5m worth of shares over 12 months. In addition, the Company had announced an intention to undertake an unmarketable sale facility, enabling shareholders with a valued at less than A\$500, to sell their full holding with no broking or administration fees. To date the Company has not acquired any shares through the on-market share buy-back that is currently open or initiated the unmarketable parcel sale facility as previously foreshadowed.

A special dividend of 2 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 7 April 2016.

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Directors' Report

The directors of Neometals Ltd submit their report for the financial year ended 30 June 2016.

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 Committee 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 43 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 24 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 the current serving Vice-president of the Association of Mining and Exploration Companies. 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

Dr. Natalia Streltsova is a PhD qualified chemical engineer with over 25 years experience in the minerals industry and an extensive background in mineral processing and hydrometallurgy across a range of commodities relevant to Neometals. Her previous roles have included Director of Technical Development at Vale (formerly CVRD), Development Manager at GRD Minproc and senior technical roles at BHP Billiton and WMC Resources that involved considerable interaction with operations to identify and implement innovative projects to increase production and reduce costs. Dr Streltsova has considerable international experience in technical and business development capacities, in South America, Africa and the Former Soviet Union and is currently a Non-Executive Director of Potash West 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: Potash West NL

Mr Douglas Ritchie

Non-executive Director

Doug Ritchie is a senior resources industry executive with over 35 years experience, including over 28 years working with Rio Tinto in various senior management roles including CEO Rio Tinto Energy Australia and most recently the Group Executive of Strategy based in the UK. Mr Ritchie has considerable international corporate experience, including in China, and is currently a Non-Executive Director of diversified mining company Arrium Limited and the Chairman of Uniquet, the University of Queensland's commercialisation company.

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: Arrium Limited

Company Secretaries

Jason Carone

Chief Financial Officer and Company Secretary

Mr. Carone is a Chartered Accountant with over 18 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 \$84.6 million (2015: \$10.3 million loss) including an impairment loss of \$13,831 (2015: \$1.3 million). A detailed review of the Company's operations during the financial year can be found on pages 1 to 7 of this Annual Financial Report.

Changes in state of affairs

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

Principal activities

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

Events after the reporting period

On 11 August 2016 the Company declared an unfranked dividend of 2 cents per share, to holders of ordinary shares registered at 5.00pm WST on 17 August 2016. The dividend was paid on 26 August 2016.

In March 2016 the Company agreed to divest its Reed Exploration Pty Ltd Nickel Projects by way of a sale of the subsidiary that owns the project, Reed Exploration Pty Ltd, to Hannans Limited. A binding share sale agreement was executed on 10 August 2016 and completion, which is subject to conditions precedent, is expected to occur late September 2016.

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 finalise divestment of its remaining non-core assets. These core advanced minerals projects have large JORC-compliant Resource bases, which when combined with their respective process flow sheets hold the potential to develop into large, low-cost, long life advanced mineral operations.

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.

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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 2016, a special dividend of 2 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 7 April 2016.

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 18 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:

	Fully paid Ordinary Shares	Share Options	Performance rights
Directors	Number	Number	Number
S. Cole	1,120,083	-	-
C. Reed	10,548,980	-	1,595,092
D. Reed	65,221,259	-	-

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 board meetings, 3 nomination committee meetings, 1 remuneration committee meeting and 2 audit committee meetings were held.

Directors	Board of Directors		Nomination Committee		Remuneration Committee		Risk Committee		Audit Committee	
	Held	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽²⁾	Attended	Held	Attended
S. Cole	13	13	3	3	1	1	0	0	2	2
C. Reed	13	12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
D. Reed	13	13	3	3	1	1	0	0	2	2
N. Streltsova	4	3	n/a	n/a	0	0	0	0	0	0
D. Ritchie	4	3	0	0	n/a	n/a	0	0	0	0

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 to discuss matters including and the Company's strategic direction resultant risk exposure following completion of the Mt Marion Project transaction and the change in Chair with the expanded Board.

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 (Appointed 14 April 2016)
- Doug Ritchie Non-executive Director (Appointed 14 April 2016)

Executive Directors

- Christopher Reed Managing Director and CEO

Other executives

- Jason Carone Chief Financial Officer and Company Secretary
- Michael Tamlin Chief Operating Officer

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.

General

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

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

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

During the financial year a total of 3,363,638 (2015: 9,394,155) performance rights were offered to and accepted by KMP. Of this amount 3,363,638 performance rights are subject to a Total Shareholder Return (“TSR”) hurdle, details of which can be found in the “Service agreements - performance based remuneration” section below. Testing undertaken for the period ended 30 June 2015 and 31 December 2015 resulted in 6,876,500 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 TSR performance against a comparator group of companies.

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

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

Relationship between the remuneration policy and company performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2016:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
	\$	\$	\$	\$	\$
Revenue	-	419,526	7,800,372	32,551,507	-
Net profit / (loss) before tax	83,832,380	(10,314,405)	(14,573,782)	(64,933,864)	(30,983,345)
Net profit / (loss) after tax	84,606,280	(10,314,405)	(16,666,425)	(75,581,860)	(30,983,345)
Share price at start of year	0.091	0.018	0.032	0.205	0.50
Share price at end of year	0.450	0.091	0.018	0.032	0.205
Market capitalisation at year end (undiluted)	251,590,166	45,701,361	9,422,170	16,665,906	94,853,822
Basic profit / (loss) per share	0.1568	(0.0203)	(0.0279)	(0.1442)	(0.1061)
Diluted profit / (loss) per share	0.1562	(0.0203)	(0.0293)	(0.1508)	(0.1061)
Dividends Paid	11,181,785	Nil	Nil	Nil	Nil

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.

2016	Short-term employee benefits				Post-employment benefits	Share based payments		Total \$	% remuneration linked to performance
	Salary & fees \$	Bonus FY 15'16 \$	Non-Monetary ⁽²⁾ \$	Other \$	Super-annuation \$	Shares \$	Options and rights \$		
Non-executive Directors									
S. Cole	98,174	-	-	-	9,327	-	-	107,501	-
D. Reed	84,475	-	-	-	8,025	-	-	92,500	-
N. Streltsova ⁽¹⁾	15,627	-	-	-	1,485	-	-	17,112	-
D. Ritchie ⁽¹⁾	15,627	-	-	-	1,485	-	-	17,112	-
	213,903	-	-	-	20,322	-	-	234,225	-
Executive directors									
C. Reed	370,000	104,500	4,199	-	30,000	-	77,516	586,215	31
	370,000	104,500	4,199	-	30,000	-	77,516	586,215	-
Other executives:									
M. Tamlin	192,500	69,000	-	-	17,500	-	38,897	317,897	34
J. Carone	219,178	60,000	20,362	-	20,822	-	54,239	374,601	30
	411,678	129,000	20,362	-	38,322	-	93,136	692,498	-
Total	995,581	233,500	24,561	-	88,644	-	170,652	1,512,938	-

(1) Appointed 14 April 2016

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

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

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

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 discretionary cash bonus upon 100% achievement of KPIs. Salary during the financial year was set at \$240,000 inclusive of superannuation. The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

Long Term Incentive

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

Calculation of potential entitlement to performance rights

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

Where:

P is the potential performance rights entitlement

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

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

Criteria

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

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.

