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Nex Metals Explorations Limited

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2015

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 Australia Partners
8 St Georges Terrace
Perth WA 6000

SOLICITORS

Lawton Gillon
Level 11, 16 St George's Terrace
Perth WA 6000

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING

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

Directors' Report

The directors of Nex Metals Explorations Ltd ("company") and its controlled entity ("consolidated entity") submit herewith the financial report for the half-year ended 31 December 2015.

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

Name

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 consolidated entity for the half-year after providing for income tax amounted to \$618,481 (31 December 2014 – loss of \$557,597).

Review of operations

Yundamindera Exploration

During the period the Company has continued research and development work at the Yundamindera Project with consultants with respect to the Company's proposed low tonnage - low cost gold processing method. The intention being to scale a 20,000 tonne trial plant for mining/processing of near surface gold deposits. Dependent of the outcome of the trial plant a further upscaling of the trial plant to 100,000 tonne per annum will follow. The Company expects technical designs to be completed by a University Engineering Department in the next half with construction of the plant to commence shortly thereafter. The Company will commence permitting processes with the applicable Government Departments in the next half. Concurrent to activities at Yundamindera the Company has continued its research and development works at Cosmopolitan/Champion/McTavish and Leipold deposits with respect to processing technologies.

Evaluation of Projects

The Company continues to have projects presented to it for evaluation during the period extending from Gold, base metals, copper and diamonds. The Company takes the view that in the current commodities market that projects need to show exceptional value for the Company to proceed to any type of acquisition arrangement.

Continuation of Legal Action

During the period, the Company attended a Status Conference at the Supreme Court with a disputed creditor. The Court has determined that expert reports are required and is managing the process.

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.

Directors' Report

Review of operations (cont'd)

Concentrated Solar Thermal Research

The Company has been working with Curtin University on various research and development opportunities. The Company has continued the background work with respect to power saving techniques and alternatives for remote mining sites during the research phase of the Kookynie Gold Project. Concentrated Solar Thermal was seen as one of the better alternate energy methods that could provide peak load (subject to scalability). The Company believes that in the near future mining would ultimately be required to be carbon neutral which is in line with the Company aspiring to have world best practice in environmental standards. The Company sees that this research will provide a future income stream to its Shareholders as the Company will have the marketing and development rights to the technological outcomes.

In the last half Curtin University and the Company were successful granted an Australian Research Council, Linkage Grant to carry on from the previous grant with respect to Concentrated Solar Thermal - high temperature storage using metal hydrides. Curtin University has been involved in hydrogen storage research since 1998 through Professor Craig Buckley, who has 25 years of experience in the field. The Hydrogen Storage Research Group (HSRG) at Curtin was formed in 2003. Since 2011, Curtin has performed research on utilising the ability of high-temperature metal hydrides to store significant amounts of heat. A large range of metal hydrides exist and they can store between 3 and 30 times more heat than the state-of-the-art technology based on molten salts. Initial testing shows that Curtin University has developed a method that allows sodium hydride to release and absorb hydrogen, and hence heat, over multiple cycles. Testing is continuing to determine cyclic stability over the projected 30-year lifetime of a concentrating solar thermal power station.

The use of metal hydrides aim is to produce a storage system which will be at least two thirds less expensive than currently available systems.

Research and Development Rebate

The company continues to undertake extensive research and development with respect to gold processing during the year. A claim for the year ended 30 June 2015 will be lodged in the March 2016 quarter with the assistance of international accounting firm, Deloitte Tax Services.

