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Nex Metals Explorations Ltd

ABN: 63 124 706 449

Interim Financial report

for the half-year ended 31 December 2012

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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

Level 1, 95 Canning Highway
SOUTH PERTH WA 6151

REGISTERED OFFICE

Level 1, 95 Canning Highway
SOUTH PERTH WA 6151

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

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Directors' report

The directors of Nex Metals Explorations Ltd submit herewith the financial report for the half-year ended 31 December 2012.

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 profit of the Company for the period after providing for income tax amounted to \$1,579,146 (December 2011 – loss of \$999,360).

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 half year ended 31 December 2012.

Highlights:

- 9,038 tonnes of Butterfly ore processed for 418 ounces of recovered gold
- Various Kookynie deposit resource estimations and pit optimisations revisited for production priority and scheduling purposes
- Research and development rebate received
- Geological field work and exploration ongoing

Butterfly Ore Toll Treating

A total of 9,038 tonnes of Butterfly ore was treated in July and August at Stone Resources' Brightstar Mill for a yield of 418 ounces of gold; this processing brought the total tonnes of Butterfly ore treated to 50,399. Low-grade ore and mineralised waste extracted during the mining was stockpiled near the Butterfly Pit for future treatment by Nex.



Plate 1. Butterfly Pit following the mining campaign of 2012, looking southeast after a recent rainstorm . The orebody continues to depth dipping toward the left of the photo (east-northeast).

Deposit Prioritisation

Several resource estimations for deposits within the Kookynie Project were reinterpreted using inverse-distance weighting (IDW) interpolation rather than the multiple indicator kriging (MIK) technique. The IDW estimates yielded similar overall ounces compared to the MIK estimates but decreased the tonnes while significantly increasing the grade. These revised estimations are more appropriate for the mineralisation styles noted in the Kookynie area and perform better with pit optimisation work. Further resource estimation revisions and pit optimisation work is ongoing.

This ongoing work is part of Nex's efforts to prioritise mining areas and mine schedules for the resumption of production from the Project.

Research and Development Rebate

Nex was granted and received a \$5.1M (gross) rebate under the Federal Tax system for metallurgical and mining research undertaken during the trial mining and toll treating of Butterfly ore. This was prepared with the major assistance of Deloitte - Accountants

Nex continues to work with interested parties on both funding and investment into the Kookynie project.

Field work

A geological field crew comprising 3 to 4 geologists conducted exploration activities on the Kookynie and Yundamindera projects as well as other tenements within the Nex portfolio for much of the reporting period. This work included prospecting, mapping, soil sampling, drill chip logging, surveying and data compilation. Literature reviews, digitisation and validation of available data, and ground truthing were conducted on new tenements granted to the Company in the half year.

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 and Geoscientists 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.

Auditor's independence declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 has been received and is included in the Financial Report.

Signed in accordance with a resolution of directors.

On behalf of the Directors



Kenneth Allen
Managing Director
15 March 2013

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Statement of Comprehensive Income For the half-year ended 31 December 2012

	Note	31 December 2012 \$	31 December 2011 \$
Revenue		276,497	-
Cost of sales		(1,431,866)	-
Gross profit		(1,155,369)	-
Other income	2(a)	112,799	78,317
Occupancy expenses		(40,046)	(25,881)
Administration expenses		(120,259)	(116,131)
Consultants expenses	2(b)	(994,743)	(128,757)
Depreciation		(142,126)	(169,656)
Employment and contractor expenses		(402,968)	(288,652)
Borrowing expenses		(521,321)	(14,279)
Travel expenses		(24,210)	(13,254)
Exploration and evaluation expenses		(264,872)	(265,963)
Tenement acquisition expenses written off		-	(55,104)
Loss before income tax expense		(3,553,115)	(999,360)
Income tax benefit	2(c)	5,132,261	-
Profit/(Loss) for the period		1,579,146	(999,360)
Other Comprehensive Income		-	-
Total comprehensive income for the period		1,579,146	(999,360)
Profit/(Loss) per share:			
Basic and diluted (cents per share)		1.03	(0.74)

The accompanying notes form part of this interim financial report.

