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# **Nex Metals Explorations Ltd**

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2011

# **Interim Financial Report for the half-year ended 31 December 2011**

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## Corporate Directory

### **DIRECTORS**

Thomas F Percy QC  
Kenneth M Allen  
Kasit Phisitkul  
Hock Hoo Chua

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

### **COMPANY SECRETARY**

Kenneth M Allen

### **PRINCIPAL OFFICE**

Unit 2, 42 Terrace Road  
EAST PERTH WA 6004

### **REGISTERED OFFICE**

Unit 2, 42 Terrace Road  
EAST PERTH WA 6004

### **AUDITORS**

RSM Bird Cameron Partners  
8 St Georges Terrace  
Perth WA 6000

### **SHARE REGISTRY**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

### **STOCK EXCHANGE LISTING**

Australian Stock Exchange  
Home Exchange: Perth, Western Australia  
Code: NME, NME0

## **Directors' report**

The directors of Nex Metals Explorations Ltd submit herewith the financial report for the period to 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

### **Name**

Thomas F Percy

Kenneth M Allen

Kasit Phisitkul

Hock Hoo Chua

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

## **Operating Results**

The operating loss of the Company for the period after providing for income tax amounted to \$999,360 (December 2010 – \$1,753,115).

## **Review of operations**

The Directors of Nex Metals Explorations Ltd (Nex or the Company) are pleased to report on the company's activities during the December quarter 2011.

### **Highlights:**

- Toll treating agreement signed with A1 Minerals Ltd
- Infill grade control drilling completed in the Butterfly Open Pit
- Geotechnical investigation of the Butterfly Open Pit complete
- Additional positive pit optimisations completed
- Various permitting, environmental studies and reporting ongoing
- Annual General Meeting conducted with all resolutions passed

### **Toll Treating**

Nex enhanced its ability to toll treat ore by entering into an agreement with A1 Minerals Ltd (A1) for exclusive use of A1's Brightstar Mill south of Laverton for a six month period beginning December 2011. Expected production rates will allow the processing of 1,200 tonnes per 24 hour period with ore feed coming from the Butterfly pit and various stockpiles from the Kookynie Project area.



Photo 1. Excavator cleaning off berms and cutting batters prior to blast drilling.

This new agreement supplements the toll treating agreement established with Navigator (Bronzewing) Pty Ltd whereby Nex can process up to 150,000 tonnes of ore through the Bronzewing Processing Plant.

#### **Grade Control Drilling and Geotechnical Investigation - Butterfly Pit**

Nex undertook additional grade control drilling in the Butterfly Open Pit prior to the Christmas break to infill previous grade control drilling completed in 2002. Nex completed a further 77 holes for 1,723 metres to better define and expand ore zones to be mined for toll treating and heap leaching. The toll treatment pit optimisation prior to this latest grade control drilling projected production of 158,281 tonnes averaging 2.67 g/t Au for an approximate recovery of 13,600 ounces.

MineGeoTech Pty Ltd was engaged to assess the geotechnical attributes of the Butterfly pit and any ramifications of the proposed pit design put forward by Minecomp Pty Ltd. Several minor issues were identified and the pit design amended accordingly – ongoing monitoring will be conducted during the course of mining.



Photo 2. Blast Hole Drill Rig in the southern end of the Butterfly Pit on the first shot, water from heavy rain received over 3 days

### **Pit Optimisations and Mining Scheduling**

Minecomp Pty Ltd has carried out pit optimisations on thirteen additional deposits within the Kookynie Project. This work has used a \$1,600/oz (AUS) gold price defining in excess of 3.5Mt of ore with an average grade of 1.46 g/t Au. This allows Nex to forecast approximately 5 years of production for the planned 700,000 tonne per annum Orient Well Carbon-in-Leach mill.

Exploration planning includes work around the sub-economic resources in an attempt to increase the size and economic potential of these deposits.

### **Approvals and Reporting**

Nex has successfully applied for the removal of stockpiled ore from the Champion, Puzzle and Orion mine sites to enable progressive rehabilitation to begin in 2012.