Auditor's independence declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 has been received and is included within this financial report.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Kenneth Allen
Managing Director
Perth, 14 March 2016

**Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For the half-year ended 31 December 2015**

	Note	31 December 2015 \$	31 December 2014 \$
Other income	2	226,800	346,906
Occupancy expenses		(16,644)	(12,470)
Administration expenses		(65,569)	(77,263)
Consultants expenses		(55,898)	(72,103)
Depreciation		(4,193)	(5,635)
Employment and contractor expenses		(324,620)	(319,204)
Borrowing expenses		(75,739)	(75,982)
Travel expenses		(26,012)	(43,091)
Litigation settlement		(140,000)	-
Exploration and evaluation expenses		(136,606)	(298,755)
Loss before income tax expense		(618,481)	(557,597)
Income tax benefit		-	-
Loss for the period		(618,481)	(557,597)
Other comprehensive income for the period		-	-
Total comprehensive loss attributable to owners of Nex Metals Explorations Ltd		(618,481)	(557,597)
Earnings per share:			
Basic and diluted loss per share (cents)		(0.40)	(0.37)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position As at 31 December 2015

	Note	31 December 2015 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents		308,427	356,780
Receivables	3	64,395	51,545
Other current assets		52,589	38,198
Total current assets		<u>425,411</u>	<u>446,523</u>
Non-current assets			
Receivables	3	1,000,000	1,300,000
Plant and equipment		28,001	32,194
Exploration and evaluation expenditure		284,664	284,664
Total non-current assets		<u>1,312,665</u>	<u>1,616,858</u>
Total assets		<u>1,738,076</u>	<u>2,063,381</u>
Current liabilities			
Payables		4,553,819	4,267,788
Interest-bearing liabilities	7	1,500,000	1,500,000
Provisions		116,748	109,603
Total current liabilities		<u>6,170,567</u>	<u>5,877,391</u>
Total liabilities		<u>6,170,567</u>	<u>5,877,391</u>
Net liabilities		<u>(4,432,491)</u>	<u>(3,814,010)</u>
Equity			
Issued capital	4	18,884,107	18,884,107
Option reserve		2,260,245	2,260,245
Accumulated losses		(25,576,843)	(24,958,362)
Total deficiency in equity		<u>(4,432,491)</u>	<u>(3,814,010)</u>

The accompanying notes form part of this interim financial report.

Consolidated Statement of Changes in Equity For the half-year ended 31 December 2015

	Consolidated Attributable to equity holders			Total Equity \$
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	
Balance at 1 July 2014	18,884,107	2,260,245	(24,746,688)	(3,602,336)
Loss for the period	-	-	(557,597)	(557,597)
Total comprehensive loss for the period	-	-	(557,597)	(557,597)
Balance at 31 December 2014	18,884,107	2,260,245	(25,304,285)	(4,159,933)

	Consolidated Attributable to equity holders			Total Equity \$
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	
Balance at 1 July 2015	18,884,107	2,260,245	(24,958,362)	(3,814,010)
Loss for the period	-	-	(618,481)	(618,481)
Total comprehensive loss for the period	-	-	(618,481)	(618,481)
Balance at 31 December 2015	18,884,107	2,260,245	(25,576,843)	(4,432,491)

The accompanying notes form part of this interim financial report

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities			
Other receipts		213,946	270,817
Payments to suppliers and employees		(561,564)	(900,033)
Borrowing and finance costs paid		(739)	(982)
Interest received		4	3,344
Income tax refund (net of professional fees)		-	185,582
Net cash (used in) operating activities		<u>(348,353)</u>	<u>(441,272)</u>
Cash flows from investing activities			
Proceeds from disposal of mining tenements		-	-
Payments for property, plant and equipment		-	-
Net cash from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Receipt of loans advanced		<u>300,000</u>	<u>-</u>
Net cash provided by financing activities		<u>300,000</u>	<u>-</u>
Net (decrease) in cash and cash equivalents		(48,353)	(441,272)
Cash and cash equivalents at the beginning of the period		356,780	771,534
Cash and cash equivalents at the end of the period		<u>308,427</u>	<u>330,262</u>

The accompanying notes form part of this interim financial report.

