

Nex Metals Explorations Limited

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2020

Contents

| | |
|--|----|
| Corporate Directory..... | 3 |
| Directors' Report..... | 4 |
| Auditor's Independence Declaration..... | 11 |
| Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income | 12 |
| Consolidated Condensed Statement of Financial Position | 13 |
| Consolidated Condensed Statement of Cash Flows | 14 |
| Consolidated Condensed Statement of Changes in Equity | 15 |
| Notes to the Condensed Interim Financial Statements..... | 16 |
| Directors' Declaration | 22 |
| Independent Auditor's Review Report | 23 |

Corporate Directory

DIRECTORS

Thomas F Percy QC
Kenneth M Allen
Hock Hoo Chua
Raja Mohd Azmi bin Raja Razali (Alternate Director to Hock Hoo Chua)

COMPANY SECRETARY

Kenneth M Allen

PRINCIPAL OFFICE

45 Guthrie Street
OSBORNE PARK WA 6017

REGISTERED OFFICE

45 Guthrie Street
OSBORNE PARK WA 6017

AUDITORS

HLB Mann Judd (WA) Partnership
Level 4, 130 Stirling Street
PERTH WA 6000

SOLICITORS

Lawton Gillon
Level 7, 16 St George's Terrace
PERTH WA 6000

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Phone: (+618) 9389 8033

STOCK EXCHANGE LISTING

Australian Securities Exchange
Home Exchange: PERTH, Western Australia
Code: NME

Directors' Report

The directors of Nex Metals Explorations Limited ("Company") and its controlled entity ("Group") submit herewith the financial report for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of the directors who held office during or since the end of the half-year are:

Thomas F Percy

Kenneth M Allen

Hock Hoo Chua

Raja Mohd Azmi bin Raja Razali (Alternate Director to Hock Hoo Chua)

Operating Results

The operating loss of the Group for the half-year after providing for income tax amounted to \$1,141,580 (31 December 2019 – \$379,291).

Review of Operations

Re-Commencement of Tailings Trial and Commissioning of Plant

During the period the Company commissioned a processing plant for the tailings processing trial at the Kookynie Tailings Research Project. Production commenced during the period to produce a concentrate. The concentrate will be reprocessed in Perth. The Company has now sourced additional processing capability which will near double the throughput and supplement the existing equipment. The equipment is being commissioned in Perth then delivered to site ready for operation on arrival. A new borehole has been drilled and cased, eliminating any water supply issues, with only a 37-metre depth but 20 metres of head there is sufficient long-term water supply now tapped for the complete tailings project.



Photo 1: Equipment as arrived on site next to the historical Cosmopolitan Mine foundations and Dump 5.

About the Kookynie Tailings Research Project

As previously reported, in late October 2017 Nex Metals drilled a total of 81 aircore holes for 497 metres over the tailings stockpiles (Figure 1). There are six distinct tail stockpiles located on Cosmopolitan tenement M40/61. Drilling was designed to test the full depth profile of these stockpiles which were up to seven metres high. Drilling confirmed the grades previously identified by the Nex Metals soil sampling program. The overall average grade of the Cosmopolitan tails is 0.69 g/t Au. However, examination of the individual tail's stockpiles indicate that certain stockpiles are higher grade than others. This is shown in Table 1, with stockpile 5 showing a mean grade of 1.33g/t Au.

Figure 1 shows representative cross sections through stockpiles 4, 5 and 6.

| Area | Depth slices | | | | | | | | Overall |
|-----------------------|--------------|-------------|-------------|-------------|-------------|-------------|------|------|-------------|
| | 0-1m | 1-2m | 2-3m | 3-4m | 4-5m | 5-6m | 7-8m | 8-9m | |
| Cosmo Dump 1 | 0.40 | 0.44 | 0.53 | 0.50 | 0.55 | 0.64 | 0.71 | 0.27 | 0.51 |
| Cosmo Dump 2 | 0.54 | 0.61 | 0.63 | 0.67 | 0.48 | 0.77 | 0.77 | 0.30 | 0.61 |
| Cosmo Dump 3 | 0.54 | 0.61 | 0.63 | 0.67 | 0.48 | 0.77 | 0.77 | 0.30 | 0.62 |
| Cosmo Dump 4 | 0.82 | 0.65 | 0.92 | 0.29 | | | | | 0.68 |
| Cosmo Dump 5 | 1.36 | 0.89 | 1.02 | 2.15 | 1.35 | 0.71 | | | 1.33 |
| Cosmo Dump 6 | 0.76 | 0.51 | 0.88 | 1.02 | 0.63 | 1.54 | | | 0.83 |
| Cosmo dispersed tails | 0.57 | 0.80 | | | | | | | 0.69 |

Table 1. Average grade of Cosmopolitan samples broken down by depth.

