

Nex Metals Explorations Limited

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2022

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Corporate Directory

DIRECTORS

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

COMPANY SECRETARY

Kenneth M Allen

PRINCIPAL OFFICE

45 Guthrie Street
OSBORNE PARK WA 6017

REGISTERED OFFICE

45 Guthrie Street
OSBORNE PARK WA 6017

AUDITORS

Armada Audit and Assurance Pty Ltd
18 Sangiorgio Court
OSBORNE PARK WA 6017

SOLICITORS

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

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

Directors' Report

The directors of Nex Metals Explorations Limited ("Nex Metals" or "the Company") (ASX: NME) and its controlled entity ("Group") submit herewith the financial report for the half-year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

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

Thomas F Percy

Kenneth M Allen

Hock Hoo Chua

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

Operating Results

The operating loss of the Group for the half-year after providing for income tax amounted to \$789,466 (31 December 2021 – \$601,778).

Review of Operations

Equity Transactions in the half-year ended 31 December 2022

- On 29 September 2022, \$1,445,974 of creditors and consultants were paid by issuance of 28,919,475 ordinary shares at \$0.05; and
- On 5 December 2022 \$94,234 was raised via the issue of 3,247,387 shares in a rights issue
- On 7 December 2022, Mr T Percy KC converted \$437,779 outstanding to 8,755,580 ordinary fully paid shares at \$0.05 ;

Discussions with Respect to Tailings and Processing

The Company entered discussions during the period with an independent party with respect to the processing of the Tailings and the establishment of a processing facility at Kookynie. These are preliminary but cover completion of the Kookynie trial processing project and application for a permit of works to complete all remaining tailings on site, with ultimate relocation of tailings after processing away from the townsite of Kookynie and subsequent rehabilitation of the site. The party will provide all funding for the furtherment of the project. There is no certainty with respect to these discussions nor completion of due diligence by the party.

Outcome of challenging to Nex Metals, share issues and meetings

In August 2022, Metalicity Limited ("Meticity") (ASX: MCT) launched court action against Nex Metals Exploration Ltd's Managing Director Mr Ken Allen, Chairman Mr Tom Percy KC, Non-Executive Director Mr Hock Hoo Chua and a number of Nex Metals shareholders. Together these shareholdings represent approximately 60 million shares (being 22.28% of Nex Metals). Amongst the claims, Metalicity was seeking a declaration that approximately 54 million votes declared invalid, with a subsequent impact as to the results of the Nex Metals AGM held on 31 March 2022. Similar declarations are sought for the EGM held on 25 July 2022. Similar declarations are also sought in relation to the other shares for whom proxies were purportedly lodged online from the same IP address. Metalicity is also seeking an order that approximately 60 million shares held by the defendants be vested with Australian Securities and Investments Commission (ASIC) and sold.

On 12 December 2022 Nex Metals announced to the market that a decision was delivered in the Supreme Court of WA in the action commenced by Metalicity Limited against Nex Metals and twenty six others including the directors of Nex Metals and a number of shareholders of Nex Metals where Metalicity was seeking to set aside the results of two meetings of the members of Nex Metals and other relief including that the shares held by the members the subject of the proceedings vest in ASIC. In the meetings the subject of the proceedings Metalicity was seeking to overturn the results of shareholder meetings of Nex Metals where nominees of Metalicity failed to be elected to the board of Nex and where Metalicity failed to remove existing board members.

Nex Metals notes that each claim of Metalicity was comprehensively dismissed by the Court.

Furthermore, on 16 December 2022 awarded costs in Nex Metals favour and against Metalicity.

The quantum of these costs are yet to be determined.

Supreme Court Action by Metalicity against Nex for Joint Venture Costs

MCT claims that \$1.28 million is due to it from NME, arising from the provisions of the farm-in and joint venture agreement made on or about 4 May 2019 (“the JVA”) between MCT and NME. MCT claims the following amounts from NME: – 1. The amount of \$188,618 (the subject of a billing statement from the plaintiff to the defendant dated 3 March 2022). 2. The further amount of \$989,712 (the subject of a billing statement from the plaintiff to the defendant dated 11 March 2022). 3. The further amount of \$101,464 (the subject of another billing statement from the plaintiff to the defendant dated 11 March 2022) and therefore a total amount of \$1,279,794. The aforementioned claims by MCT are disputed by NME on the basis inter alia, the amounts were never authorised as part of an approved budget and accordingly are at MCT own expense. MCT and NME until recently had been engaged in a dispute resolution process pursuant to the provisions of the JVA. NME disputes the claims by MCT. The Company, after consulting its legal counsel, believes it will be successful.