3. For each 1% ranking at/or above the 51st percentile an additional 2% of the Performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP have a vesting period of 2 years from grant date and will lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

Name: Mr. C. Reed
Position: Managing Director
Term: Expiry date of 30 June 2017

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 33% of the KMP's annual salary package (\$400,000 inclusive of superannuation for 2015-16). The STI for 2015-16 was set at a maximum of \$110,000 representing approximately 27% of the annual base salary package of which 95% or \$104,500 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.

The LTI for 2015-16 was set at a maximum of \$156,000 representing approximately 39% of the annual base salary package which was acknowledged and agreed by the Board and Mr C Reed.

Criteria

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

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

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

Name: Mr. M. Tamlin
Position: Chief Operating Officer
Term: No defined term

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 33% of the KMP's annual salary package (\$360,000 inclusive of superannuation for 2015-16). The STI for 2015-16 was set at 33% of the annual salary package on a pro rata basis since commencement which 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.

Criteria

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

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

Performance rights granted to the KMP have a vesting period of 2 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.

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

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

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

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

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

The comparator group adopted by the company for LTI granted in 2015-2016 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)
- Market Vectors Rare Earth Strat Met (NYSE Arca: REMX)
- S&P ASX Small Resources Index (ASX: ASXR)

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.

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.

Name	During the Financial Year					
	Grant date	No. granted	No. vested	Fair value at grant date ⁽²⁾	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone ⁽¹⁾	09/10/2015	593,472	-	49,644	30/06/2017	-
C. Reed ⁽¹⁾	09/10/2015	1,595,092	-	133,429	30/06/2017	-
M. Tamlin ⁽¹⁾	21/01/2016	1,175,074	-	127,081	30/06/2017	-
Total		3,363,638	-	310,154		-

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over a 2 year period. Accordingly, at the date of this report no performance rights had vested.

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

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

2016	Balance at 01/07/15	Grant date	Granted	Fair value of rights at grant date	Vested during the financial year	Forfeited/ lapsed during the financial year	Balance at 30/06/2016	Ordinary shares issued on exercise of rights
	No.		No.	\$	No.	No.	No.	No.
KMP:								
J. Carone ⁽¹⁾	3,960,882	09/10/2015	593,472	49,644	3,960,882	-	593,472	295,584
C. Reed ⁽¹⁾	-	09/10/2015	1,595,092	133,429	-	-	1,595,092	6,580,916
M. Tamlin ⁽¹⁾	-	21/01/2016	1,175,074	127,081	-	-	1,175,074	-
Total	3,960,882		3,363,638	310,154	3,960,882	-	3,363,638	6,876,500

(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.

**Neometals Ltd
Remuneration Report**

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

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

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

Non-audit services

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

	2016 \$	2015 \$
Auditor (Deloitte Touche Tohmatsu)		
Audit fees	67,620	66,150
Non-audit fees	52,550	28,080
	120,170	94,230

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

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

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 21 of the Annual Financial Report.

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

On behalf of the directors of Neometals Ltd,



Mr. Chris Reed
Managing Director
West Perth, WA
22 September 2016

Independent Auditor's Report to the Members of Neometals Ltd

Report on the Financial Report

We have audited the accompanying financial report of Neometals Ltd, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 67.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Neometals Ltd for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Mark Gover

Partner

Chartered Accountants

Perth, 22 September 2016

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

22 September 2016

Dear Board Members

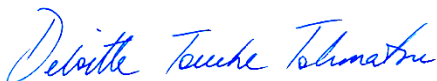
Neometals Ltd

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

As lead audit partner for the audit of the financial statements of Neometals Ltd for the year ended 30 June 2016, 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



Mark Gover
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,



Mr. Chris Reed
Managing Director
22 September 2016

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	Note	2016 \$	2015 \$
Continuing operations			
Revenue from sale of goods	5	-	419,526
Cost of sales	5	-	(159,872)
Gross Profit / (Loss)		-	259,654
Other income	5	691,399	759,427
Employee expenses	5	(2,021,455)	(1,388,204)
Occupancy expenses		(254,098)	(312,717)
Administration expenses		(2,673,733)	(1,224,524)
Finance costs	5	(266,833)	(488,398)
Other expenses		(168,064)	(6,534,479)
Foreign exchange gain		101,078	-
Gain recognised on disposal of interest in joint venture	25	88,282,429	-
Profit on deconsolidation of subsidiary	24	188,806	-
Share of loss of Joint Venture	25	(33,318)	(398,240)
Impairment of non-current assets	13	(13,831)	(1,252,915)
Profit/(loss) before income tax		83,832,380	(10,580,396)
Income tax (expense) / benefit	6	773,900	265,991
Profit/(loss) for the year from continuing operations	20	84,606,280	(10,314,405)
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	801,937	-
Total comprehensive income/(loss) for the year		85,408,217	(10,314,405)
Earnings per share			
From continuing and discontinued operations:			
Basic (cents per share)	21	15.68	(2.05)
Diluted (cents per share)	21	15.62	(2.05)

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 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	29 (a)	73,223,833	1,442,648
Trade and other receivables	11	643,751	630,205
Other financial assets	12	-	1,000,000
		73,867,584	-
Assets classified as held for sale	10	1,625,705	-
Total current assets		75,493,289	3,072,853
Non-current assets			
Loans to joint ventures	25	1,384,580	1,681,952
Exploration, evaluation and development expenditure	13	11,607,131	11,362,044
Intangibles		85,560	-
Investments in joint ventures	25	204,258	1,099,159
Other financial assets	12	6,435,625	5,095,000
Other assets		345,018	-
Property, plant and equipment	14	144,859	250,906
Total non-current assets		20,207,031	19,489,061
Total assets		95,700,320	22,561,914
Current liabilities			
Trade and other payables	15	482,266	894,708
Provisions	16	1,057,596	1,164,587
Borrowings	17	11,939	1,931,204
		1,551,801	3,990,499
Liabilities directly associated with assets classified as held for sale	10	96,607	-
Total current liabilities		1,648,408	3,990,499
Non-current liabilities			
Provisions	16	4,414,456	5,311,608
Borrowings	17	27,804	40,067
Total non-current liabilities		4,442,260	5,351,675
Total liabilities		6,090,668	9,342,174
Net assets		89,609,652	13,219,740
Equity			
Issued capital	18	160,047,735	157,910,617
Reserves	19	6,398,200	5,569,901
Accumulated losses	20	(76,836,283)	(150,260,778)
Total equity		89,609,652	13,219,740