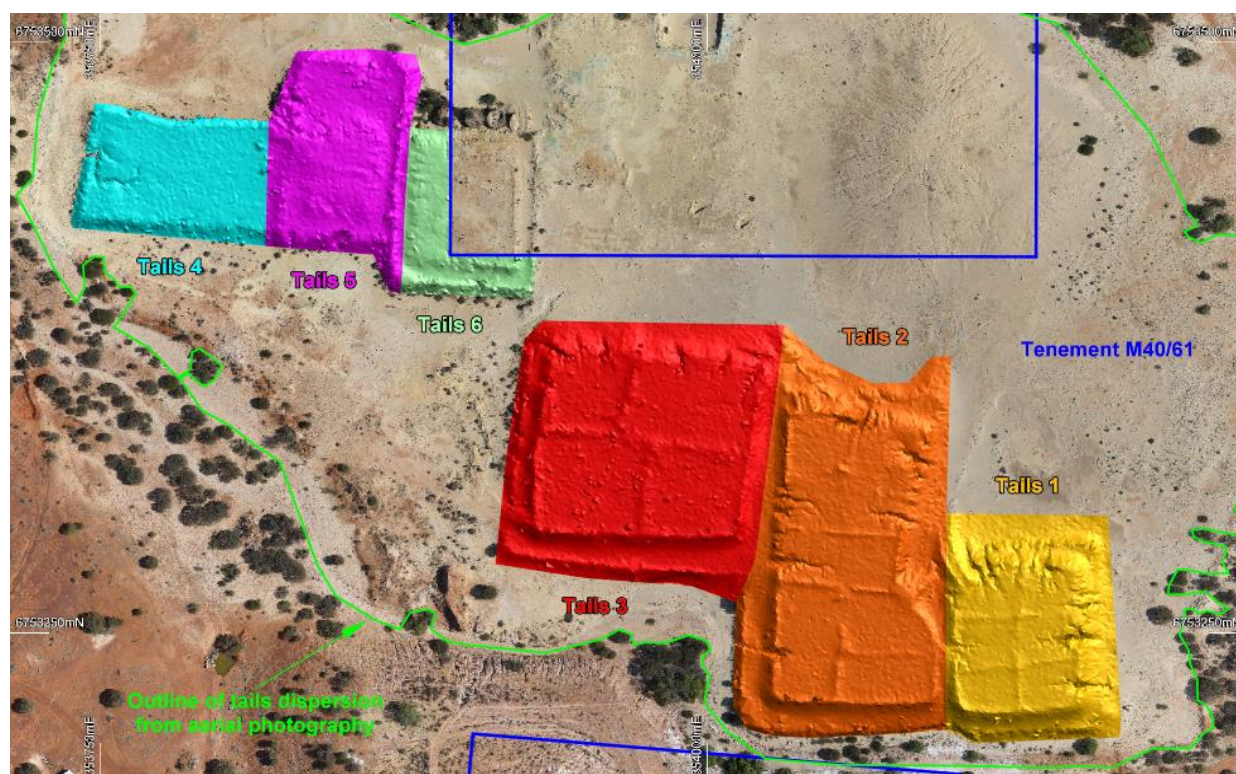


Photo 2: Cosmopolitan tailings Dump sites

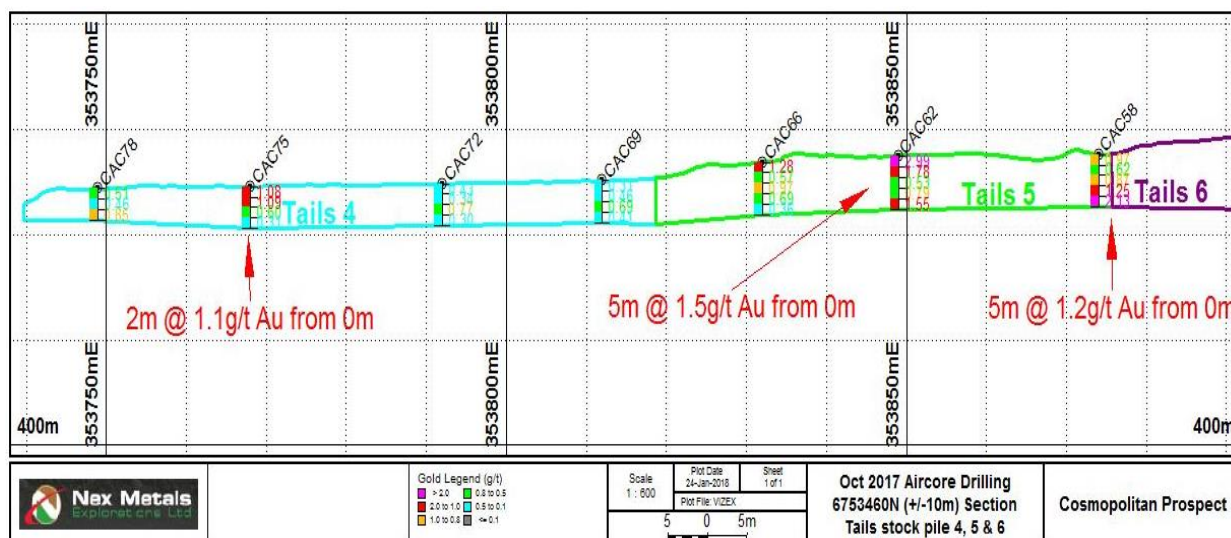


Figure 1. 6753430N Cross section (+/-10) showing aircore drilling across Cosmopolitan stockpiles 4, 5 & 6.