Notes to the interim financial statements For the half-year ended 31 December 2015

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 2015 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 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, except as set out below:

New and Revised Accounting Standards and Interpretations

The consolidated entity 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 consolidated entity's accounting policies. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

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 consolidated entity incurred a loss of \$618,481 and had net cash outflows from operating activities of \$348,353 for the half-year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities of \$5,745,156 and net liabilities of \$4,432,491. The directors believe there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- A dispute with a creditor for an amount of \$2,255,477 exists relating to the satisfactory delivery of goods. This amount is recognised as a current liability in the statement of financial position as at 31 December 2015. As the company does not believe it is liable for this debt, the company has lodged a writ for breach of contract. Consequently, the creditor has lodged a counterclaim. Both parties have attended a Status Conference at the Supreme Court where the Supreme Court has determined that expert reports are required. The expert reports are expected in the March 2016 quarter;
- \$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 2015, will be transferred to equity when the shares are issued;
- Convertible notes with a face value of \$1,500,000, which expired on 6 February 2016 have been re-extended to 6 February 2017. 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;
- A research and development rebate claim will be lodged in the March 2016 quarter with respect to research and development costs incurred for the year ended 30 June 2015;
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 31 December 2015, for cash as has occurred in prior years; and
- Issue of shares for cash from capital raising to be conducted in accordance with the Corporations Act.

Notes to the interim financial statements For the half-year ended 31 December 2015 (cont'd)

1. Basis of preparation (cont'd)

Accordingly, the Directors believe that the consolidated entity 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.

The consolidated entity's ability to continue as a going concern is mainly dependent on the following factors:

- success with its legal action against the disputed creditor;
- redemption of the convertible note by the issue of shares rather than a cash payment;
- obtaining cash through a successful research and development rebate claim; and
- obtaining cash through the issue of shares.

Should the consolidated entity not achieve the factors set out above, there is significant uncertainty whether the consolidated entity 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 consolidated entity does not continue as a going concern.

2. Other Income

	31 December 2015 \$	31 December 2014 \$
Interest revenue	4	103,344
Other	226,796	243,562
	<u>226,800</u>	<u>346,906</u>

Notes to the interim financial statements

For the half-year ended 31 December 2015 (cont'd)

3. Receivables

	31 December 2015 \$	30 June 2015 \$
Current		
Sundry receivables	64,395	51,545
Non-Current		
Amount due under contract for sale of mining tenements	1,000,000	1,000,000
Loan – unsecured	-	300,000
	<u>1,000,000</u>	<u>1,300,000</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 of directors, in allocating resources and have concluded that at this time there are no separately identifiable segments.

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

6. Contingencies

A dispute with a creditor for the amount of \$2,255,477 exists relating to the satisfactory delivery of goods. This amount is recognised in the statement of financial position as at 31 December 2015 as a current liability.

During the half-year ended 31 December 2015, both parties attended a Status Conference at the Supreme Court. The Court has determined that expert reports are required and is managing the process. The expert reports are expected in the March 2016 quarter.

Other than the above, there are no other known significant contingencies as at 31 December 2015.

7. Subsequent events

Convertible notes with a face value of \$1,500,000, which expired on 3 February 2016 have been extended to 3 February 2017. The noteholder has the right to convert all or part of the \$1,500,000 into ordinary shares of the consolidated entity 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 2015 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

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 consolidated entity's financial position as at 31 December 2015 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, 14 March 2016

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RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 92619100
F +61(0) 8 92619111

www.rsm.com.au

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

We have reviewed the accompanying half-year financial report of Nex Metals Explorations Limited which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other 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 consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 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 consolidated entity's financial position as at 31 December 2015 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 Limited, 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.

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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 Limited, 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 Limited is not in accordance with the *Corporations Act 2001* including:

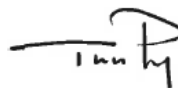
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 to the financial statements, which indicates that the consolidated entity incurred a net loss of \$618,481 and had net cash outflows from operating activities of \$348,353 for the half-year ended 31 December 2015. As at that date, the consolidated entity had net current liabilities of \$5,745,156 and net liabilities of \$4,432,491. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in black ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink that appears to read 'Tutu Phong'.

TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2016

RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100

F +61 (0) 8 9261 9111

www.rsm.com.au

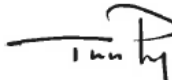
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nex Metals Explorations Limited for the half-year ended 31 December 2015, 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 AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 14 March 2016

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