

Mt Edwards Lithium Pty Ltd

ACN 613 827 311

Financial Report for the financial year ended 30 June 2020

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Directors' Report

The directors of Mt Edwards Lithium Pty Ltd ("MEL") submit herewith the financial report of the Company for the year ended 30 June 2020. The directors report as follows:

Directors

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

Name

Christopher Reed	(Appointed 27 April 2018)
Steven Cole	(Appointed 15 August 2018)

The above named directors held office during and since the end of the financial year unless otherwise stated.

Principal activities

The Company's principal activities during the period consisted of the continued exploration and evaluation of the Mt Edwards Project.

Review of operations

Since acquisition in 2018, drill programs at Mt Edwards have defined high grade massive nickel mineralisation and several Mineral Resources have been reviewed with estimates updated. Successful exploration outcomes at Mt Edwards are driving development of a pipeline of short lead time nickel sulphide deposits being evaluated and undergoing mining studies. Exploration results to date have provided strong encouragement regarding alternatives to realise value at Mt Edwards.

The Mt Edwards project is located 90km south of Kalgoorlie and 35km south west of Kambalda in Western Australia. The tenements cover an area of 300km² across the Widgiemooltha Dome nickel sulphide belt and host 147,000 tonnes of contained nickel estimated across eleven nickel sulphide Mineral Resources.

Share options granted to directors and senior management

During and since the end of the financial year, no options over unissued shares or unissued interests of the company were granted to the directors as part of their remuneration.

Changes in state of affairs

There have been no significant changes in the state of affairs.

Events after the reporting period

No matters have arisen since 30 June 2020 that would be likely to materially affect the operations of the Entity, or its state of affairs which has not otherwise been disclosed in this financial report.

Future developments

The Company intends to continue exploration and evaluation of the Mt Edwards Project, to realise value.

Environmental regulations

The Company is aware of its responsibility to impact as little as possible on the environment and, where there is any disturbance, to rehabilitate sites. During the year the majority of work carried out was in Western Australia and the Company followed procedures and pursued objectives in line with guidelines published by the Western Australian Government. These guidelines are quite detailed and encompass the impact on owners and land users, heritage, health and safety and proper restoration practices. The Company adheres to regulatory guidelines, and any local conditions applicable. The Company has not been in breach of any State or Commonwealth environmental rules or regulations during the year.

Dividends

Since the start of the financial period, no amount, has been paid or declared by way of dividend (2019 – nil).

Proceedings on behalf of the company

No person has applied for leave of 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 any part of those proceedings.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

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

Christopher Reed
Director
West Perth, WA, 30 April 2021

Independent Auditor's Report to the members of Mt Edwards Lithium Pty Ltd

Opinion

We have audited the financial report of Mt Edwards Lithium Pty Ltd (the "Company") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and directors' declaration as set out on pages 7 to 21.

In our opinion, the accompanying financial report presents fairly, in all material respects, the Company's financial position as at 30 June 2020 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's directors' report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Report

Management of the Company is responsible for the preparation of the financial report in accordance with Australian Accounting Standards, which includes the non-going concern basis of accounting and for such internal control as management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting. As disclosed in note 2, the financial report has been prepared on the non-going concern basis because the directors intend to liquidate the Company.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Ian Skelton
Partner
Chartered Accountants
Perth, 30 April 2021

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 1 to the financial statements; and
- c) in the directors' opinion, the attached financial statements and notes thereto are in compliance with the accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

On behalf of the Directors



Christopher Reed
Director
West Perth, WA, 30 April 2021

Statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	30 June 2020	30 June 2019
Note	\$	\$
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administration expenses	23,943	11,829
Employee expenses	3,320	20,700
Occupancy expenses	-	1,000
Loss before tax	27,263	33,529
Income tax expense	2	-
Loss for the period	27,263	33,529
Other comprehensive income	-	-
Total comprehensive loss for the year	27,263	33,529

The accompanying notes are an integral part of these financial statements.

Statement of financial position as at 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
Current assets			
Cash and cash equivalents		166,809	88,516
Trade and other receivables		19,394	-
Total current assets		<u>186,203</u>	<u>88,516</u>
Non-current assets			
Exploration and evaluation expenditure	3	2,003,995	1,563,039
Total non-current assets		<u>2,003,995</u>	<u>1,563,039</u>
Total assets		<u>2,190,198</u>	<u>1,651,555</u>
Current liabilities			
Trade and other payables	4	-	(31,483)
Borrowings	5	(2,213,500)	(1,653,610)
Total current liabilities		<u>(2,213,500)</u>	<u>(1,685,093)</u>
Non-current liabilities			
Provisions	6	(37,500)	-
Total non-current liabilities		<u>(37,500)</u>	<u>-</u>
Total liabilities		<u>(2,251,000)</u>	<u>(1,685,093)</u>
Net liability		<u>(60,802)</u>	<u>(33,539)</u>
Equity			
Issued capital	8	130,000	130,000
Accumulated losses		(190,802)	(163,539)
Total equity		<u>(60,802)</u>	<u>(33,539)</u>

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity for the financial year ended 30 June 2020

	Issued Capital	Accumulated Losses	Total equity
	\$	\$	\$
Balance at 1 July 2018	130,000	(130,010)	(10)
Loss for the period	-	(33,529)	(33,529)
Other comprehensive income	-	-	-
Issue of Share Capital	-	-	-
Balance at 30 June 2019	130,000	(163,539)	(33,539)
Loss for the period	-	(27,263)	(27,263)
Other comprehensive income	-	-	-
Issue of Share Capital	-	-	-
Balance at 30 June 2020	130,000	(190,802)	(60,802)

The accompanying notes are an integral part of these financial statements.