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 2016

	Issued Capital \$	Investment revaluation reserve \$	Other equity reserve \$	Share based payments reserve \$	Accumulated losses \$	Total \$
Balance as at 1/07/14	158,292,130	-	158,629	5,179,214	(139,946,373)	23,683,600
Loss for the period	-	-	-	-	(10,314,405)	(10,314,405)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(10,314,405)	(10,314,405)
Recognition of share-based payments (see note 18)	50,487	-	-	90,338	-	140,825
Recognition of convertible note equity (see Note 18)	-	-	158,629	-	-	158,629
Recognition of share buy back	(432,000)	-	-	-	-	(432,000)
Issue of share capital	-	-	-	-	-	-
Share issue costs, net of tax	-	-	-	-	-	-
Balance at 30/06/15	157,910,617	-	300,349	5,269,552	(150,260,778)	13,219,740
Profit for the period	-	-	-	-	84,606,280	84,606,280
Other comprehensive income, net of tax	-	801,937	-	-	-	801,937
Total comprehensive income for the period	-	801,937	-	-	84,606,280	85,408,217
Recognition of share-based payments (see note 18)	-	-	-	170,652	-	170,652
Recognition of convertible note equity (see Note 18)	2,000,000	-	-	-	-	2,000,000
Recognition of shares issued under performance rights plan	144,290	-	-	(144,290)	-	-
Recognition of share buy back	-	-	-	-	-	-
Issue of dividends	-	-	-	-	(11,181,785)	(11,181,785)
Share issue costs, net of tax	(7,172)	-	-	-	-	(7,172)
Balance at 30/06/16	160,047,735	801,937	300,349	5,295,914	(76,836,283)	89,609,652

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 2016

		2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		737,094	878,814
Payments to suppliers and employees		(6,318,514)	(3,794,651)
Net cash used in operating activities	29 (c)	(5,581,420)	(2,915,837)
Cash flows from investing activities			
Payments for property, plant & equipment		(10,136)	(45,308)
Payments for intellectual property		(47,881)	-
Payments for exploration and evaluation costs		(997,056)	(2,676,997)
Prepayment for Neomet technology		(345,018)	-
Interest received		572,386	297,196
Investment in equity instruments		(265,000)	-
Loans repaid from joint venture parties		1,609,952	-
Loans paid to joint venture parties		(1,251,670)	(62,732)
Net proceeds from joint venture entity sell down	25	89,144,014	-
Net cash generated by / (used in) investing activities		88,409,591	(2,487,841)
Cash flows from financing activities			
Share issue costs		(7,171)	-
Repayment of borrowings		(10,268)	(12,073)
Amounts received from related parties		26,095	-
Amounts received from secured deposits		1,070,000	-
Dividends paid		(11,181,785)	-
Interest and other finance costs paid		(40,047)	(206,401)
Net cash used in financing activities		(10,143,176)	(218,474)
Net increase/(decrease) in cash and cash equivalents		72,684,995	(5,622,152)
Cash and cash equivalents at the beginning of the financial year		1,442,648	7,064,800
Effect of exchange rates on cash balances		101,078	-
Cash and cash equivalents at the end of the financial year	29 (a)	74,228,721	1,442,648

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

Index to Notes to the consolidated financial statements

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1. General information

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

Registered office and principal place of business

Level 1, 672 Murray St, West Perth WA 6005

2. Significant accounting policies

Statement of compliance

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

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

The financial statements were authorised for issue by the directors of Neometals Ltd on 22 September 2016.

Basis of preparation

The accounting policies adopted are consistent with those adopted and disclosed in the Consolidated Entity's 2015 Annual Financial Report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with IFRS.

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 2015.

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 2015.

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 2016:

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	1 January 2018	30 June 2019

AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'		
• AASB 16 'Leases'	1 January 2019	30 June 2020
• AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
• AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
• AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
• AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
• AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
• AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
• AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
• AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
• AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
• AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

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

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

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

Critical accounting judgments and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the 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 on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(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 26 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.

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

3.2 Key areas of estimation uncertainty

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

(a) Capitalised development and evaluation assets

Certain assumptions are required to be made in order to assess the recoverability of long-lived assets. Key assumptions include future commodity prices, future cash flows, estimated discount rate and estimates of Ore Reserves. Estimates of Ore Reserves are dependent on various assumptions. Changes in these estimates could materially impact on actual ore recovered, and could therefore affect estimates of future cash flows used in the assessment of recoverable amounts. The carrying amount of exploration, evaluation and development assets which is included in the consolidated statement of financial position at 30 June 2016 is \$11.6 million (2015: \$11.4million) after an impairment of \$14 thousand for continuing operations was recognised during the current financial year (2015: \$1.3 million). Details of the impairment are included in Note 12.

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

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

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

(b) Value of deferred tax assets

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

In addition, future changes in tax laws in Australia could limit the ability of the Group to obtain tax deductions in future periods. The carrying amount of deferred taxes included in the consolidated statement of financial position at 30 June 2016 is Nil (2015: 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.

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4. Parent entity disclosure

	2016 \$	2015 \$
Financial Position		
Assets		
Current assets	73,761,516	1,479,255
Non-current assets	16,597,323	21,362,478
Total assets	90,358,839	22,841,733
Liabilities		
Current liabilities	649,193	2,379,974
Non-current liabilities	99,994	40,067
Total liabilities	749,187	2,420,041
Net Assets	89,609,652	20,421,692
Equity		
Issued capital	160,047,735	157,910,617
Retained earnings	(76,034,346)	(143,058,825)
Reserves		
Share based payments	5,596,263	5,569,900
Total equity	89,609,652	20,421,692
Financial Performance		
Profit / (loss) for the year	81,902,341	(3,096,586)
Other comprehensive income	-	-
Total comprehensive income	81,902,341	(3,096,586)
Guarantees entered into on behalf of subsidiaries⁽ⁱ⁾	5,000,000	6,000,000

- (i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. The parent entity has provided security for a bank guarantee required under the contract for \$5.0 million. Refer to Note 12 for details.