Drilling Results

During the half year Metalicity Ltd (AS:MCT) undertook a series of successful drilling campaigns which identified the High Grade and shallow nature of the mineralisation at the Kookynie Gold Project.

Please refer and read to the following announcements in there entirety:

NME/MCT 10 July 2020 announcement:

Drilling results included,

- McTavish:
 - McTRC0015 - 2 metres @ 14.11 g/t Au from 39 metres,
 - including 1 metre @ 19.42 g/t Au from 39 metres,
 - McTRC0010 - 5 metres @ 4.17 g/t Au from 20 metres,
 - McTRC0011 - 4 metres @ 5.01 g/t Au from 36 metres,
 - McTRC0012 - 4 metres @ 4.64 g/t Au from 54 metres
- Leipold:
 - LPRC0036 - 8 metres @ 4.05 g/t Au from 59 metres,
 - LPRC0037 - 2 metres @ 8.52 g/t Au from 43 metres
 - LPRC0038 - 5 metres @ 2.56 g/t Au from 60 metres
 - LPRC0034 - 3 metres @ 2.46 g/t Au from 44 metres

NME/MCT 25 August 2020 announcement:

Drilling results included for Leipold,

- LPRC0049 – 10 metres @ 7.44 g/t Au from 108 metres,
 - inc. 2 metres @ 21.03 g/t Au from 111 metres
- LPRC0049 – 2 metres @ 35.23 g/t Au from 124 metres,
- LPRC0046 – 9 metres @ 3.96 g/t Au from 35 metres,
 - inc. 2 metres @ 9.25 g/t Au from 42 metres,
- LPRC0065 – 7 metres @ 3.31 g/t Au from 27 metres,
 - inc. 2 metres @ 7.01 g/t Au from 32 metres,
- LPRC0064 – 6 metres @ 4.54 g/t Au from 24 metres

NME/MCT 31 August 2020 announcement:

- Initial results from the Drone Magnetic Survey of the DCC and Altona Trend areas have revealed a compelling 1.3-kilometre-long geophysical anomaly along strike and 2.5 kilometres to the north of the very high-grade Cosmopolitan Gold Mine.
- The historic Cosmopolitan mine produced 360,000 ounces at 15 g/t Au from surface to a depth of 320 metres.
- The 1.3-kilometre anomaly is very similar with regards to geophysical signatures and structural settings to the DCC Trend which hosts the Cosmopolitan mine, and to the known mineralised areas like Leipold, McTavish, Champion, and Altona Trends.
- The Altona Trend appears to be a “mirror image” of the DCC Trend displaying the same geophysical anomalism and structural disruption.
- The balance of the drone survey results of remaining Leipold-McTavish, Champion and E40/289 are pending and are expected to be announced shortly.
- Drilling at Kookynie Gold Project continues with a further 24 holes in the laboratory pending assay results from the current drilling activities due imminently.

NME/MCT 2 September 2020 announcement:

- The Drone Magnetic Survey was completed with a full interpretation using all data available generating 21 high priority targets.
- A target is of a similar geophysical and interpreted structural signature from known mineralised areas like Leipold, McTavish, Champion, the DCC and Altona Trends.
- The 21 targets generated are outside of the “known” mineralised areas of Leipold, McTavish, The DCC Trend etc.
- The Leipold Prospect appears to have a repeated similar geophysical signature some 700 metres north of the historical Leipold Pit.
- Similarly, with McTavish an offset structure has displaced the interpreted McTavish trend north of the historical workings with a 400-metre geophysical anomaly circa 500 metres north of the historical McTavish workings.
- As reported previously, a 1.3-kilometre-long geophysical anomaly 2.5 kilometres north of the Cosmopolitan Gold Mine wholly within farm-in tenure Mining License 40/61¹.
 - The Cosmopolitan Gold Mine produced circa 360,000 ounces between 1896 and 1922 at an average life of mine head grade of 15 g/t Au.
 - The anomaly is incredibly similar to the DCC Trend with regards to structural setting.
 - Furthermore, immediately north of the historical Cumberland Pit, on the northern extremity of the historical Cosmopolitan Mine, an 800-metre anomaly exists.
 - The Altona Trend appears to be a “mirror image” of the DCC Trend with incredible geophysical anomalism and structural disruption.
- Drilling at Kookynie continues with over 70 holes now drilled, assays reported for 16 holes, a further 24 holes in the laboratory pending assay results from the current drilling activities.
- Drilling continues to highlight the high-grade and shallow nature of mineralisation at the Kookynie Gold Project with these geophysical results strongly enhancing prospectivity.