There have been a number of direction hearings in the Supreme Court which included both parties lodging amended claims and counterclaims. The next directions hearing is due mid-March.

Exploration Activity Drilling Results

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

13 September 2022 Substantial Extensions and Significant Gold Intersections at Champion

- Resource definition Reverse Circulation (RC) drillholes at the Champion Deposit of the Kookynie Gold Project have returned significant assay results, including:
 - CPRC0044 - 8m @ 3.86 g/t Au from 94m, including 1m @ 17.75 g/t Au from 96m
 - CPRC0046 - 4m @ 1.82 g/t Au from 85m, including 1m @ 3.93g/t Au from 86m
- These results are within the vicinity of our previous intercept of 28 metres @ 1.83 g/t Au from 72 metres
- AirCore (AC) and RC drilling results also returned for Champion North and South Targets testing the Champion structure; highlights include:
 - CPRC0055 – 4m @ 1.79 g/t Au from 76m
 - CPRC0064 - 4m @ 1.24 g/t Au from 32m
- Champion North and South drilling targeted potential strike extensions to the Champion Deposit with down plunge opportunities still open at depth.
- Kookynie and Yundamindra Projects remain highly prospective elements of Metalicity’s portfolio, alongside the recently acquired Mt Surprise and Georgetown lithium projects.

4 October 2022 Significant High-Grade Intercepts from McTavish South Resampling

1 metre resampling of 4 metre composite Air Core (AC) drilling sample results from the McTavish South Prospect, part of the Kookynie Gold Project, confirmed significant widths and better-defined high-grade intercepts, highlights include:

- MCTSAC0020 – 7m @ 2.40 g/t Au from 29 metres; including 2m @ 4.27 g/t Au from 30 metres
- MCTSAC0021 – 10m @ 1.89 g/t Au from 69 metres; including 2m @ 5.33 g/t Au from 69m
- MCTSAC0024 – 8m @ 1.38 g/t Au from 21 metres; including 1m @ 4.14 g/t Au from 23 metres
- MCTSAC0028 – 1m @ 4.2 g/t Au from 30 metres, 1m @ 7.61 g/t Au from 34 metres and 1m @ 2.4 g/t Au from 53 metres
- From the successful 31 drillhole first pass Air Core programme, 10 drillholes containing 4 metre composite samples with significant and anomalous gold mineralisation were selected for resampling and reanalysis.
- Final 1 metre assays indicate that there remains significant potential to expand upon these results and guide the next stage of exploration.
- All primary gold assays from drilling results from the 2022 programme have now been returned.

Responsibility Statement

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

Subsequent events

At a General Meeting held on 4 January 2023, shareholders resolved to reduce director and related party debt to the amount \$1,423,092 for accrued Director fees (Kenneth Allen) and related party debt of \$806,673. This was originally announced on the ASX on 30 September 2022. On 7 March 2023, a total of 44,595,317 shares was issued at 5 cents per share for the conversion of 2,229,765 in liabilities including accrued director fees of \$1,423,092 owed to Director Kenneth Allen and related party debt of \$806,673 owed to Allen's business group.

Other than the above there are no matters or circumstances that have arisen since 31 December 2022 that have or may significantly affect the operations, results, or state of affairs of the Group in future financials periods.

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* has been received and is included on the following pages.

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



Kenneth Allen
Managing Director
Perth, 16 March 2023

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF**

NEX METALS EXPLORATIONS LIMITED

As lead auditor for the review of Nex Metals Explorations Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief there have been:

- i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nex Metals Explorations Limited and the entities it controlled during the half-year ended 31 December 2022.

