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Nex Metals Explorations Ltd

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2013

**Interim Financial Report
for the half-year ended 31 December 2013**

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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

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

SOLICITORS

Lawton Gillon
Level 11, 16 St George's 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

Directors' Report

The directors of Nex Metals Explorations Ltd submit herewith the financial report for the half-year ended 31 December 2013.

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 (resigned 12 December 2013)

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 \$1,745,006 (December 2012 – profit of \$1,579,146).

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 2013.

Sale of Kookynie Gold Project

Effective settlement occurred during the December quarter with the receipt of an additional \$2,500,000 with the balance of \$1,000,000 and pro-rata rates and taxes of approx \$80,000 to be transferred on clearing 3 caveats on tenements (these funds are held in trust by the purchaser's legal representative's trust account for which the formal agreement provides for automatic transfer on lifting the caveats). The Company does not foresee any reason that the caveats will not be lifted. Final settlement is now pending.

Research and Development Rebate

The Company lodged with the assistance of international accounting firm Deloitte Tax Services with respect to the Federal Government Research and Development rebate the 2013 application along with an amendment for 2012 tax year totalling approximately \$2,100,000.00. This payment has now been received.

Significant Creditor Settlement

The Company was successful in the December Quarter by a claim by a Creditor that reduced Company liabilities by approximately \$1,500,000 the agreement provided that both parties cease any further claims against each other, the Company has always defended its position that nil was payable but provided for the claim in the accounts as per normal accounting concepts.

Environmental Bonds

The Company applied for and received the return of its Environmental Bonds from the Department of Mines and Minerals, this also now removes the Mortgage over the Company assets held by Macquarie Bank.

Directors' report

Review of operations (cont)

Yundamindera Exploration

The Company has been conducting a thorough review of the Yundamindera Project and the suitability of a JORC-compliant resource estimation; drilling has been planned to further this endeavour. In excess of 2,000 drill holes have been drilled within the current tenement package to date; all of the previous producing mines and known gold occurrences remain largely open to depth and along strike – exploration drilling to expand this mineralization is considered a second priority to any resource definition/clarification drilling.

Further analysis of the structural framework of gold mineralization at Yundamindera was also underway involving the detailed airborne magnetic and Light Detection and Ranging (LiDAR) surveys flown by Nex in 2011, recent mapping of outcrops and the three-dimensional geological model generated by the extensive drillhole database. This work complements the planning of the aforementioned drilling programs.

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 Limited., 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 the Board of Directors.



Kenneth Allen
Managing Director
Perth, 14 March 2014

Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2013

	Note	31 December 2013 \$	31 December 2012 \$
Revenue		-	276,497
Cost of sales		-	(1,431,866)
Gross profit		-	(1,155,369)
Other income	2(a)	1,503,807	112,799
Occupancy expenses		(29,162)	(40,046)
Administration expenses		(71,893)	(120,259)
Consultants expenses	2(b)	(606,912)	(994,743)
Depreciation		(17,348)	(142,126)
Employment and contractor expenses		(304,431)	(402,968)
Borrowing expenses		(91,986)	(521,321)
Travel expenses		(35,539)	(24,210)
Exploration and evaluation expenses		(631,815)	(264,872)
Plant and equipment written off		(73,666)	-
Loss before income tax expense		(358,945)	(3,553,115)
Income tax benefit	2(c)	2,103,951	5,132,261
Profit for the period		1,745,006	1,579,146
Other comprehensive income for the period		-	-
Total comprehensive income attributable to owners of Nex Metals Explorations Ltd		1,745,006	1,579,146
Earnings per share:			
Basic and diluted (cents per share)		1.14	1.03

The accompanying notes form part of this interim financial report.