NME/MCT 15 September 2020 announcement:

Drilling results included for leipold,

- LPRC0077 – 4 metres @ 26.91 g/t Au from 65 metres,
 - inc. 1 metre @ 100.77 g/t Au from 67 metres
- LPRC0053 – 4 metres @ 17.29 g/t Au from 103 metres,
 - inc. 2 metres @ 28.79 g/t Au from 104 metres,
- LPRC0051 – 8 metres @ 9.33 g/t Au from 97 metres,
 - inc. 1 metre @ 40.84 g/t Au from 104 metres,
- LPRC0076 – 6 metres @ 6.82 g/t Au from 49 metres,
- LPRC0050 – 7 metres @ 5.19 g/t Au from 76 metres,
- LPRC0052 – 8 metres @ 4.49 g/t Au from 78 metres.

NME/MCT 1 October 2020 announcement:

Drilling results included for Leipold,

- LPRC0093 – 2 metres @ 22.96 g/t Au from 140 metres,
 - inc. 1 metre @ 28.82 g/t Au from 140 metres,
- LPRC0085 – 5 metres @ 5.42 g/t Au from 94 metres,
 - inc. 2 metres @ 10.84 g/t Au from 94 metres,
- LPRC0082 – 7 metres @ 4.76 g/t Au from 69 metres,
- LPRC0080 – 4 metres @ 4.69 g/t Au from 51 metres,

NME/MCT 22 October 2020 announcement:

Drilling results includedfor Mctavish,

- McTRC0025 - 8 metres @ 3.57 g/t Au from 47 metres,
- McTRC0018 - 4 metres @ 4.1 g/t Au from 47 metres,
- McTRC0026 - 3 metres @ 5.25 g/t Au from 69 metres, & McTRC0029 - 4 metres @ 4.3 g/t Au from 62 metres

NME/MCT 22 December 2020 announcement:

Drilling results included for,

- Assays from the circa 2-kilometre-long Altona Prospect at the Kookynie Gold Project have delivered excellent near surface results, including:
 - ALTRC0015 – 4 metres @ 2.63 g/t Au from 29 metres; and
 - 1 metre @ 14.82 g/t Au from 57 metres

Notably, repeat assays on this sample returned the first value of 14.82 g/t Au: however subsequent duplicate samples returned values of 5.56 g/t Au, 60.34 g/t Au and 3.52 g/t Au indicating significant statistical variability within the mineralisation related to the “nugget effect”,
 - ALTRC0016 – 4 metres @ 2.8 g/t Au from 49 metres,
 - ALTRC0010 – 6 metres @ 2.03 g/t Au from 34 metres; and
 - 1 metre @ 8.36 g/t Au from 89 metres,
 - ALTRC0012 – 1 metre @ 6.86 g/t Au from 102 metres,
 - ALTRC0023 – 3 metres @ 1.77 g/t Au from 67 metres; and

– 1 metre @ 4.81 g/t Au from 86 metres,

- Metalicity Ltd has also completed 3 drill holes at the Leipold Prospect during this phase of drilling to confirm mineralisation and provide sample material for pilot metallurgical test work:
 - LPRC0094 - 10 metres @ 2.28 g/t Au from 29 metres,
 - inc. 1 metre @ 10.94 g/t from 34 metres,
 - LPRC0095 - 13 metres @ 2.77 g/t Au from 23 metres,
 - inc. 1 metre @ 16.86 g/t Au from 34 metres,