*Armada Audit
& Assurance*

ARMADA AUDIT & ASSURANCE PTY LTD



NIGEL DIAS

DIRECTOR

Perth, Dated 16 March 2023

Consolidated Condensed Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2022

	31 December 2022 \$	31 December 2021 \$
Other income	-	5,327
Occupancy expenses	(30,735)	(29,404)
Administration expenses	(288,977)	(227,319)
Consultants expenses	(208,577)	(65,044)
Depreciation	(6,085)	(7,856)
Employment and contractor expenses	(229,917)	(251,229)
Borrowing expenses	(15,175)	(2,851)
Travel expenses	(10,000)	(23,402)
Exploration and evaluation expenses	-	-
Loss before income tax expense	(789,466)	(601,778)
Income tax benefit	-	-
Loss for the period	(789,466)	(601,778)
Other comprehensive income for the period	-	-
Total comprehensive loss attributable to owners of Nex Metals Explorations Limited	(789,466)	(601,778)
Loss per share:		
Basic and diluted loss per share (cents)	(0.28)	(0.23)

The accompanying notes form part of this interim financial report.

Consolidated Condensed Statement of Financial Position As at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents		119,806	15,781
Receivables		11,880	547,688
Other current assets		16,322	7,345
Total current assets		<u>148,008</u>	<u>570,814</u>
Non-current assets			
Plant and equipment		53,508	59,593
Capitalised exploration and evaluation expenditure	2	<u>1,104,543</u>	<u>1,082,316</u>
Total non-current assets		<u>1,158,051</u>	<u>1,141,909</u>
Total assets		<u>1,306,059</u>	<u>1,712,723</u>
Current liabilities			
Payables	3	2,557,497	4,217,116
Borrowings	4	855,101	806,673
Provisions		<u>258,001</u>	<u>241,995</u>
Total current liabilities		<u>3,670,599</u>	<u>5,265,784</u>
Total liabilities		<u>3,670,599</u>	<u>5,265,784</u>
Net liabilities		<u>(2,364,540)</u>	<u>(3,553,061)</u>
Equity			
Issued capital	5	26,036,740	24,058,753
Option reserve		2,260,245	2,260,245
Accumulated losses		<u>(30,661,525)</u>	<u>(29,872,059)</u>
Total deficiency in equity		<u>(2,364,540)</u>	<u>(3,553,061)</u>

The accompanying notes form part of this interim financial report.

Consolidated Condensed Statement of Cash Flows

For the half-year ended 31 December 2022

	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities		
R&D rebate received	536,788	-
Other receipts	-	250
Payments to suppliers and employees	(504,770)	(313,001)
Net cash provided by/(used in) operating activities	32,018	(312,751)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(8,299)
Payments for exploration expenditure	(22,227)	(88,136)
Net cash used in investing activities	(22,227)	(96,435)
Cash flows from financing activities		
Proceeds from the issue of shares	94,234	-
Repayment of borrowings	-	(29,026)
Net cash provided by/(used in) financing activities	94,234	(29,026)
Net increase/(decrease) in cash and cash equivalents	104,025	(438,212)
Cash and cash equivalents at the beginning of the period	15,781	490,926
Cash and cash equivalents at the end of the period	119,806	52,714

The accompanying notes form part of this interim financial report.

Consolidated Condensed Statement of Changes in Equity For the half-year ended 31 December 2022

	Consolidated Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Deficiency in Equity \$
Balance at 1 July 2021	24,058,753	2,260,245	(28,084,860)	(1,765,862)
Loss for the period	-	-	(601,778)	(601,778)
<i>Total comprehensive loss for the period</i>	-	-	(601,778)	(601,778)
<i>Transactions with owners in their capacity as owners</i>				
<i>Total contributions by owners</i>	-	-	-	-
Balance at 31 December 2021	24,058,753	2,260,245	(28,686,638)	(2,367,640)

	Consolidated Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Deficiency in Equity \$
Balance at 1 July 2022	24,058,753	2,260,245	(29,872,059)	(3,553,061)
Loss for the period	-	-	(789,466)	(789,466)
<i>Total comprehensive loss for the period</i>	-	-	(789,466)	(789,466)
<i>Transactions with owners in their capacity as owners</i>				
Shares issued	1,977,987	-		1,977,987
Balance at 31 December 2022	26,036,740	2,260,245	(30,661,525)	(2,364,540)

The accompanying notes form part of this interim financial report.