Statement of cash flows for the financial year ended 30 June 2020

	30 June 2020	30 June 2019
Note	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(27,263)	(33,529)
Net cash used in operating activities	<u>(27,263)</u>	<u>(33,529)</u>
Cash flows from investing activities		
Payments for exploration, evaluation and development expenditure	(491,834)	(702,724)
Net cash used in investing activities	<u>(491,834)</u>	<u>(702,724)</u>
Cash flows from financing activities		
Proceeds of loan from related parties	597,390	824,769
Net cash provided by financing activities	<u>597,390</u>	<u>824,769</u>
Net increase in cash and cash equivalents	<u>78,293</u>	<u>88,516</u>
Cash and cash equivalents at the beginning of the financial year	<u>88,516</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year	<u><u>166,809</u></u>	<u><u>88,516</u></u>

The accompanying notes are an integral part of these financial statements.

1. Summary of accounting policies

General Information

Mt Edwards Lithium Pty Ltd is a private company incorporated in Australia. The principal activities of the Company are mineral exploration.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Accounting Standards and Interpretations, and complies with other requirements of the law.

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

Basis of preparation

The financial report has been prepared on a going concern basis. The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2019 Annual Financial Report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with IFRS.

The Company 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 2019.

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 Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and were effective for the current financial reporting period beginning 1 July 2019.

- AASB 16 Leases
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

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

Standards and interpretations issued but 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 2020:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 17 Insurance Contracts	1 January 2021	30 June 2021
• AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2022	30 June 2023

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The

Company is assessing the impact of the new standards, however does not expect to have a material impact on the Company in the current of future reporting periods and on foreseeable future transactions.

Critical accounting estimates and judgments

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and 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 account 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.

Critical judgments in applying the Company's accounting policies

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below or elsewhere in the financial statements.

Recovery of capitalised exploration evaluation and development expenditure

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Company's accounting policy requires estimates and assumptions as to future events and circumstances whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the statement of profit and loss and other comprehensive income in accordance with the accounting policy. The carrying amounts of exploration and evaluation assets are set out in note 3.

Significant Accounting Policies

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

a) Going concern basis

The financial statements have been prepared on a going concern basis of accounting, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business. For the period ended 30 June 2020, Mt Edwards Lithium Pty Ltd incurred a net loss of \$27,263 (2019: \$33,529) and net operating cash outflows of \$519,097 (2019: \$736,253). The company had cash and cash equivalents of \$166,809 (2019: \$88,516) and net current liabilities of \$2,027,296 (2019: \$1,596,577).

Having regard to these matters, the directors are nonetheless of the opinion that the going concern basis upon which the financial report is prepared continues to be appropriate having received a letter of support from the ultimate controlling entity, Neometals Limited, for the next twelve months from the date of authorisation of these financial statements. The letter of support is to provide financial support to allow the Company to operate as a going concern for a period of at least 12 months from date of signing the Company's financial statements. The letter of support outlines that Neometals Ltd will not call on any amounts due from the Company for at least 12 months from date of signing the financial statements, and will continue to provide an appropriate level of financial support to ensure the Company is in a position to meet its financial liabilities and obligations as and when they fall due.

The Company's cash position reflects that the Company will need to obtain additional working capital during the coming financial year, to enable the Company to continue to meet its current committed administration and exploration expenditure.

Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

a) Going concern basis (cont'd)

Notwithstanding the above matters, the Directors are satisfied they will be able to access financial support from the ultimate parent, Neometals Ltd, as required and thus it is appropriate to prepare the financial statements on a going concern basis.

In arriving at this position the Directors have considered the following pertinent matters:

- The planned exploration expenditure is staged and expenditure may or may not be spent depending on the result of the prior exploration stage; and
- The Directors are satisfied that they will be able to access additional funds by Parent Company support to fund ongoing exploration commitments and for working capital.

In the event that the Company is unable to obtain additional funds to meet the Company's ongoing working capital requirements when required, there is a significant uncertainty as to whether the Company will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks with maturity of less than 3 months.

c) Financial assets

Financial Assets

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed immediately.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices in an active market are used to determine fair value where possible. The Company does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Amortised cost instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at FVPL.

d) Foreign currency

Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

e) Goods and services 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 Statement of cash flows 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) Impairment of assets

At each reporting date, the Company reviews the carrying 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 carrying 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 carrying 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 carrying amount does not exceed the carrying 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.

g) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying 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.

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 Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

g) Income tax (cont'd)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company 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 income 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.

h) Payables

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

i) Provisions

Provisions are recognised when the Company 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.

j) 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.