Statement of Financial Position As at 31 December 2012

	Note	31 December 2012 \$	30 June 2012 \$
Current assets			
Cash and cash equivalents		109,927	16,017
Trade and other receivables		23,187	376,352
Other current assets		43,590	17,790
Total current assets		<u>176,704</u>	<u>410,159</u>
Non-current assets			
Property, plant and equipment		1,156,893	1,292,857
Exploration and evaluation expenditure		284,664	284,664
Mine development expenditure		6,750,575	6,750,575
Other non-current assets		1,000,000	-
Total non-current assets		<u>9,192,132</u>	<u>8,328,096</u>
Total assets		<u>9,368,836</u>	<u>8,738,255</u>
Current liabilities			
Trade and other payables		6,765,759	7,806,485
Provisions		121,676	91,259
Borrowings		317,444	250,000
Total current liabilities		<u>7,204,879</u>	<u>8,147,744</u>
Non-current liabilities			
Borrowings		1,500,000	1,500,000
Total non-current liabilities		<u>1,500,000</u>	<u>1,500,000</u>
Total liabilities		<u>8,704,879</u>	<u>9,647,744</u>
Net assets		<u>663,957</u>	<u>(909,489)</u>
Equity			
Contributed equity	3	18,884,107	18,889,807
Option reserve		2,260,245	2,260,245
Accumulated losses		(20,480,395)	(22,059,541)
Total equity		<u>663,957</u>	<u>(909,489)</u>

The accompanying notes form part of this interim financial report.

Statement of Changes in Equity For the half-year ended 31 December 2012

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
Balance at 1 July 2011	17,112,303	2,260,245	(12,869,552)	6,502,996
Loss for the period	-	-	(999,360)	(999,360)
Total comprehensive income for the period	-	-	(999,360)	(999,360)
Issue of shares for working capital	640,000	-	-	640,000
Share issue costs	(41,100)	-	-	(41,100)
Balance at 31 December 2011	17,711,203	2,260,245	(13,868,912)	6,102,536

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
Balance at 1 July 2012	18,889,807	2,260,245	(22,059,541)	(909,489)
Profit for the period	-	-	1,579,146	1,579,146
Total comprehensive income for the period	-	-	1,579,146	1,579,146
Issue of shares for working capital	-	-	-	-
Share issue costs	(5,700)	-	-	(5,700)
Balance at 31 December 2012	18,884,107	2,260,245	(20,480,395)	663,957

The accompanying notes form part of this interim financial report

Statement of Cash Flows

For the half-year ended 31 December 2012

	Note	31 December 2012 \$	31 December 2011 \$
Cash flows from operating activities			
Receipts from customers		276,497	-
Receipts of sundry income		106,200	64,905
Income tax refund (net of professional fees)		4,230,103	-
Payments to suppliers and employees		(3,608,627)	(529,175)
Interest received		6,599	13,305
Net cash used in operating activities		<u>1,010,772</u>	<u>(450,965)</u>
Cash flows from investing activities			
Payments for mine development		-	(698,746)
Payments for property, plant and equipment		(6,162)	(1,746)
Net cash used in investing activities		<u>(6,162)</u>	<u>(700,492)</u>
Cash flows from financing activities			
Proceeds from the issue of equity securities (net of costs)		(5,700)	598,900
Payment of security bond		(1,000,000)	-
Deposits from shareholders and other parties		95,000	250,000
Net cash provided by financing activities		<u>(910,700)</u>	<u>848,900</u>
Net increase in cash and cash equivalents		93,910	(302,557)
Effects of exchange rate on cash and cash equivalents		-	107
Cash and cash equivalents at the beginning of the period		<u>16,017</u>	<u>626,260</u>
Cash and cash equivalents at the end of the period		<u>109,927</u>	<u>323,810</u>

The accompanying notes form part of this interim financial report.

Notes to the interim financial statements

For the half-year ended 31 December 2012

1. Basis of preparation of half-year report

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 report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2012 and any public announcements made by Nex Metals Explorations Ltd during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report has also been prepared on an accruals 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. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted in the annual financial report for the year ended 30 June 2012, except as set out below:

New and Revised Accounting Standards and Interpretations

The company has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the company's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the company.