Notes to the condensed interim financial statements

For the half-year ended 31 December 2022

1. Basis of preparation

The interim 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 interim financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by Nex Metals Explorations Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The interim 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 interim financial report as were applied in the most recent annual financial report.

Standards and Interpretations in issue not yet adopted

The Directors have reviewed all new Standards and Interpretations in issue not yet adopted for the half-year ended 31 December 2022. As a result of this the Directors have determined that there is no impact, material or otherwise, of the standards and interpretations in issue not yet adopted on the Group's business and, therefore, no change is necessary to the Group's accounting policies.

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

Statement of Compliance

The interim financial statements were authorised for issue on 16 March 2023.

Significant estimates and judgements

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

The judgements and estimates applied in the interim financial statements were the same as those applied to the Company's last annual report for the year ended 30 June 2022.

For purposes of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

Notes to the condensed interim financial statements

For the half-year ended 31 December 2022 (cont'd)

1. Basis of preparation (cont'd)

Going Concern

The interim 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 interim financial report, the Group incurred a loss of \$789,466 and had net cash inflows from operating activities of \$32,018 for the half-year ended 31 December 2022. As at that date, the Group had net current liabilities of \$3,522,591 and net liabilities of \$2,364,540. Notwithstanding this deficiency of net assets as at balance date, the Directors believe that there are reasonable grounds to believe that Consolidated Entity will be able to continue as a going concern after consideration of the following events that have occurred after balance date, resulting in a reduction of net current liabilities of \$3,152,157 as follows:

Total owing to Allen's business group of \$855,101. On 7 March 2023, the Company announced that \$806,673 owing to Allen's Business Group Pty Ltd has been converted to equity at \$0.05 per share (pursuant to shareholder approval of 4 January 2023). The balance of the loan payable to Allen's Business Group Pty Ltd of \$48,428 has been deferred for payment to 16 March 2024.	\$855,101
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Director's fees and accrued directors fees at 31 December 2022 was \$1,816,893 of which \$1,423,092 was be converted to equity at \$0.05 per share on 7 March 2023 and the balance of \$393,801 the Company has received written notice that the these fees will not be called for repayment until at least 16 March 2024.	\$1,816,893
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Accrued rent and accounting fees owed to Allen's Business Group of \$338,884. On 12 March 2023, the Company has received written confirmation these payables will not be called for repayment until at least 16 March 2024.	\$338,884
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Annual leave liability of \$141,279 owing to Director Ken Allen. The director has provided a written confirmation to the Company to defer payment until at least 16 March 2024.	\$141,279
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Total	\$3,152,157
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Furthermore, other factors leading to the decision that the Consolidated Entity will be able to continue as a going concern include:

- Allens Business Group Pty Ltd, an entity controlled by the Director, Ken Allen, has agreed in writing to continue to cover any short term funding needs up to a further \$750,000 to assist with payment of current payables.
- The Company after consulting its legal counsel and lawyers believe it will be successful in defending a claim by Metalicity of \$1,279,794 as disclosed in Note 7.
- Supreme Court costs orders have been awarded against Metalicity Ltd per the announcement of 31 December 2022 in the matter of COR/140/2022. Supreme Court costs orders are pending in the matter relating to meetings held by the Company in which Metalicity lost the case. Costs in both cases will be material benefit back to the Company but at the date of this report those costs cannot yet be determined; and
- Further capital raisings planned for the 12 months to 31 March 2024.

The Directors of the Company have considered the material uncertainties that exists regarding going concern. In the event of one or a combination of these events occurring, the Company may not be able to continue as a going concern.

Notes to the condensed interim financial statements For the half-year ended 31 December 2022 (cont'd)

1. Basis of preparation (cont'd)

- If Nex is not successful in defending a claim by Metalicity of \$1,279,794 as disclosed in Note 7;
- If further capital raisings are not successful;
- If future creditors are not willing to accept payment via shares;
- If Allens Business Group Pty Ltd is unable to provide further financial support; and
- If the Company is not able to recover legal fees owing by Metalicity Ltd to the Company being subject to Supreme Court proceedings lost by Metalicity.