Exploration and evaluation assets include

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling and
- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment, and any impairment loss is recognised prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

Summary of accounting policies (cont'd)

Significant accounting policies (cont'd)

j) Exploration and evaluation expenditure (cont'd)

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploitation for and evaluation of mineral resources in the specific area are not budgeted or planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

Where a potential impairment is indicated, an assessment is performed for each cash generating unit which is no larger than the area of interest. The Company performs impairment testing in accordance with the accounting policy.

2. Income taxes

	30 June 2020	30 June 2019
	\$	\$
Loss from continuing operations	27,263	33,529
Income tax expense calculated at 30%	8,179	10,059
Effect of income and expenses that are not deductible in determining taxable profit	(8,179)	(10,059)
Income tax expense recognised	-	-

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.

Tax Consolidation

Relevance of tax consolidation to the consolidated entity

Mt Edwards Pty Ltd is part of a tax-consolidated group, having entered into a tax funding arrangement and a tax sharing agreement with the head entity, Neometals Ltd. Under the terms of the tax funding arrangement, Mt Edwards have 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.

3. Exploration and evaluation expenditure

	30 June 2020	30 June 2019
	\$	\$
Gross carrying amount		
Opening balance	1,563,039	912,963
Acquisition costs	300,000	-
Additions ¹	140,956	650,076
Closing balance	2,003,995	1,563,039

¹ Acquisitions for two tenements took place during the year. Tenements E15/1553 and P15/6092 were acquired for \$250,000 and \$50,000 respectively. Minor additional costs in relation to the transaction were also incurred.

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.

4. Trade and other payables

	30 June 2020	30 June 2019
	\$	\$
Trade creditors	-	(31,483)
Other payables	-	-
	-	(31,483)

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

5. Borrowings –current

Owing to Neometals Ltd⁽ⁱ⁾

	30 June 2020	30 June 2019
	\$	\$
	(2,213,500)	(1,653,610)
	(2,213,500)	(1,653,610)

- (i) Borrowings from related parties are repayable on demand. The average effective interest rate on borrowings from related parties is 0% per annum.

6. Provisions – non-current

Rehabilitation provision

	30 June 2020	30 June 2019
	\$	\$
	(37,500)	-
	(37,500)	-

The Company is required to rehabilitate mining and exploration sites at the end of mining or exploration, to a condition acceptable to the relevant authorities, as specified in licence requirements and the Company's environmental charter. The provision balance includes costs for rehabilitation monitoring, site inspections, annual reporting, and other administrative costs.

7. Segment Reporting

Operating segments are identified, and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's Chief Operating Decision Maker which, for the Company, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the statement of comprehensive income and statement of financial position. The Company operates in the mineral exploration industry in Australia. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

8. Issued Capital

Fully paid ordinary shares

	30 June 2020	30 June 2019
	\$	\$
	(130,000)	(130,000)
	(130,000)	(130,000)

At the end of the 2020 financial year Neometals held 530 shares in Mt Edwards Lithium Pty Ltd (2019: 530). Fully paid ordinary shares carry one vote per share and carry the right to dividends. 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.

Share options

At balance date there were no share options in existence over ordinary shares (2019: nil).

9. Related party transactions

Loans from related parties ⁽ⁱ⁾

	30 June 2020	30 June 2019
	\$	\$
	(2,213,500)	(1,653,610)
	(2,213,500)	(1,653,610)

- (i) The Entity has been provided loans with no interest payable. The loans from the ultimate controlling party are unsecured.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is provided by the parent Company, Neometals Ltd.

10. Auditors remuneration

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

	30 June 2020	30 June 2019
	\$	\$
Audit services - Deloitte Touche Tohmatsu		
Fees to the Company auditor for the audit or review of the statutory financial reports of the Company, subsidiaries and joint operations	7,500	7,500
Fees for other assurance and agreed-upon procedures under other legislation or contractual arrangements	-	-
Total remuneration of Deloitte Touche Tohmatsu	7,500	7,500

11. Financial instruments

(a) Financial risk management objectives

The 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 1 to the financial statements.

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the entity. The 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 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 entity does not have any significant credit risk exposure to any single counterparty or any Company 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.

(d) 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 Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities, and by continuously monitoring forecast and actual cash flows.

In addition to financial liabilities, the Company is required to meet minimum spend commitments to maintain the tenure over the Company's mineral exploration areas as described in note 12.

(e) Fair value

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

12. Commitments for expenditure

The entity holds mineral exploration licences in order for it to undertake its exploration and evaluation activities. To continue to hold tenure over these areas the entity 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 are \$932,980 per annum. 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 one year. However, should the Company continue to hold the tenements beyond this date additional expenditure commitments would arise.

13. Events after the reporting period

There are no events subsequent to balance date that require disclosure in the financial statements.

Additional company information

Mt Edwards Lithium Pty Ltd is a proprietary company, incorporated and operating in Australia.

Registered Office

Level 1, 1292 Hay Street
West Perth WA 6005

Principal place of business

Level 1, 1292 Hay Street
West Perth WA 6005