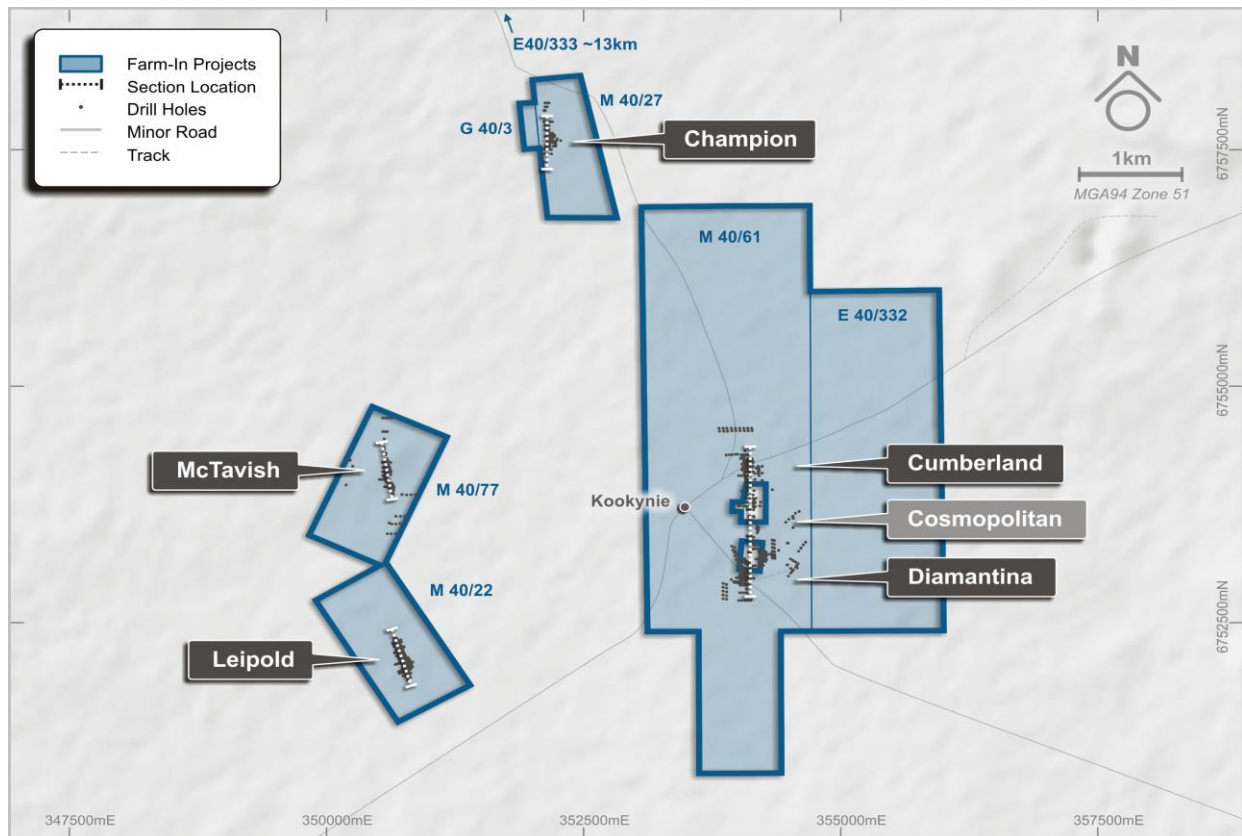


Figure 1 – Kookynie Prospect Locality Map.

Capital Raising

The Company completed a capital raising of \$2,445,000 issuing 44,454,538 shares during the first half to sophisticated and unsophisticated investors. In addition, the Company successfully completed a capital raising via a Securities Purchase Plan raising \$1,541,990 for the issue of 26,126,737 ordinary shares.

Payout of Convertible Note

Cesuco Trading Limited elected during the period to have the Convertible Note repaid in cash resulting in \$1,915,356 of principal and interest being repaid to Cesuco Trading Limited.

Covid-19

As per the Government Covid-19 guidelines the Company continues to have limited personnel movements and interactions with external parties where non-essential.

Applications for Forfeiture on Yundamindra Tenements

The applications for forfeiture lodged by MCA Nominees Pty Ltd in the previous 6 months have had a number of Wardens Court mention hearings during the period and are progressing through the system. The tenements concerned are on Yundamindra tenements M39/84, M39/274, M39/406, M39/407, M39/408, M39/409, M39/410, M39/839, M39/840. The applications are by MCA Nominees Pty Ltd who hold the tenements immediately north of Nex Yundamindra Tenements. The Company believes there is no basis for the claim and is defending the matter in the normal course. As the tenements are under application for forfeiture, the Mining Act/regulations do not require expenditure commitments to be met on the concerned tenements.

Details of Farm-in Agreement

Metalicity Ltd Farm-In Agreement on Kookynie and Yundamindra Projects - Progress

On the 6th May 2019 the Company announced it had entered into a farm-in agreement with Metalicity Limited (ASX: MCT) ("MCT" or "Metalicity") for the Kookynie and Yundamindra Projects* in the Eastern Goldfields, Western Australia.

The deal structure for the NME – MCT farm-in agreement is as follows:

- Initial Placements:
 - An initial placement amount of NME's shares, taken by MCT for \$50,000 upon execution of the agreement at a 20-day VWAP per NME share preceding the date of execution, plus a premium of 20%.
 - A second initial placement of NME shares to MCT, 6 months post the execution date of the agreement for a further \$50,000 based on a 20-day VWAP preceding the 6-month anniversary.
- 51% Earn In:
 - An initial spend of a minimum of \$500,000 to drill test the Projects within and up to 12 months from date of the agreement execution. This has now been achieved.
 - A total of \$5 million spend within and up to 5 years to earn 51% of the Projects inclusive of the initial spend and time duration.

During the period Metalicity undertook a number of drilling programs over the tenements subject to the Farm-in Agreement (refer to drilling results above). The resultant expenditure including that of any tenement acquisitions within the region forms part of the \$5m spend.