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

	2016 \$	2015 \$
(a) Income		
Income from operations consisted of the following items:		
Revenue from the sale of goods	-	419,526
Other income:		
Interest revenue	671,240	296,366
Statutory refunds and grants	-	75,545
Other	20,159	387,516
	691,399	759,427
(b) Profit / (loss) before income tax		
Profit / (loss) before income tax has been arrived at after charging the following expenses:		
Cost of goods sold	-	(159,872)
Employee benefits expense:		
Equity settled share-based payments	(170,652)	(140,825)
Defined contribution superannuation plans	(117,020)	(101,539)
Other employee benefits	(1,733,783)	(1,145,840)
	(2,021,455)	(1,388,204)
Finance costs:		
Borrowing costs	(41,660)	(31,632)
Facility fees	(48,916)	(92,666)
Interest expense	(176,257)	(363,556)
Other	-	(544)
	(266,833)	(488,398)
Impairment of non-current assets ⁽ⁱ⁾	(13,831)	(1,252,915)
Depreciation of non-current assets	(41,739)	(43,747)
Provision for onerous gas transmission contract	-	(5,929,126)
Exploration and evaluation expenditure written off	-	(539,187)

(i) Impairment expense of \$13,831 (2015:\$ 1,252,915) relates to non-current assets of continuing operations. Refer to Notes 13 and 14 for further details of the impairment of these non-current assets.

6. Income taxes

(a) Income tax benefit recognised in profit or loss

Tax benefit comprises:

Current tax expense	-	-
Research and development claim	(430,212)	(265,991)
Deferred tax benefit relating to the origination and reversal of temporary differences	(343,688)	-
Total tax benefit	(773,900)	(265,991)

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	83,832,380	(\$10,580,396)
Income tax calculated at 30%	25,149,714	(\$3,174,119)
Effect of income and expenses that are not deductible in determining taxable profit	42,111	8,399
Utilisation of previously unrecognised tax losses	(20,998,735)	-
Current tax benefit not recognised during the period	-	3,165,720
Deductible temporary differences now recognised as deferred tax assets	(4,045,347)	-
Refund of prior year R&D claim	(430,212)	(265,991)
Deferred tax expense recognised directly in other comprehensive income	(343,688)	-
Other items	(147,743)	-
Income tax expense / (benefit) recognised	(773,900)	(265,991)
Deferred tax assets recognised in other comprehensive income	343,688	-
Relating to available-for-sale financial assets	343,688	-

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:

	2016	2015
	\$	\$
Deferred tax liabilities	(4,045,347)	-
Deferred tax assets	4,045,347	-
Net deferred tax balance	-	-

(c) Deferred tax assets not brought to account

At 30 June 2016 the amount of unrecognised tax losses was (gross) \$102,683,389 (June 2015: \$191,952,836).

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 26.

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 8-19 of the Directors' Report.

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

	2016 \$	2015 \$
Short-term employee benefits ⁽ⁱ⁾	1,253,642	1,042,975
Post-employment benefits	88,644	65,709
Termination benefits	-	-
Share-based payments	170,652	140,825
	1,512,938	1,249,509

(i) 2015 balance inclusive of \$125,000 in STI that relates to the year 2013-14.

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 28 November 2014, employees may be offered performance rights at such times and on such terms as the board considers appropriate.

General terms of performance rights granted under the PRP:

- The performance rights will not be quoted on the ASX.
- Performance rights can only be granted to employees of the Company.
- Performance rights are transferable to eligible nominees.
- Performance rights not exercised on or before the vesting date will lapse.
- All shares allotted upon 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:

	Grant date	Number	Vesting date/ Expiry date	Grant date share price	Probability factor	Fair value at grant date
2016						
J. Carone	01/08/2012	49,274	30/06/2015	0.18	n/a	7,164
J. Carone	07/10/2013	1,098,369	30/06/2016	0.025	n/a	12,851
J. Carone	01/08/2014	2,813,239	30/06/2016	0.036	n/a	42,007
J. Carone	09/10/2015	593,472	30/06/2017	0.115	n/a	49,644
C. Reed	09/10/2015	1,595,092	30/06/2017	0.115	n/a	133,429
M. Tamlin	21/01/2016	1,175,074	30/06/2017	0.145	n/a	127,081
Total		7,324,520				372,176

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 \$170,653 (2015: \$140,825).

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

	2016	2015
	Performance Rights No.	Performance Rights No.
Balance at beginning of the financial year	10,788,108	4,704,323
Granted during the financial year as compensation	3,363,638	9,394,155
Vested during the financial year ⁽ⁱ⁾	(6,876,500)	(2,758,862)
Lapsed during the financial year ⁽ⁱⁱ⁾	-	(551,508)
Balance at the end of the financial year ⁽ⁱⁱⁱ⁾	7,275,246	10,788,108

(i) 6,876,500 shares in the Company were issued on vesting of performance rights (2015: 2,758,862).

(ii) No performance rights were cancelled or lapsed during the financial year (2015: 551,508).

(iii) 3,911,608 performance rights are exercisable at the end of the year (2015: 6,876,500)

9. Dividends on equity instruments

	2016	2015
	\$	\$
Declared and paid during the year:		
Dividends paid on ordinary shares:		
Special dividend for 2016: 2.0 cents per share paid on 7 April 2016 (2015: nil)	11,181,785	-

The dividend franking account has a nil balance as at 30 June 2016 (2015: nil).

On 11 August 2016, the directors declared a fully franked final dividend of 2 cents per share to the holders of fully paid ordinary shares, paid to shareholders on 26 August 2016.

10. Assets classified as held for sale

	2016 \$	2015 \$
Assets classified as held for sale ⁽ⁱ⁾	1,625,705	-
Liabilities directly associated with assets classified as held for sale ⁽ⁱ⁾	(96,607)	-

(i) In March 2016 the Company agreed to divest its Reed Exploration Pty Ltd Nickel Projects (included in other operating segment) by way of a sale of the subsidiary that owns the project, Reed Exploration Pty Ltd, to Hannans Limited. A binding share sale agreement was executed on 10 August 2016 and completion, which is subject to a number of conditions precedent, is expected to occur late September 2016.

Amounts recognised in this note relate to Reed Exploration Pty Ltd, owner of the Reed Exploration Pty Ltd Nickel Projects.

	2016 \$	2015 \$
Classified as held for sale		
Cash and cash equivalents	1,004,888	-
Exploration and evaluation expenditure	617,009	-
Other receivables	3,808	-
Assets classified as held for sale	1,625,705	-
Trade and other payables	(96,607)	-
Liabilities directly associated with assets classified as held for sale	(96,607)	-
Net assets classified as held for sale	1,529,098	-

11. Trade and other receivables

	2016 \$	2015 \$
Current		
Other receivables ⁽ⁱ⁾	363,132	430,777
Prepayments	280,619	152,514
Goods and services tax	-	46,914
Total	643,751	630,205

- (i) Other receivables balance includes an amount of \$90,000 (2014: \$113,285) receivable from Mr. C Reed (Executive Director). In the 2012 financial year the Company provided a loan to Mr. Reed of \$150,000 at a commercial rate of interest that is adjusted in line with the official interest rate set by the Reserve Bank of Australia. Refer to Note 28 for further information.