Statement of Financial Position

As at 31 December 2013

	Note	31 December 2013 \$	30 June 2013 \$
Current assets			
Cash and cash equivalents		928,167	50,229
Trade and other receivables	3	3,241,771	21,169
Other current assets		27,229	1,019,472
Mining tenements – held for sale		-	3,500,000
Total current assets		<u>4,197,167</u>	<u>4,590,870</u>
Non-current assets			
Plant and equipment		50,052	136,886
Exploration and evaluation expenditure		284,664	284,664
Total non-current assets		<u>334,716</u>	<u>421,550</u>
Total assets		<u>4,531,883</u>	<u>5,012,420</u>
Current liabilities			
Trade and other payables		5,512,737	7,494,988
Interest-bearing liabilities	7(b)	1,500,000	1,750,000
Provisions		84,041	77,333
Total current liabilities		<u>7,096,778</u>	<u>9,322,321</u>
Total liabilities		<u>7,096,778</u>	<u>9,322,321</u>
Net liabilities		<u>(2,564,895)</u>	<u>(4,309,901)</u>
Equity			
Issued capital	4	18,884,107	18,884,107
Option reserve		2,260,245	2,260,245
Accumulated losses		(23,709,247)	(25,454,253)
Total equity		<u>(2,564,895)</u>	<u>(4,309,901)</u>

The accompanying notes form part of this interim financial report.

Statement of Changes in Equity

For the half-year ended 31 December 2013

	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
Transactions with owners in their capacity as owners				
Issue of shares for working capital	-	-	-	-
Share issue costs	(5,700)	-	-	(5,700)
Total contribution by owners	(5,700)	-	-	(5,700)
Balance at 31 December 2012	18,884,107	2,260,245	(20,480,395)	663,957

	Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	
Balance at 1 July 2013	18,884,107	2,260,245	(25,454,253)	(4,309,901)
Profit for the period	-	-	1,745,006	1,745,006
Total comprehensive income for the period	-	-	1,745,006	1,745,006
Transactions with owners in their capacity as owners				
Issue of shares for working capital	-	-	-	-
Share issue costs	-	-	-	-
Total contribution by owners	-	-	-	-
Balance at 31 December 2013	18,884,107	2,260,245	(23,709,247)	(2,564,895)

The accompanying notes form part of this interim financial report

Statement of Cash Flows

For the half-year ended 31 December 2013

	Note	31 December 2013 \$	31 December 2012 \$
Cash flows from operating activities			
Receipts from customers		-	276,497
Receipts of sundry income		-	106,200
Income tax refund (net of professional fees)		-	4,230,103
Payments to suppliers and employees		(2,362,245)	(3,608,627)
Borrowing and finance costs paid		(16,986)	-
Interest received		6,790	6,599
Net cash (used in)/ provided by operating activities		(2,372,441)	1,010,772
Cash flows from investing activities			
Proceeds from disposal of mining tenements		2,500,000	-
Payments for property, plant and equipment		(4,180)	(6,162)
Net cash provided by/ (used in) investing activities		2,495,820	(6,162)
Cash flows from financing activities			
Proceeds from the issue of equity securities (net of costs)		-	(5,700)
Proceeds from/(payment of) security bond		1,004,559	(1,000,000)
Deposits from shareholders and other parties		-	95,000
Repayment of borrowings		(250,000)	-
Net cash provided by/(used in) financing activities		754,559	(910,700)
Net increase in cash and cash equivalents		877,938	93,910
Cash and cash equivalents at the beginning of the period		50,229	16,017
Cash and cash equivalents at the end of the period		928,167	109,927

The accompanying notes form part of this interim financial report.

Notes to the interim financial statements

For the half-year ended 31 December 2013

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 half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2013 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 2013, 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 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 company had net cash outflows from operating activities of \$2,372,441 for the half-year ended 31 December 2013. As at that date, the company had net current liabilities of \$2,899,611 and net liabilities of \$2,564,895. These 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 half-year financial report. The directors believe 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 but funding is available if required;
- A dispute with a creditor for the amount of \$2,255,477 exists relating to the satisfactory delivery of goods. This amount is currently recognised in the statement of financial position as at 31 December 2013 as a current liability. As the Company does not believe it is liable for this debt, the Company expects to commence litigation before 30 June 2014, for a breach of contract (refer Note 6(b));
- \$328,000 of share application monies, shown as a current liability as at balance date, will be converted to equity;
- In January 2014, the Company received a tax refund of \$2,103,951 under the Research and Development regime (refer Note 7(a)), which has been recognised in these financial statements;
- Convertible notes expiring in February 2014 have been extended and are repayable by 3 February 2015 (refer Note 7(b)). The directors are confident that the note holder will redeem the convertible notes for shares and no cash payment will be required to settle the liability; and
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position, for cash as has occurred in the prior year.