Based on the factors above there is a material uncertainty that may cast significant doubt about 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 ended 31 December 2022.

2. Capitalised exploration and evaluation expenditure

	31 December 2022 \$	30 June 2022 \$
Opening balance	1,082,316	913,296
Current year expenditure	22,227	169,020
Current year expenditure written off	-	-
Closing balance	<u>1,104,543</u>	<u>1,082,316</u>

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

3. Payables

	31 December 2022 \$	30 June 2022 \$
Trade payables and accruals (i)	412,604	1,678,049
Accrued director fees (ii)	1,816,893	2,211,067
Shares application monies	328,000	328,000
	<u>2,557,497</u>	<u>4,217,116</u>

- (i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. During the half-year, \$1,445,974 of creditors and consultants were paid by issuance of 28,919,475 ordinary shares at \$0.05 (30 June 2022: \$333,464).
- (ii) On 30 September 2022, the Company announced that director's fees and accrued directors fees of \$2,211,067 owing will be converted to equity at \$0.05 per share, subject to shareholder approval. On 7 December 2022, Mr T Percy KC converted \$437,779 outstanding to 8,755,580 ordinary fully paid shares. Subsequent to 31 December 2022, a further \$1,423,092 accrued directors fees has been converted (Kenneth Allen). Amount owing to Mr HH Chua has yet to be put to shareholders. Additionally, in the event that the resolutions are unsuccessful, the Directors and related parties have agreed to defer repayment until at least 16 March 2024.

Notes to the condensed interim financial statements

For the half-year ended 31 December 2022 (cont'd)

	31 December 2022 \$	30 June 2022 \$
4. Borrowings		
Borrowings	855,101	806,673
Current		
Loans – related parties (a)	855,101	806,673
	855,101	806,673

(a) This loan is interest free and is with Allens Business Group Pty Ltd, an entity controlled by Mr Ken Allen. Allens Business Group Pty Ltd has agreed to not seek cash payments for its unpaid balances until the Group is in a financial position to pay.

(b) On 7 March 2023, the Company announced that director's fees and related party loans of \$806,673 owing to Allen's Business Group Pty Ltd have been converted to equity at \$0.05 per share.

Notes to the condensed interim financial statements For the half-year ended 31 December 2022 (cont'd)

5. Issued Capital

Movements in share capital were as follows:

Year ended 30 June 2022

		Fully Paid Ordinary Shares	\$
1 July 2021	Opening balance	267,014,768	24,058,753
30 June 2022	Closing balance	267,014,768	24,058,753

Period ended 31 December 2022

		Fully Paid Ordinary Shares	\$
1 July 2022	Opening balance	267,014,768	24,058,753
29 September 2022	Shares issued as payment to creditors/ consultants	28,919,475	1,445,974
7 December 2022	Shares issued to directors for fees	8,755,580	437,779
5 December 2022	Rights Issue shares	3,247,387	94,234
31 December 2022	Closing balance	307,937,210	26,036,740

6. Segment Reporting

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

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

Notes to the condensed interim financial statements For the half-year ended 31 December 2022 (cont'd)

7. Contingencies

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

The applications for forfeiture lodged by MCA Nominees Pty Ltd over the Yundamindera tenements continue to process through the Wardens Court. There have been various Wardens Court mention hearings during the half year. The Company believes there is no basis for the claim and continues to defend the matter in the normal course. The Company announced on 7 December 2022 that during a hearing held between 5 – 7 December 2022 the Warden has adjourned the hearing till 8 March 2023 pending a decision on the Company's application of a No Case Submission (this has now been adjourned by the Wardens Court until 29 May 2023).