Licences granted for the Heap Leach and Crusher-Screener unit by the Department of Environment and Conservation (DEC) have been placed on hold as the company focuses on the Butterfly Pit operations and immediate toll treating; this allows Nex to reactivate them in the near future without reapplying.

Regular water quality monitoring from the licenced borefield is being carried out to comply with Department of Water and Department of Health.

### **Annual General Meeting**

Nex conducted an Annual General Meeting in November outlining the companies path forward to production, exploration planning and targeting and environmental monitoring and permitting processes. All resolutions were passed with unanimous votes.

**Auditor's independence declaration**

The auditor's independence declaration is included within the half-year financial report

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

On behalf of the Directors



*Kenneth Allen*  
Managing Director  
15 March 2012

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**RSM Bird Cameron Partners**  
8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9101  
www.rsmi.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Nex Metals Explorations Ltd for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants

JAMES KOMNINOS  
Partner

Perth, WA  
Dated: 15 March 2012

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RSM Bird Cameron Partners  
8 St George's Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9101  
www.rsmi.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**TO THE MEMBERS OF**

**NEX METALS EXPLORATIONS LTD**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Nex Metals Explorations Ltd which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and 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 of the company.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nex Metals Explorations Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

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

# RSM Bird Cameron Partners

Chartered Accountants

## Conclusion

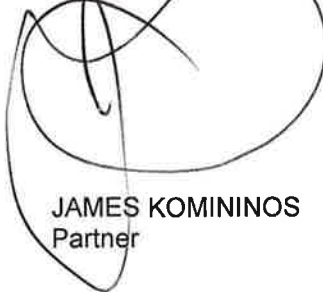
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nex Metals Explorations Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of Matter

Without qualifying our conclusion expressed above, we draw attention to Note 1 in the half-year financial report, which indicates the company incurred a net loss of \$999,360 and had net cash outflows from operating activities of \$450,965 during the half year ended 31 December 2011 and, as of that date, the company's current liabilities exceeded its current assets by \$864,400. These conditions, along with other matters set out in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities, in the normal course of business.

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants



JAMES KOMININOS  
Partner

Perth, WA  
Dated: 15 March 2012

**Directors' declaration**

The directors of the Company declare that:

1. The financial statements and notes, as set in this half-year financial report, are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. 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.

The declaration is made in accordance with a resolution of the Board of Directors.



Kenneth Allen  
Managing Director

Date: 15/3/2012

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**Statement of Comprehensive Income  
For the half-year ended 31 December 2011**

	31 December 2011 \$	31 December 2010 \$
Revenue	13,305	6,052
Gain/(Loss) on foreign exchange currency	107	(1,788)
Other income	64,905	5,890
Occupancy expenses	(25,881)	(20,000)
Administration expenses	(116,131)	(180,533)
Consultants expenses	(128,757)	(96,119)
Depreciation	(169,656)	(79,363)
Employment and contractor expenses	(288,652)	(222,072)
Borrowing expenses	(14,279)	-
Travel expenses	(13,254)	(21,627)
Exploration and evaluation expenses	(265,963)	(1,068,555)
Tenement acquisition expenses written off	(55,104)	(75,000)
<b>Loss before income tax expense</b>	<b>(999,360)</b>	<b>(1,753,115)</b>
Income tax expense	-	-
<b>Loss for the period</b>	<b>(999,360)</b>	<b>(1,753,115)</b>
Other Comprehensive Income	-	-
<b>Total comprehensive income for the period</b>	<b>(999,360)</b>	<b>(1,753,115)</b>
<b>Loss per share:</b>		
Basic and diluted (cents per share)	(0.74)	(1.90)

The accompanying notes form part of this interim financial report.