12. Other financial assets

	2016 \$	2015 \$
Current		
Barrambie Gas term deposit ⁽ⁱ⁾	-	1,000,000
Total Current	-	1,000,000
Non-current		
Available-for-sale investments carried at fair value ⁽ⁱⁱ⁾	1,410,625	-
Barrambie Gas term deposit ⁽ⁱ⁾	5,000,000	5,000,000
Rental bond term deposit	25,000	95,000
Total Non-current	6,435,625	5,095,000
Total	6,435,625	6,095,000

(i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is a party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd (**DBP**) in relation to the Barrambie Project. As part of the agreement the Group was required to provide security by way of a \$5.0 million bank guarantee.

(ii) The Group currently holds 63,750,000 ordinary shares (6.61% voting power) and 31,250,000 unlisted options (exercisable at 0.4 cents) in Hannans Limited. The directors of the Company do not consider that the Group is able to exercise significant influence over Hannans Limited at 30 June 2016.

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13. Exploration, evaluation and development expenditure

	Consolidated Capitalised exploration and evaluation expenditure \$
Gross carrying amount	
Balance at 1 July 2014	31,600,967
Transfer on deconsolidation of subsidiary	-
Reclassified as development	-
Additions	2,392,735
Expenditure written off	(539,187)
Balance at 1 July 2015	33,454,515
Transfer on deconsolidation of subsidiary	-
Additions	875,927
Reclassified as held for sale	(2,269,036)
Expenditure written off	-
Balance at 30 June 2016	32,061,406
Accumulated amortisation and impairment	
Balance at 1 July 2014	20,839,556
Amortisation expense	-
Impairment ⁽ⁱ⁾	1,252,915
Depreciation of rehabilitation asset	-
Balance at 1 July 2015	22,092,471
Amortisation expense	-
Reclassified as held for sale	(1,652,027)
Impairment ⁽ⁱ⁾	13,831
Depreciation of rehabilitation asset	-
Balance at 30 June 2016	20,454,275
Net book value	
As at 30 June 2015	11,362,044
As at 30 June 2016	11,607,131

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 performed a review of the recoverable amount of all projects. Total impairment charges of \$14 thousand (2015: \$1.3 million) were recognised in respect of exploration, evaluation and development assets for continuing operations.

14. Property, plant and equipment

	Consolidated		
	Plant and equipment at cost	Capital work in progress	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2014	436,283	21,261	457,544
Additions	55,353	40,182	95,535
Disposals	(6,917)	-	(6,917)
Transfers from WIP	-	(1,768)	(1,768)
Impairment	-	-	-
Balance at 1 July 2015	484,719	59,675	544,394
Additions	10,136	125,825	135,961
Disposals	(134,785)	-	(134,785)
Disposal on de-consolidation ⁽ⁱ⁾	-	(104,814)	(104,814)
Transfers to PP&E	-	(10,136)	(10,136)
Transfers to intangibles	-	(70,550)	(70,550)
Impairment	-	-	-
Balance at 30 June 2016	360,070	-	360,070
Accumulated depreciation			
Balance at 1 July 2014	252,300	-	252,300
Disposals	(2,559)	-	(2,559)
Depreciation expense	43,747	-	43,747
Balance at 1 July 2015	293,488	-	293,488
Disposals	(119,119)	-	(119,119)
Depreciation expense	40,842	-	40,842
Balance at 30 June 2016	215,211	-	215,211
Net book value			
As at 30 June 2015	191,231	59,675	250,906
As at 30 June 2016	144,859	-	144,859

- (i) The disposal on de-consolidation relates to the patents owned by Reed Advanced Materials Pty Ltd, a wholly owned subsidiary of Neometals in connection with the Eli process and producing Lithium Hydroxide. This subsidiary was de-consolidated at the date of "loss of control", being 6 October 2015.

15. Trade and other payables

	2016	2015
	\$	\$
Trade payables	171,045	674,642
Accrued expenses	304,718	218,505
Other	6,503	1,561
	482,266	894,708

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

	2016	2015
	\$	\$
Current		
Annual leave	156,605	118,418
Long service leave	72,191	59,022
Other (a)	828,800	987,147
	1,057,596	1,164,587
Non-current		
Other (a)	4,414,456	5,311,608
	4,414,456	5,311,608
	5,472,052	6,476,195

(a) Detail of movement in other provisions

	Onerous Contracts (i) \$
2016	
Balance at 1 July 2015	6,298,755
Additional provisions recognised	-
Reductions arising from payments/ other sacrifices of future economic benefits	(898,927)
Additions/(reductions) resulting from re-measurement or settlement without cost	(156,572)
Unwinding of discount and effect of changes in the discount rate	-
Balance at 30 June 2016	5,243,256
Comprised of:	
Current provision	828,800
Non-current provision	4,414,456
	5,243,256

- (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.

16. Provisions (continued)

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

- (i) The onerous contract relates to a contract entered into by Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, for the Company's Barrambie Project. 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

	2016 \$	2015 \$
Current - at amortised cost		
Motor Vehicle Lease	11,939	12,564
Working Capital / Convertible Note Facility – secured ⁽ⁱ⁾	-	1,918,640
	11,939	1,931,204
Non-current - at amortised cost		
Motor Vehicle Lease	27,804	40,067
	27,804	40,067

- (i) In August 2013 through interests associated with the Deputy Chairman, David Reed, he committed to provide a standby facility to support the Company's working capital position, with definitive agreements executed and announced on the 27th September 2013. As at 30 June 2014 the Company had drawn down \$2M on the standby facility.

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

Term:	22 November 2015
Number of notes:	2,000,000
Face value:	\$1
Coupon rate:	11% per annum (previously floating rate that is 3% above the rate paid by noteholder under the noteholder's external financing arrangements). Interest is payable monthly in arrears.
Conversion price:	\$0.04 (previously \$0.03)
Conversion date:	Any time prior to the redemption date, being 22 November 2015.

In accordance with Accounting Standards the equity portion of the convertible note has been recognised.

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

18. Issued capital

559,089,257 fully paid ordinary shares (2015: 502,212,757)

2016	2015
\$	\$
160,047,735	157,910,617

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.

	2016		2015	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	502,212,757	157,910,617	523,453,895	158,292,130
Issue of shares on conversion of convertible note	50,000,000	2,000,000	-	-
Share issue costs	-	(7,172)	-	-
Shares cancelled through share buy back	-	-	(24,000,000)	(432,000)
Other share based payments	6,876,500	144,290	2,758,862	50,487
Balance at the end of the financial year	559,089,257	160,047,735	502,212,757	157,910,617

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 (2015: nil).