**Includes tenements: Yundamindra L39/34,52,258 – M39/84,274,406,407,408,409,410,839,840. Kookynie E40/332-333, -G40/3 – L40/9 – M40/22,27,61,77.*

Responsibility Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Rob L'Heureux, who is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (Canada). Mr. L'Heureux M.Sc., P.Geol., who is a full-time employee of APEX Geoscience Australia Pty Ltd., has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. L'Heureux consents to the inclusion in this report of the matters based on their information in the form and context in which it appears

Subsequent events

There are no matters or circumstances that have arisen since 31 December 2020 that have or may significantly affect the operations, results, or state of affairs of the Group in future financials periods.



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Nex Metals Explorations Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

Perth, Western Australia
1 April 2021

B G McVeigh
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2020

| | Note | 31 December 2020 \$ | 31 December 2019 \$ |
|---|------|---------------------------|---------------------------|
| Other income | 2 | 54,675 | 79,676 |
| Occupancy expenses | | (33,326) | (30,875) |
| Administration expenses | | (514,651) | (42,743) |
| Consultants expenses | | (137,174) | (7,407) |
| Depreciation | | (12,189) | (3,945) |
| Employment and contractor expenses | | (318,367) | (277,540) |
| Borrowing expenses | | (7,159) | (2,028) |
| Travel expenses | | (10,082) | (8,462) |
| Exploration and evaluation expenses | 4 | (163,307) | (25,813) |
| Doubtful debts provision | | - | (60,154) |
| Loss before income tax expense | | (1,141,580) | (379,291) |
| Income tax benefit | | - | - |
| Loss for the period | | (1,141,580) | (379,291) |
| Other comprehensive income for the period | | - | - |
| Total comprehensive loss attributable to owners of Nex Metals Explorations Limited | | (1,141,580) | (379,291) |
| Earnings per share: | | | |
| Basic and diluted loss per share (cents) | | (0.46) | (0.20) |

The accompanying notes form part of this interim financial report.

Consolidated Condensed Statement of Financial Position

As at 31 December 2020

| | Note | 31 December 2020 \$ | 30 June 2020 \$ |
|--|------|---------------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 1,432,278 | 570,377 |
| Receivables | | 3,546 | 22,683 |
| Other current assets | | 15,507 | 4,506 |
| Total current assets | | <u>1,451,331</u> | <u>597,566</u> |
| Non-current assets | | | |
| Plant and equipment | | 66,585 | 20,356 |
| Capitalised exploration and evaluation expenditure | 4 | 703,453 | 269,664 |
| Total non-current assets | | <u>770,038</u> | <u>290,020</u> |
| Total assets | | <u>2,221,369</u> | <u>887,586</u> |
| Current liabilities | | | |
| Payables | 5 | 3,398,520 | 3,621,810 |
| Interest-bearing liabilities | 6 | - | 1,500,000 |
| Provisions | | 282,099 | 264,952 |
| Total current liabilities | | <u>3,680,619</u> | <u>5,386,762</u> |
| Total liabilities | | <u>3,680,619</u> | <u>5,386,762</u> |
| Net liabilities | | <u>(1,459,250)</u> | <u>(4,499,176)</u> |
| Equity | | | |
| Issued capital | 7 | 24,058,753 | 19,877,247 |
| Option reserve | | 2,260,245 | 2,260,245 |
| Accumulated losses | | (27,778,248) | (26,636,668) |
| Total deficiency in equity | | <u>(1,459,250)</u> | <u>(4,499,176)</u> |

The accompanying notes form part of this interim financial report.

Consolidated Condensed Statement of Cash Flows

For the half-year ended 31 December 2020

| | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Other receipts | - | 58,585 |
| Payments to suppliers and employees | (528,700) | (53,937) |
| Receipts from Government grants | 41,944 | - |
| Interest paid | (415,413) | - |
| Income tax refund | 578 | - |
| Net cash provided by/(used in) operating activities | (901,591) | 4,648 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (58,418) | - |
| Payments for exploration expenditure | (597,096) | - |
| Net cash used in investing activities | (655,514) | - |
| Cash flows from financing activities | | |
| Proceeds from the issue of shares | 3,986,990 | - |
| Payments for share issue costs | (67,984) | - |
| Repayment of borrowings | (1,500,000) | - |
| Net cash provided by financing activities | 2,419,006 | - |
| Net increase in cash and cash equivalents | 861,901 | 4,648 |
| Cash and cash equivalents at the beginning of the period | 570,377 | 14,231 |
| Cash and cash equivalents at the end of the period | 1,432,278 | 18,879 |

The accompanying notes form part of this interim financial report.