Outcome of challenging to Nex Metals AGM

In August 2022, Metalicity Limited ("Metalicity") (ASX: MCT) launched court action against Nex Metals' Managing Director Mr Ken Allen, Chairman Mr Tom Percy KC, Non-Executive Director Mr Hock Hoo Chua and a number of Nex Metals' shareholders. Together these shareholdings represent approximately 60 million shares (being 22.28% of Nex Metals). Amongst the claims, Metalicity is seeking a declaration that approximately 54 million votes declared invalid, with a subsequent impact as to the results of the Nex Metals AGM held on 31 March 2022. Similar declarations are sought for the EGM held on 25 July 2022. Similar declarations are also sought in relation to the other shares for whom proxies were purportedly lodged online from the same IP address. Metalicity is also seeking an order that approximately 60 million shares held by the defendants be vested with Australian Securities and Investments Commission (ASIC) and sold.

On 12 December 2022 Nex Metals announced to the market that today a decision was delivered in the Supreme Court of WA in the action commenced by Metalicity against Nex Metals and twenty six others including the directors of Nex Metals and a number of shareholders of Nex Metals where Metalicity was seeking to set aside the results of two meetings of the members of Nex Metals and other relief including that the shares held by the members the subject of the proceedings vest in ASIC. In the meetings the subject of the proceedings Metalicity was seeking to overturn the results of shareholder meetings of Nex Metals where nominees of Metalicity failed to be elected to the board of Nex and where Metalicity failed to remove existing board members.

- Nex Metals notes that each claim of Metalicity was comprehensively dismissed by the Court.
- Costs in Nex Metals favour will be material for the Company but at the date of this report the quantum has not yet been determined.

Pending Costs Order

In the matter of Metalicity Ltd v Nex Metals Explorations Ltd (COR/97/2022) wherein the decision handed down on the 30 June 2022 which Nex Metals succeeded, the matter of costs has yet to be heard at a hearing of the Court.

Further Action in the Supreme Court by Metalicity Ltd

MCT claims that \$1.28 million is due to it from NME, arising from the provisions of the farm-in and joint venture agreement made on or about 4 May 2019 ("the JVA") between MCT and NME. MCT claims the following amounts from NME: – 1. The amount of \$188,618 (the subject of a billing statement from the plaintiff to the defendant dated 3 March 2022). 2. The further amount of \$989,712 (the subject of a billing statement from the plaintiff to the defendant dated 11 March 2022). 3. The further amount of \$101,464 (the subject of another billing statement from the plaintiff to the defendant dated 11 March 2022) and therefore a total amount of \$1,279,794. The aforementioned claims by MCT are disputed by NME on the basis inter alia, the amounts were never authorised as part of an approved budget and accordingly are at MCT own expense. MCT and NME until recently had been engaged in a dispute resolution process pursuant to the provisions of the JVA. NME disputes the claims by MCT. The Company after consulting its legal counsel believes it will be successful.

Notes to the condensed interim financial statements For the half-year ended 31 December 2022 (cont'd)

7. Contingencies (cont'd)

Other than the above, there are no other known significant contingencies as at 31 December 2022.

8. Subsequent events

At a General Meeting held on 4 January 2023, shareholders resolved to reduce director and related party debt to the amount \$1,423,092 for accrued Director fees (Kenneth Allen) and related party debt of \$806,673. This was originally announced on the ASX on 30 September 2022. On 7 March 2023, a total of 44,595,317 shares was issued at 5 cents per share for the conversion of 2,229,765 in liabilities including accrued director fees of \$1,423,092 owed to Director Kenneth Allen and related party debt of \$806,673 owed to Allen's business group.

Other than the above there are no matters or circumstances that have arisen since 31 December 2022 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

9. Financial Instruments

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

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

Directors' Declaration

The directors of the Company declare that:

- The attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- Subject to Note 1, 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, 16 March 2023

Independent Auditor's Review Report to the Members of Nex Metals Explorations Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying Condensed Consolidated Half-Year Financial Report of Nex Metals Explorations Limited ('the Group'), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at half-year end from time to time during the half-year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Condensed Consolidated 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 Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*;

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibility for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

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



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strength in numbers

Directors' Responsibility for the Half-Year Financial Report

The Directors of the Group are responsible for the preparation of the Condensed Consolidated 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 Condensed Consolidated Half-Year Financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Half-Year Financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*. A review of a 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.

*Armada Audit
& Assurance*

ARMADA AUDIT & ASSURANCE PTY LTD

Nigel Dias

Director, Dated 16 March 2023, Perth Western Australia.

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