Convertible Notes

As outlined in Note 17 above, 2 million convertible notes were held by David Reed and converted into 50,000,000 fully paid ordinary shares on 18 November 2015.

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.

	2016	2015
	\$	\$
Share based payments reserve:		
Balance at the beginning of the financial year	5,269,552	5,179,214
Increase/ (Decrease) in share based payments	170,652	140,825
Amounts transferred to share capital on exercise	(144,290)	(50,487)
Balance at the end of the financial year	5,295,914	5,269,552
Other reserve⁽ⁱ⁾:		
Balance at the beginning of the financial year	300,349	158,629
Increase for convertible note issued / varied	-	141,720
Balance at the end of the financial year	300,349	300,349

19. Reserves (continued)

Investment revaluation reserve⁽ⁱⁱ⁾:

Balance at the beginning of the financial year

Investment revaluation reserve

Balance at the end of the financial year

Total Reserves

-	-
801,937	-
801,937	-
6,398,200	5,569,901

- (i) Other reserve represents the cumulative revaluation that has been recognised in equity in relation to convertible notes.
- (ii) 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

Accumulated losses:

Balance at the beginning of the financial year

Net profit / (loss) attributable to members of the Company

Payment of dividends

Balance at the end of the financial year

2016	2015
\$	\$
(150,260,778)	(139,946,373)
84,606,280	(10,314,405)
(11,181,785)	-
(76,836,283)	(150,260,778)

21. Earnings per share

Basic earnings per share:

Continuing and discontinued operations

Diluted earnings per share:

Continuing and discontinued operations

2016	2015
Cents per share	Cents per share
15.68	(2.05)
15.62	(2.05)

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:

Profit / (loss)^(a)

Continuing operations

Continuing and discontinued operations

2016	2015
\$	\$
84,606,280	(10,314,405)
84,606,280	(10,314,405)

Weighted average number of ordinary shares for the purpose of basic profit / (loss) per share

Weighted average number of ordinary shares for the purpose of diluted profit / (loss) per share

2016	2015
No.	No.
539,637,444	502,212,757
541,744,722	502,212,757

(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, evaluation activities. To continue to hold tenure over these areas the Group is required to undertake a minimum level of expenditure on or in relation to the leases. Minimum expenditure commitments for the exploration and mining leases for the 2016 financial year are \$567,380 (2015: \$599,130). 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 2017. 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. Finance lease commitments at reporting date total \$39,742 (2015: Nil).

(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 \$5.0 million (30 June 2015: \$6.0 million) as security a bank guarantee, which represented the present value of the Group's commitment under the agreement. The obligations under the gas transmission agreement commenced on 1 July 2010.

23. Leases

Finance leases:

Leasing arrangements

The lease of a motor vehicle is for a period of 60 months expiring in July 2019. The commitments are based on the fixed monthly lease payment.

Operating leases:

Leasing arrangements

Operating leases relate to the lease of commercial premises in West Perth and Canada and a photocopier. The lease agreement for the Company's registered head office expired on 30 June 2016. A new agreement was entered into for the 12 month period to 30 June 2017. 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 February 2019. The commitments are based on the fixed monthly lease payment and a monthly estimate for copying charges. The lease of a vehicle is for a period of 60 months expiring in July 2019. The commitments are based on the fixed monthly lease payment.

	2016 \$	2015 \$
Payments recognised as an expense		
Minimum lease payments	128,206	180,542
Contingent rentals	16,089	105,096
	144,295	285,638
Non-cancellable operating lease commitments		
Not longer than 1 year	328,168	204,237
Longer than 1 year and not longer than 5 years	645,917	72,747
	974,085	276,984

24. Deconsolidation of subsidiary

Deconsolidation of Reed Advanced Materials Pty Ltd (RAM)

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

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

	6 October 2015 \$
Net liabilities of RAM de-recognised on deconsolidation	188,805
Investment in subsidiary entity recognised on deconsolidation	1
Profit on disposal	188,806
Reconciliation of RAM net liabilities de-recognised on deconsolidation:	
	\$
Current Assets	9,638
Non-current assets	40,700
Total Assets	50,338
Current liabilities	(239,143)
Total Liabilities	(239,143)
Net liabilities	(188,805)

25. Joint arrangements

Name of operation	Principal activity	Interest	
		2016 %	2015 %
Reed Industrial Minerals Pty Ltd ⁽ⁱ⁾	Evaluation of lithium production	13.8	70
Reed Advanced Materials Pty Ltd ⁽ⁱⁱ⁾	Evaluation of lithium hydroxide process	70	100

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

(i) Reed Industrial Minerals Pty Ltd

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

- (i) Ganfeng to acquire an up-front 25% shareholding in RIM by way of share sale and equity subscription leaving Neometals with 45% of RIM and MIN with 30% of RIM;
- (ii) PMI and Ganfeng to be granted options by Neometals pursuant to which they can elect to increase their respective shareholdings in RIM to 43.1% by way of share purchase from Neometals which took place in the second half of FY15/16;
- (iii) MIN building, owning and operating the Mount Marion mining, crushing and beneficiation infrastructure and equipment pursuant to a fixed price mining services contract;
- (iv) Ganfeng entering into a long-term offtake for 100% of the spodumene produced from the Mt Marion Lithium Project at benchmarked market prices subject to an agreed price floor. Under the agreement, from year 4 onwards Neometals and PMI reserve the right to take their percentage shareholding in RIM entitlements of production should they so elect; and
- (v) prudential corporate governance arrangements for RIM between Ganfeng and RIM's existing shareholders with equal board representation for all shareholders.

25. Joint arrangements (continued)

The parties entered into formal agreements during the period. Subsequent to completion both Ganfeng and MRL exercised their respective options to increase their shareholdings in RIM, resulting in Neometals selling down a further 31.2% for a total sell down during the year of 56.2%. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	30 June 2016 \$
Proceeds of disposal to Ganfeng	26,287,498
Less: carrying amount of investment	(324,461)
Proceeds of disposal to Ganfeng	36,445,226
Less: carrying amount of investment	(311,601)
Proceeds of disposal to PMI	26,411,290
Less: carrying amount of investment	(225,523)
Profit on disposal	88,282,429

Summarised financial information for the joint venture:

	2016 \$	2015 \$
Carrying value of investment in the joint venture	204,258	1,099,159
Loan to joint venture ⁽ⁱ⁾	72,000	1,681,952
Share of loss of joint venture recognised in profit or loss ⁽ⁱⁱ⁾	33,318	398,240
Current assets	237,763	434,924
Non-current assets	32,244,234	12,891,878
Current liabilities	(14,225,964)	(550,778)
Non-current liabilities	(5,158,564)	(12,021,036)

(i) The loan to the joint venture owing as at 30 June 2015 has since been repaid from Ganfeng's investment in RIM during the period.