Consolidated Condensed Statement of Changes in Equity For the half-year ended 31 December 2020

| | Consolidated Attributable to equity holders | | | Total Equity \$ |
|--|--|-------------------------|-----------------------------|--------------------|
| | Issued Capital \$ | Option Reserve \$ | Accumulated Losses \$ | |
| Balance at 1 July 2019 | 19,877,247 | 2,260,245 | (26,455,869) | (4,318,377) |
| Loss for the period | - | - | (379,291) | (379,291) |
| <i>Total comprehensive loss for the period</i> | - | - | (379,291) | (379,291) |
| Balance at 31 December 2019 | 19,877,247 | 2,260,245 | (26,835,160) | (4,697,668) |

| | Consolidated Attributable to equity holders | | | Total Equity \$ |
|---|--|-------------------------|-----------------------------|--------------------|
| | Issued Capital \$ | Option Reserve \$ | Accumulated Losses \$ | |
| Balance at 1 July 2020 | 19,877,247 | 2,260,245 | (26,636,668) | (4,499,176) |
| Loss for the period | - | - | (1,141,580) | (1,141,580) |
| <i>Total comprehensive loss for the period</i> | - | - | (1,141,580) | (1,141,580) |
| <i>Transactions with owners in their capacity as owners</i> | | | | |
| Shares issued | 4,249,490 | - | - | 4,249,490 |
| Share issue costs | (67,984) | - | - | (67,984) |
| <i>Total contributions by owners</i> | 4,181,506 | - | - | 4,181,506 |
| Balance at 31 December 2020 | 24,058,753 | 2,260,245 | (27,778,248) | (1,459,250) |

The accompanying notes form part of this interim financial report.

Notes to the condensed interim financial statements

For the half-year ended 31 December 2020

1. Basis of preparation

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Nex Metals Explorations Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable by the measurement at fair value for certain classes of assets. The accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report.

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all new Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2020. As a result of this the Directors have determined that there is no impact, material or otherwise, of the standards and interpretations in issue not yet adopted on the Group's business and, therefore, no change is necessary to the Group's accounting policies.

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current period.

Statement of Compliance

The half-year financial statements were authorised for issue on 1 April 2021.

The half-year financial statements comply with Australian Accounting Standards which include Australian equivalents International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the half-year financial statements and notes, complies with International Financial Reporting Standards (IFRS).

Significant estimates and judgements

The preparation of the half-year financial statements requires management to make judgements and estimates that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The judgements and estimates applied in the half-year financial statements were the same as those applied to the company last annual report for the year ended 30 June 2020.

Notes to the condensed interim financial statements For the half-year ended 31 December 2020 (cont'd)

1. Basis of preparation (cont'd)

Going concern

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the half-year financial report, the Group incurred a loss of \$1,141,580 and had net cash outflows from operating activities of \$901,591 for the half-year ended 31 December 2020. As at that date, the Group had net current liabilities of \$2,229,288 and net liabilities of \$1,459,250. Notwithstanding the current cash position of the Group, the directors believe there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- \$328,000 of share application monies received from a Director, shown as a current liability in the statement of financial position as at 31 December 2020, will be transferred to equity when the shares are issued;
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 31 December 2020;
- Issue of shares for cash from capital raising to be conducted in accordance with the Corporations Act 2001;
- Included in current payables is an amount of \$1,849,960 payable to the Directors of the Company. The Directors have agreed not to seek cash payments for their unpaid balances until the Group is in a financial position to pay;
- Included in current payables is an amount of \$535,620 payable to Allen's Business Group Pty Ltd, an entity controlled by Director Ken Allen. Allen's Business Group Pty Ltd, after creditors have agreed to defer payment, has agreed not to seek cash payments for this balance for at least a period of 12 months; and
- Allen's Business Group Pty Ltd has agreed to cover any short term funding needs up to \$400,000.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the half-year financial report.

As noted above, the Group's ability to continue as a going concern is mainly dependent on the following factors:

- Raising further equity;
- Continual on-going support of the Directors; and
- Short term funding facility being available.

Should the Group not achieve the factors set out above, there is a material uncertainty that may cast significant doubt about whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

The half-year financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Notes to the condensed interim financial statements

For the half-year ended 31 December 2020 (cont'd)

2. Other Income

| | 31 December 2020 \$ | 31 December 2019 \$ |
|--------------------------------------|---------------------------|---------------------------|
| Reimbursement of farm-in expenditure | - | 79,668 |
| Other – Government Grants | 54,675 | - |
| Other – Foreign Exchange | - | 8 |
| | <u>54,675</u> | <u>79,676</u> |

3. Cash and equivalents

| | 31 December 2020 \$ | 30 June 2020 \$ |
|---------------------------|---------------------------|-----------------------|
| Cash and cash equivalents | <u>1,432,278</u> | <u>570,377</u> |

4. Capitalised exploration expenditure

| | Half-year to 31 December 2020 \$ | Year to 30 June 2020 \$ |
|--|---|----------------------------------|
| Opening balance | 269,664 | 269,664 |
| Current year expenditure | 597,096 | 82,448 |
| Current year expenditure written off (i) | (163,307) | (82,448) |
| Closing balance | <u>703,453</u> | <u>269,664</u> |