**Statement of Financial Position  
As at 31 December 2011**

	Note	31 December 2011 \$	30 June 2011 \$
<b>Current assets</b>			
Cash and cash equivalents		323,810	626,260
Trade and other receivables		66,066	430,185
Other financial assets		40,469	92
<b>Total current assets</b>		<u>430,345</u>	<u>1,056,537</u>
<b>Non-current assets</b>			
Property, plant and equipment		1,380,988	1,600,524
Exploration and evaluation expenditure		359,665	414,769
Mine development expenditure		5,226,283	4,167,700
<b>Total non-current assets</b>		<u>6,966,936</u>	<u>6,182,993</u>
<b>Total assets</b>		<u>7,397,281</u>	<u>7,239,530</u>
<b>Current liabilities</b>			
Trade and other payables		1,044,745	736,534
Share application monies		250,000	-
<b>Total current liabilities</b>		<u>1,294,745</u>	<u>736,534</u>
<b>Total liabilities</b>		<u>1,294,745</u>	<u>736,534</u>
<b>Net assets</b>		<u>6,102,536</u>	<u>6,502,996</u>
<b>Equity</b>			
Contributed equity	2	17,711,203	17,112,303
Option reserve		2,260,245	2,260,245
Accumulated losses		(13,868,912)	(12,869,552)
<b>Total equity</b>		<u>6,102,536</u>	<u>6,502,996</u>

The accompanying notes form part of this interim financial report.

**Statement of Changes in Equity  
For the half-year ended 31 December 2011**

	Contributed Equity \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2010</b>	10,771,207	2,234,964	(9,492,833)	3,513,338
Loss for the period	-	-	(1,753,115)	(1,753,115)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	(1,753,115)	(1,753,115)
<b>Transactions with owners in their capacity as owners</b>				
Issue of shares for working capital	3,883,435	-	-	3,883,435
Share issue costs	(220,661)	-	-	(220,661)
<b>Total transactions with owners</b>	3,662,774	-	-	3,662,774
<b>Balance at 31 December 2010</b>	14,433,981	2,234,964	(11,245,948)	5,422,997
	Contributed Equity \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2011</b>	17,112,303	2,260,245	(12,869,552)	6,502,996
Loss for the period	-	-	(999,360)	(999,360)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	(999,360)	(999,360)
<b>Transactions with owners in their capacity as owners</b>				
Issue of shares for working capital	640,000	-	-	640,000
Share issue costs	(41,100)	-	-	(41,100)
<b>Total transactions with owners</b>	598,900	-	-	598,900
<b>Balance at 31 December 2011</b>	17,711,203	2,260,245	(13,868,912)	6,102,536

The accompanying notes form part of this interim financial report.

**Statement of Cash Flows**  
**For the half-year ended 31 December 2011**

	31 December 2011 \$	31 December 2010 \$
<b>Cash flows from operating activities</b>		
Receipts of sundry income	64,905	11,263
Payments to suppliers and employees	(529,175)	(1,633,473)
Interest received	13,305	679
Net cash used in operating activities	<u>(450,965)</u>	<u>(1,621,531)</u>
<b>Cash flows from investing activities</b>		
Payments for mine development	(698,746)	-
Payment for acquisition of exploration rights	-	(42,000)
Payments for property, plant and equipment	(1,746)	(249,980)
Loan – other	-	67,444
Net cash used in investing activities	<u>(700,492)</u>	<u>(224,536)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of equity securities (net of costs)	598,900	3,584,773
Share application monies	250,000	1,698,750
Net cash provided by financing activities	<u>848,900</u>	<u>5,283,523</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(302,557)	3,437,456
<b>Effects of exchange rate on cash and cash equivalents</b>	107	(1,788)
<b>Cash and cash equivalents at the beginning of the period</b>	<u>626,260</u>	<u>443,973</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>323,810</u>	<u>3,879,641</u>

The accompanying notes form part of this interim financial report.

## Notes to the interim financial statements For the half-year ended 31 December 2011

### 1 Basis of preparation of half-year report

The half-year financial report is a general purpose financial report that has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report. It is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2011 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.

A summary of the material accounting policies adopted by the Company in the preparation of the financial report can be found in the annual financial report for the year ended 30 June 2011. The accounting policies have been consistently applied, unless otherwise stated.