(ii) The equity accounted share of the joint venture's loss is credited to the carrying value of the investment in the joint venture.

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

	2016 \$	2015 \$
Exploration expenditure commitments – not longer than 1 year	2,217,000	-
Development expenditure commitments – not longer than 1 year	1,794,000	-

(ii) Reed Advanced Materials Pty Ltd

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

25. Joint arrangements (continued)

Summarised financial information for the joint venture:

	2016 \$	2015 \$
Carrying value of investment in the joint venture	-	-
Loan to joint venture	1,312,580	-
Share of loss of joint venture not recognised in profit or loss	161,013	-
Current assets	330,785	13,547
Non-current assets	978,496	33,520
Current liabilities	(351,412)	(16,500)
Non-current liabilities	(1,312,580)	(187,718)

26. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2016 %	2015 %
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
Barrambie Gas Pty Ltd	Australia	100	100
GMK Exploration Pty Ltd ⁽ⁱ⁾	Australia	100	100
GMK Administration Pty Ltd	Australia	100	100
Gold Mines of Kalgoorlie Ltd	Australia	100	100
Urban Mining Pty Ltd (formerly Mount Finnerty Pty Ltd)	Australia	100	100
Reed Exploration Pty Ltd	Australia	100	100

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

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

27. 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.

For the year ended 30 June 2016

Reportable operating segments	Lithium \$	Titanium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	-	-	-	-	-
Cost of sales	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-
Other income	88,471,234	-	-	792,479	89,263,713
Impairment	-	-	(13,831)	-	(13,831)
Depreciation and amortisation	-	-	-	(41,739)	(41,739)
Total revenue	88,471,234	-	-	792,479	89,263,713
Total expense	(31,656)	(365,009)	(17,605)	(5,017,063)	(5,431,333)
Profit/(loss) before tax	88,439,578	(365,009)	(17,605)	(4,224,584)	83,832,380
Discontinued operations					
Total revenue	-	-	-	-	-
Total expenses	-	-	-	-	-
Loss before tax	-	-	-	-	-
Consolidated profit/(loss) before tax	88,439,578	(365,009)	(17,606)	(4,224,584)	83,832,380

As at 30 June 2016

Reportable operating segments	Lithium \$	Titanium \$	Other \$	Unallocated \$	Total \$
Increase/(decrease) in non-current assets	(1,239,341)	(13,782)	2,895,805	71,495,724	73,138,406
Decrease in classified as held for sale	-	-	-	-	-
Consolidated increase/(decrease) in non-current assets	(1,239,341)	(13,782)	2,895,805	71,495,724	73,138,406
Total segment assets	1,588,837	11,786,768	1,414,856	79,284,154	94,074,615
Assets classified as held for sale	-	-	1,625,705	-	1,625,705
Consolidated total assets	1,588,837	11,786,768	3,040,561	79,284,154	95,700,320

27. Segment information (continued)

For the year ended 30 June 2015

Reportable operating segments	Lithium \$	Titanium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	-	419,526	-	-	419,526
Cost of sales	-	(159,872)	-	-	(159,872)
Gross profit/(loss)	-	259,654	-	-	259,654
Other income	-	-	200,006	825,412	1,025,418
Impairment	-	119,214	(1,372,129)	-	(1,252,915)
Depreciation and amortisation	-	-	-	(43,747)	(43,747)
Total revenue	-	419,526	200,006	825,412	1,444,943
Total expense	(444,018)	(6,515,064)	(1,591,231)	(3,209,035)	(11,759,348)
Loss before tax	(444,018)	(6,095,538)	(1,391,225)	(2,383,623)	(10,314,405)
Discontinued operations					
Total revenue	-	-	-	-	-
Total expenses	-	-	-	-	-
Loss before tax	-	-	-	-	-
Consolidated loss before tax	(444,018)	(6,095,538)	(1,835,244)	(2,383,623)	(10,314,405)

As at 30 June 2015

Reportable operating segments	Lithium \$	Titanium \$	Other \$	Unallocated \$	Total \$
Increase/(decrease) in non-current assets	276,615	1,052,470	(491,838)	(419,857)	417,390
Decrease in classified as held for sale	-	-	-	-	-
Consolidated increase/(decrease) in non-current assets	276,615	1,052,470	(491,838)	(419,857)	417,390
Total segment assets	2,828,178	11,800,550	144,756	7,788,430	22,561,914
Assets classified as held for sale	-	-	-	-	-
Consolidated total assets	2,828,178	11,800,550	144,756	7,788,430	22,561,914

Geographical information

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

28. 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 26 to the financial statements.

(b) Key management personnel remuneration

Details of Key Management Personnel remuneration are disclosed on pages 13-19 of the Directors' Report.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Neometals Ltd

2016	Balance at 01/07/15 No.	Balance on appointment No.	Received on exercise of performance rights No.	Net other change No.	Balance at 30/06/16 No.	Balance held nominally No.
Non-executive directors						
S. Cole	1,120,083	-	-	-	1,120,083	-
D. Reed	28,121,259	-	-	35,100,000	63,221,259	-
Executive directors						
C. Reed	6,968,064	-	6,580,916	(3,000,000)	10,548,980	-
Other executives						
J. Carone ⁽ⁱ⁾	400,000	-	295,584	-	695,584	-
Total	36,609,406	-	6,876,500	32,100,000	75,585,906	-

(i) Excludes shares issued subsequent to year end for performance rights that vested 30 June 2016.

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

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

28. Related party disclosures (continued)

Share options of Neometals Ltd

No options were issued to related parties during the current period (2015: nil).

Performance rights of Neometals Ltd

In the current reporting period the Company granted 3,363,638 (2015: 9,394,155) 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⁾	09/10/2015	593,472	-	49,644	30/06/2017	-
C. Reed ⁽¹⁾	09/10/2015	1,595,092	-	133,429	30/06/2017	-
M. Tamlin ⁽¹⁾	21/01/2016	1,175,074	-	127,081	30/06/2017	-
Total		3,363,638	-	310,154		-

(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 year period as set out in the relevant employee's employment contract. At 30 June 2016 no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

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⁾	01/08/2012	53,205	295,584	49,274	-	295,584
J. Carone ⁽²⁾	07/10/2013	12,851	1,098,369	1,098,369	-	-
J. Carone ⁽²⁾	01/08/2014	42,007	2,813,239	2,813,239	-	-
C. Reed ⁽¹⁾	01/08/2014	101,312	6,580,916	-	-	6,580,916
J. Carone ⁽³⁾	09/10/2015	49,644	593,472	-	-	-
C. Reed ⁽³⁾	09/10/2015	133,429	1,595,092	-	-	-
M. Tamlin ⁽³⁾	21/01/2016	127,081	1,175,074	-	-	-
Total		519,529	14,151,746	3,960,882	-	6,876,500

(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 1 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 49,274 rights vested and 49,274 shares were issued on 21 January 2016.