- (i) The recoupment of cost carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Notes to the condensed interim financial statements

For the half-year ended 31 December 2020 (cont'd)

5. Payables

| | 31 December 2020 \$ | 30 June 2020 \$ |
|---------------------------------|---------------------------|-----------------------|
| Trade payables and accruals (i) | 589,738 | 485,953 |
| Accrued director fees (ii) | 1,907,097 | 1,806,081 |
| Accrued interest | - | 415,356 |
| Loans – related party (iii) | 535,620 | 536,420 |
| Loans – other (iv) | 366,065 | 378,000 |
| | <u>3,398,520</u> | <u>3,621,810</u> |

- (i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The amount of payables at balance date exceeding normal trading terms is estimated at \$352,943 (30 June 2020: \$255,445)
- (ii) The Current Directors have agreed not to seek cash payments for their unpaid balances totalling \$1,849,960 (30 June 2020: \$1,748,944) until the Group is in a financial position to pay.
- (iii) This loan is unsecured and interest free and payable to Allen's Business Group Pty Ltd, an entity controlled by Mr. Ken Allen. Allen's Business Group Pty Ltd has agreed not to seek cash payments for its unpaid balances until the Group is in a financial position to pay.
- (iv) The loans from unrelated parties are unsecured and interest free.

6. Interest-bearing liabilities

| | 31 December 2020 \$ | 30 June 2020 \$ |
|------------------|---------------------------|-----------------------|
| Convertible note | <u>-</u> | <u>1,500,000</u> |

The Group repaid the convertible note on 7 September 2020. The amount repaid was \$1,915,356 inclusive of \$415,356 accrued interest (Note 5)

| | Half-year to 31 December 2020 \$ | Year to 30 June 2020 \$ |
|-------------------------------|---|----------------------------------|
| Reconciliation of liabilities | | |
| Opening Balance | 1,500,000 | 1,500,000 |
| Repayment | (1,500,000) | - |
| Closing Balance | - | 1,500,000 |

Notes to the condensed interim financial statements For the half-year ended 31 December 2020 (cont'd)

7. Issued Capital

Ordinary Shares

Movements in share capital were as follows:

Year ended 30 June 2020

| | | Fully Paid Ordinary Shares | \$ |
|--------------|-----------------|---|------------|
| 1 July 2019 | Opening balance | 192,747,348 | 19,877,247 |
| 30 June 2020 | Closing balance | 192,747,348 | 19,877,247 |

Period ended 31 December 2020

| | | Fully Paid Ordinary Shares | \$ |
|------------------|--|---|------------|
| 1 July 2020 | Opening balance | 192,747,348 | 19,877,247 |
| Movements | | | |
| 1 July 2020 | Shares issued under Share Placement (i) | 46,440,683 | 2,495,000 |
| 1 July 2020 | Shares issued as payment to consultants | 1,700,000 | 212,500 |
| 16 November 2020 | Shares issued under Securities Purchase Plan | 26,126,737 | 1,541,990 |
| | Share issuance Costs | | (67,984) |
| 31 December 2020 | Closing balance | 267,014,768 | 24,058,753 |

- (i) Included in this share issue is 1,986,145 shares issued to Metalicity Limited under the second initial placement as part of the Farm-in agreement. The proceeds of \$50,000 were received in the previous financial year.

8. Segment Reporting

The Directors have considered the requirements of AASB 8 "Operating Segments" and the internal reports that are reviewed by the chief operating decision maker, the board of directors, in allocating resources and have concluded that at this time there are no separately identifiable segments.

Throughout the half-year, the Group remained focused on mineral exploration over a number of areas of interest in Western Australia.

9. Contingencies

On 4 May 2018, the Company advised that they had received applications for forfeiture on Yundamindera tenements M39/84, M39/274, M39/406, M39/407, M39/408, M39/409, M39/410, M39/839, M39/840. The applicant is by MCA Nominees Pty Ltd who hold the tenements immediately north of Nex Yundamindera Tenements.

The applications for forfeiture lodged by MCA Nominees Pty Ltd over the Yundamindera tenements continue to process through the Wardens Court. There have been various Wardens Court mention hearings during the half year. The Company believes there is no basis for the claim and continues to defend the matter in the normal course.

Other than the above, there are no other known significant contingencies as at 31 December 2020.

10. Subsequent events

There are no matters or circumstances that have arisen since 31 December 2020 that have or may significantly affect the operations, results, or state of affairs of the Group in future financials periods.

11. Financial Instruments

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of the current receivables and current payables are considered to be a reasonable approximation of their fair value.

Directors' Declaration

The directors of the Company declare that:

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Kenneth Allen
Managing Director
Perth, 1 April 2021



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nex Metals Explorations Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Nex Metals Explorations Limited ("the company") which comprises the consolidated condensed statement of financial position as at 31 December 2020, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Nex Metals Explorations Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

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Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the interim ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
1 April 2021



B G McVeigh
Partner