#### New and revised Accounting Standards

In the current year, the consolidated entity 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 effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

#### a) Going concern

The financial statements have 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 financial statements, the Company recorded for the half-year ended 31 December 2011 a net loss of \$999,360 (31 December 2010: \$1,753,115) and had net cash outflows from operating activities of \$450,965 (31 December 2010: \$1,621,531). The Company at reporting date had net current liabilities of \$864,400 (30 June 2011: net current assets of \$320,003). These financial conditions indicate significant uncertainty whether the Company 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 the amounts stated in the financial statements for the half-year.

The Directors believe, after taking account of these financial conditions, that the going concern basis of accounting for the Company is appropriate, which has been determined after consideration of the following factors:

- In February 2012, the Company issued a convertible note, raising \$1,500,000;
- The Company has the ability to raise further equity under the *Corporations Act 2001*, as occurred in the current half-year period and prior periods;
- As at 31 December 2011, share application monies of \$250,000 had been received and classified as a current liability. This will be reclassified to issued capital when the shares are issued subsequent to the half-year end. Thus, the Company's net current liabilities of \$864,400 will reduce by \$250,000 to \$614,400 after the reclassification to issued capital;
- Subsequent to the half-year end, the Company has commenced mining operations of its Kookynie tenements. This is estimated to generate positive cash flows in the second half of financial year 2012; and
- Whilst the Directors are confident of raising further funds, if sufficient funds are not raised, the Board is able to reduce the Company's ongoing costs and commitments accordingly and if necessary, will sell or farm out projects as required, to enable it to meet its ongoing commitments.

Accordingly, the Directors believe that the Company will obtain sufficient cash flows to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements. The financial statements do not include any adjustments relating to the amounts or classifications of recorded assets or liabilities that might be necessary if the Company does not continue as a going concern.



**Notes to the interim financial statements  
For the half-year ended 31 December 2011**

**1 Basis of preparation of half-year report (Cont'd)**

The financial statements have been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**2 Contributed Equity**

(a) Movements in share capital during the half-year ended 31 December 2011 were as follows:

		No. of Shares	Issue Price	\$
1 July 2011	Opening Balance	131,550,931		17,112,303
1 August 2011	Shares issued for working capital	2,000,000	\$0.105	210,000
31 October 2011	Shares issued for working capital	833,333	\$0.12	100,000
31 October 2011	Shares issued for working capital	2,307,692	\$0.13	300,000
9 December 2011	Shares issued for working capital	250,000	\$0.12	30,000
	Share issue costs	-		(41,100)
31 December 2011	Closing Balance	<u>136,941,956</u>		<u>17,711,203</u>

(b) Movements in Options on issue during the half-year ended 31 December 2011 were as follows:

		No. of Options	\$
1 July 2011	Opening Balance	83,726,889	2,260,245
30 November 2011	Options expired	(60,726,889)	-
6 December 2011	Options expired	(5,000,000)	-
31 December 2011	Closing Balance	<u>18,000,000</u>	<u>2,260,245</u>

**Notes to the interim financial statements  
For the half-year ended 31 December 2011 (cont)**

**3 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) in allocating resources and have concluded that at this time there are no separately identifiable segments.

Throughout the period under review, the Company remained focused on mineral exploration over a number of areas of interest in Western Australia.

**4 Contingent Liabilities**

As at 31 December 2011, the company's banker has bank guarantees totalling \$2,129,100 (30 June 2011: \$253,000) in favour of the Minister Responsible for the Mining Act 1978 in relation to certain mining tenements.

Other than the above, there were no other contingent liabilities as at 31 December 2011.

**5 Subsequent events**

- a) On 11 January 2012, the Company announced that mining has commenced at the Butterfly Pit as part of the Kookynie Gold Project. Drill and blast contractor, Total Drilling Services Pty Ltd, commenced a 6-month program with initial focus over the months of January and February 2012;
- b) On 16 February 2012, the Company issued a convertible note with a face value of \$1,500,000. The note matures in February 2014. Interest shall accrue 6 monthly at 10% per annum on the unpaid principal amount; and
- c) On 21 February 2012, the Company announced that processing has commenced at Stones Resources Australia Ltd (formerly A1 Minerals Ltd) Brightstar Mill with approximately 10,000 tonnes of stock piled at the mill site.

Other than the above, there are no other matters or circumstances that have arisen since 31 December 2011 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.