(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 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 3,911,608 rights vested and shares were issued on 13 July 2016.

28. Related party disclosures (continued)

- (3) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Neometals TSR compared to the comparative group of companies over the 2 year period as set out in the relevant employee's employment contract. At 30 June 2016 no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

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

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:

	2016 \$	2015 \$
Interest income	4,159	5,449
Total recognised as income	4,159	5,449
Interest and fees expense	(42,721)	(272,055)
Total recognised as expenses	(42,721)	(272,055)

(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.

The parent entity has loaned funds to subsidiaries. The loans totalled \$1.1 million at 30 June 2016 (2015: \$0.2 million) after recognising an impairment of \$3.7 million (2015: \$2.9 million) in the current financial year. These loans are repayable on demand and are interest free.

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

Transactions involving other related parties

In the 2012 financial year the Company provided a loan to Mr. C Reed of \$150,000 at a commercial interest rate of 7.2%. The interest rate is subsequently adjusted in line with changes to the official cash rate announced by the Reserve Bank of Australia ("RBA") from time to time. The facility was an interest only loan until March 2013 at which time repayments of principal and interest commenced. During the year, the remaining balance of the loan has been repaid to \$90,000. Post balance sheet date the remaining balance of the loan has been repaid to \$45,000 with an extended repayment date to 31 December 2016. Loan interest charged for the period totalled \$4,159 (2015: 5,449).

On 18 November 2015 Mr David Reed elected to convert the 2 million convertible notes into 50 million ordinary shares in the company. Refer to note 17 for further details.

(f) Controlling entities

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

29. Notes to the statement of cash flows

a) Reconciliation of cash and cash equivalents

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

Cash and cash equivalents included in a disposal group

2016 \$	2015 \$
73,223,833	1,442,648
1,004,888	-
74,228,721	1,442,648

(b) Funds not available for use

Restrictions exist on bank deposits with a total value of \$5,025,000. Deposits are classified as financial assets (see Note 12).

Of the \$5,025,000 held in restricted bank deposits \$5,000,000 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

	2016 \$	2015 \$
Profit / (loss) for the period	85,408,217	(10,314,405)
Profit on deconsolidation of subsidiary	(188,806)	-
Loss on disposal/lapse of financial assets	-	40,000
Share of equity accounted entity's loss	33,318	398,240
Gain on sale of subsidiary presented as investing in cashflow	(88,282,429)	-
Fair value gains on available-for-sale investments	(1,145,625)	-
Interest received on investments	(671,240)	(296,366)
Costs of borrowing	229,464	337,898
Depreciation and amortisation of non-current assets	41,739	43,747
Equity settled share-based payment	170,652	140,824
Net foreign exchange (gain) / loss	(101,078)	-
Exploration and evaluation expenditure write off	-	392,221
Loss on assets scrapped	14,274	-
Impairment of non-current assets	13,831	1,252,915
(Increase) / decrease in assets:		
Current receivables	930,505	(202,503)
Other	297,372	-
Increase / (decrease) in liabilities:		
Current payables	(297,957)	520,848
Current borrowings	(1,918,640)	-
Provisions	(115,017)	4,770,744
Net Cash generated from / (used) in operating activities	(5,581,420)	(2,915,837)

30. Financial instruments

(a) Financial risk management objectives

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

(b) Significant accounting policies

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

(c) Interest rate risk

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

2016	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	2.30	-	71,588,409	-	-	152	71,588,561
Cash and cash equivalents USD	0.03	-	2,640,160	-	-	-	2,640,160
Barrambie Gas term deposit ⁽ⁱ⁾	3.01	-	5,000,000	-	-	-	5,000,000
Bond term deposits ⁽ⁱ⁾	2.95	-	25,000	-	-	-	25,000
Trade and other receivables	4.45	-	-	90,000	-	553,751	643,751

Financial liabilities:

Trade payables	-	-	-	-	-	578,873	578,873
Convertible note	-	-	-	-	-	-	-

(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 29(b). The financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they are not accessible to the Group due to restrictions placed on accessing the funds.

2015	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	2.60	-	1,442,496	-	-	152	1,442,648
Barrambie Gas term deposit ⁽ⁱ⁾	3.19	-	6,000,000	-	-	-	6,000,000
Bond term deposits ⁽ⁱ⁾	3.14	-	95,000	-	-	-	95,000
Trade and other receivables	-	-	-	-	-	-	-

Financial liabilities:

Trade payables	-	-	-	-	-	894,708	894,708
Convertible note	11.34	-	1,918,640	-	-	-	-

(ii) 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 29(b). The financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they are not accessible to the Group due to restrictions placed on accessing the funds.

30. Financial instruments (continued)

(d) Credit risk management

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

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

(e) Liquidity risk management

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

In addition to financial 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 15. The Group's financial borrowings (motor vehicle hire purchase lease) are not subject to interest rate risk as the rate is fixed at time of entering into the financing agreement.

The sensitivity 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 2016 would decrease/increase by \$396,269 (2015: decrease/increase \$37,687). This is mainly attributable to the Group's exposure to interest rates on the maturity of its term deposits.

31. Contingent liabilities

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

At note 11 to the Half Year Report for the six months ended 31 December 2015 the company advised that it had received a claim for an introduction fee in relation to the Ganfeng transaction that took place during the half year ended 31 December 2015. The claim was for \$2.3M and an offtake commission of 2% of the free on board price received from Ganfeng for the shipment of spodumene from the Mt Marion project. As advised at the Half Year the Company absolutely denies liability and believes the claim to not have merit. In April 2016 the Company responded to the claim accordingly and there has not been any further correspondence since. Accordingly, the Directors have not raised a provision in the accounts.

32. Events after the reporting period

On 11 August 2016 the Company declared an unfranked dividend of 2 cents per share, to holders of ordinary shares registered at 5.00pm WST on 17 August 2016. The dividend was paid on 26 August 2016.

In March 2016 the Company agreed to divest its Reed Exploration Pty Ltd Nickel Projects by way of a sale of the subsidiary that owns the project, Reed Exploration Pty Ltd, to Hannans Limited. A binding share sale agreement was executed on 10 August 2016 and completion, which is subject to a number of conditions precedent, is expected to occur late September 2016.

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