Notes to the interim financial statements

For the half-year ended 31 December 2013 (cont'd)

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

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 half-year financial report.

If the company is unsuccessful in its case with the disputed creditor and convertible notes are required to be paid in cash on 3 February 2015, there would be material 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.

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

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

	31.12.2013	31.12.2012
	<u>\$</u>	<u>\$</u>
(a) Other Income		
Fuel tax credit	6,613	106,200
Interest revenue	6,790	6,599
Other #	1,490,404	-
	<u>1,503,807</u>	<u>112,799</u>
(b) Expenses		
The profit before income tax has been arrived at after charging the following specific expenses:		
<i>Consultants Expense</i>		
Professional fees incurred in relation to the Research and Development tax offset claim (refer Note 2 (c)).	343,185	902,158
Other	263,727	92,585
	<u>606,912</u>	<u>994,743</u>
(c) Income tax benefit		
Research and Development tax rebate receivable/received	2,103,951	5,132,261

Includes \$1,419,556 creditor write back, resulting from settlement of dispute.

Notes to the interim financial statements For the half-year ended 31 December 2013 (cont'd)

3. Receivables

	31.12.2013 \$	30.06.2013 \$
Amount due under contract for sale of mining tenements	1,000,000	-
Research and Development rebate receivable (refer Note 7(a))	2,103,951	-
Other	137,820	21,169
	<u>3,241,771</u>	<u>21,169</u>

4. Issued Capital

There were no movements in issued capital during the half-year.

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

6. Contingencies

- (a) During the year ended 30 June 2013, a claim was brought against the Company by a creditor for the payment of services rendered amounting to \$1,419,555. This was recognised as a current liability in the statement of financial position as at 30 June 2013. The claim was settled in December 2013, resulting in the write back of \$1,419,555 to the statement of profit or loss and other comprehensive income.
- (b) A dispute with a creditor for the amount of \$2,255,477 exists relating to the satisfactory delivery of goods. This amount is currently recognised in the statement of financial position as at 31 December 2013 as a current liability. As the Company does not believe it is liable for this debt, the Company expects to commence litigation before 30 June 2014, for a breach of contract.

Other than the above, there are no other known significant contingencies as at 31 December 2013.

7. Subsequent events

(a) In January 2014 the Company received from the Australian Taxation Office a tax credit under the Research and Development regime of \$2,103,951, being tax offset in respect of expenditure incurred in the year ended 30 June 2013. This amount was shown as a receivable at 31 December 2013.

(b) Convertible notes with a face value of \$1,500,000, which expired on 3 February 2014 have been extended to 3 February 2015. The noteholder has the right to convert all or part of the \$1,500,000 into ordinary shares of the Company at the lower of AUD \$0.03 per share or the volume weighted average price based on ten trading days immediately prior to conversion. Interest is payable at 10% per annum.

There are no other matters or circumstances that have arisen since 31 December 2013 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:
 - (a) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2013 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
Perth, 14 March 2014

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

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 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow 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 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 half-year 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 2013 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 report.

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:

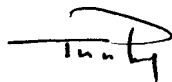
- (a) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the company had net cash outflows from operating activities of \$2,372,441 for the half-year ended 31 December 2013. As at that date, the company had net current liabilities of \$2,899,611 and net liabilities of \$2,564,895. These conditions, as 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



TUTU PHONG
Partner

Perth, WA

Dated: 14 March 2014

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www.rsmi.com.au

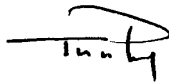
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nex Metals Explorations Ltd for the half-year ended 31 December 2013, 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: 14 March 2014