Going concern

The 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 report, the company had net current liabilities as at 31 December 2012 of \$7,028,175 (30 June 2012: \$7,737,585). While the above factors indicate significant uncertainty as to 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 at the amounts stated in the financial report, in the opinion of the directors, there are reasonable grounds to believe that the company will be able to continue as a going concern, after consideration of the following factors:

- In June 2012, the Company secured a \$7 million standby subscription agreement with Gurney Capital Nominees Pty Ltd. No amounts have been drawn down on this facility at the date of this report;
- As at the date of this report a foreign unrelated entity had contracted to funding of \$3 million but has been unable to effect such transfer at this point. The same party via another entity has commenced contract discussions with respect to refurbishment and operation of the Company's Orient Well mill facility at their cost;
- A dispute with a significant creditor, with a recorded payable balance of \$2.3 million at balance date, exists relating to satisfactory delivery of goods, which the Company expects to commence litigation about, for breach of contract, with any judgment in the Company's favor being offset against the liability presently recognized in these financial statements;
- \$328,000 of share application monies, shown as a current liability as at balance date, will be converted to equity;

Notes to the interim financial statements For the half-year ended 31 December 2012 (cont)

1. Basis of preparation of half-year report (cont)

- The Company is also in discussions with other parties regarding capital raising; and
- Whilst the Directors are confident in securing funds, if sufficient funding is not raised, the Board will sell or farm out projects as required, to enable it to meet its ongoing commitments.

Accordingly, the Directors believe that the company 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 financial report.

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

2. Profit/(Loss) for the half-year

The following items are relevant in explaining the financial performance for the interim period:

	31.12.2012	31.12.2011
	\$	\$
(a) Other Income		
Fuel tax credit	106,200	64,905
Interest revenue	6,599	13,305
Others	-	107
	<u>112,799</u>	<u>78,317</u>
(b) Expenses		
The loss before income tax has been arrived at after charging the following specific expenses:		
Consultants Expense		
Professional fees incurred in relation to the Research and Development tax offset claim (Refer Note 2 (c)).	902,158	-
Other	92,585	128,757
	<u>994,743</u>	<u>128,757</u>
(c) Income tax benefit		
During the half-year ended 31 December 2012, the Company received from the Australian Taxation Office a net tax credit under the Research and Development regime of \$5,132,261, being a tax offset in respect of expenditure incurred in year ended 30 June 2012. This amount is shown as an income tax benefit in the statement of comprehensive income for the half-year ended 31 December 2012.	<u>5,132,261</u>	<u>-</u>

Notes to the interim financial statements For the half-year ended 31 December 2012 (cont)

3. Contributed Equity

(a) Movements in share capital during the half-year ended 31 December 2012 were as follows:

		No. of Shares	Issue Price	\$
1 July 2012	Opening Balance	152,716,956	-	18,889,807
	Share issue costs	-		(5,700)
31 December 2012	Closing Balance	<u>152,716,956</u>		<u>18,884,107</u>

(b) Movements in Options on Issue during the half-year ended 31 December 2012 were as follows:

		No. of Options	\$
1 July 2012	Opening Balance	18,000,000	2,260,245
30 November 2012	Options expired	(18,000,000)	-
31 December 2012	Closing Balance	<u>-</u>	<u>2,260,245</u>

4. 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.

5. Contingent Liabilities

There are no known contingent liabilities at balance date.

6. Subsequent events

There are no other matters or circumstances that have arisen since 31 December 2012 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out 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 2012 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.

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



Kenneth Allen
Managing Director

Date: 15 March 2013

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
NEX METALS EXPLORATIONS LTD**

We were engaged to review the accompanying half-year financial report of Nex Metals Explorations Ltd which comprises the statement of financial position as at 31 December 2012, and 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.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that 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 conducting the review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Because of the matters described in the Bases for Disclaimer of Conclusion paragraphs, however, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion.

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.

Bases for Disclaimer of Conclusion

Going Concern

We draw attention to Note 1 in the financial report, which indicates the company had net current liabilities of \$7,028,175 as at 31 December 2012. The ability of the company to continue as a going concern is contingent on a number of future events, the most significant of which is the ability of the company to obtain additional funding to continue mining its exploration and mine related assets. We have been unable to obtain sufficient appropriate evidence as to whether the company may be able to obtain such financing, and hence remove the significant uncertainty as to its ability to continue as a going concern for 12 months from the date of this auditor's review report.

Recoverability of Assets

As a result of the uncertainties relating to the adoption of the going concern basis of accounting, future capital raising and the continuation of its mineral exploration and mining activities, we have been unable to obtain sufficient appropriate evidence regarding the valuation of plant and equipment, evaluation and exploration expenditure and mine development expenditure, carried at values of \$1,156,893, \$284,664 and \$6,750,575 respectively in the statement of financial position. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of Conclusion

Because of the significance of the matters described in the Bases for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on the half-year financial report.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2013

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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 2012, 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



TUTU PHONG
Partner

Perth, WA
Dated: 15 March 2013