

Nex Metals Explorations Ltd

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2014

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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

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

STOCK EXCHANGE LISTING

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

Directors' Report

The directors of Nex Metals Explorations Ltd ("the company") and its controlled entity ("the consolidated entity") submit herewith the financial report for the half-year ended 31 December 2014.

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 \$557,597 (31 December 2013 – profit of \$1,745,006).

Review of operations

Yundamindera Exploration

Continuing from previous quarter's activities, the Company has continued the review of the Yundamindera Project and the suitability of a JORC-compliant resource estimation with the intention of follow up drilling. The Company continues to talk to interested parties with respect to the project including sale, Joint Venture, tribute or other commercial arrangement. The tribute arrangement already in place with respect to historical tailings has progressed with the Tributor now in the production phase. Small revenue to the Company will be forthcoming. However, the greatest benefit to the Company has been savings on expenditure on the project. With the success of the working arrangement of this tribute, the Company is now assessing the feasibility of other historical tailings both at Yundamindera and Kookynie.

The Company has identified targets for potential commencement of mining operations and is reviewing metallurgical processing methodology.

Concurrent to activities at Yundamindera, the Company has continued its field works at Cosmopolitan/Champion/McTavish and Leipold deposits. The Company continues to manage the Kookynie Gold project on a fee for service basis with all operational staff and other expenses being paid by the new owners.

Evaluation of Projects

The Company continues to have projects presented to it for evaluation during the past quarter extending from base metals to iron ore and diamonds.

Income Tax Benefit

The Company expects to lodge its Research and Development rebate application with the Australian Taxation Office within the next 2 weeks from the date of this report with the assistance of international accounting firm, Deloitte Tax Services.

Directors' Report

Review of operations (cont)

Commencement of Legal Action

On 23 December 2014, the Company lodged a Writ in the WA Supreme Court wherein the writ claims losses suffered by the Company out of the false and misleading conduct by Stone Resources Ltd (ASX:SHK) on or about October and November 2011 whereby the Company induced by such conduct entered into a Toll Milling Agreement ("the Contract") with Stone Resources Ltd on or about 29 November 2011 and as a result suffered loss and damage.

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.

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

A handwritten signature in black ink, appearing to read 'Kenneth Allen', with a long horizontal stroke extending to the right.

Kenneth Allen
Managing Director
Perth, 16 March 2015

Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2014

	Note	Consolidated 31 December 2014 \$	Company 31 December 2013 \$
Other income	2(a)	346,906	1,503,807
Occupancy expenses		(12,470)	(29,162)
Administration expenses		(77,263)	(71,893)
Consultants expenses	2(b)	(72,103)	(606,912)
Depreciation		(5,635)	(17,348)
Employment and contractor expenses		(319,204)	(304,431)
Borrowing expenses		(75,982)	(91,986)
Travel expenses		(43,091)	(35,539)
Exploration and evaluation expenses		(298,755)	(631,815)
Plant and equipment written off		-	(73,666)
Loss before income tax expense		(557,597)	(358,945)
Income tax benefit	2(c)	-	2,103,951
(Loss)/ profit for the period		(557,597)	1,745,006
Other comprehensive income for the period		-	-
Total comprehensive (loss)/ income attributable to owners of Nex Metals Explorations Ltd		(557,597)	1,745,006
Earnings per share:			
Basic and diluted (loss)/ profit per share (cents)		(0.37)	1.14

The accompanying notes form part of this interim financial report.

Statement of Financial Position As at 31 December 2014

	Note	Consolidated 31 December 2014 \$	Company 30 June 2014 \$
Current assets			
Cash and cash equivalents		330,262	771,534
Trade and other receivables	3	1,332,920	1,445,757
Other current assets		56,294	9,176
Total current assets		<u>1,719,476</u>	<u>2,226,467</u>
Non-current assets			
Plant and equipment		36,974	42,609
Exploration and evaluation expenditure		284,664	284,664
Total non-current assets		<u>321,638</u>	<u>327,273</u>
Total assets		<u>2,041,114</u>	<u>2,553,740</u>
Current liabilities			
Trade and other payables		4,606,540	4,580,172
Interest-bearing liabilities	7	1,500,000	1,500,000
Provisions		94,507	75,904
Total current liabilities		<u>6,201,047</u>	<u>6,156,076</u>
Total liabilities		<u>6,201,047</u>	<u>6,156,076</u>
Net liabilities		<u>(4,159,933)</u>	<u>(3,602,336)</u>
Equity			
Issued capital	4	18,884,107	18,884,107
Option reserve		2,260,245	2,260,245
Accumulated losses		(25,304,285)	(24,746,688)
Total equity		<u>(4,159,933)</u>	<u>(3,602,336)</u>

The accompanying notes form part of this interim financial report.

Statement of Changes in Equity

For the half-year ended 31 December 2014

	Company 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)

	Consolidated Attributable to equity holders			Total Equity \$
	Ordinary Shares \$	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)
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 2014	18,884,107	2,260,245	(25,304,285)	(4,159,933)

The accompanying notes form part of this interim financial report

Statement of Cash Flows

For the half-year ended 31 December 2014

	Note	Consolidated 31 December 2014 \$	Company 31 December 2013 \$
Cash flows from operating activities			
Other receipts		270,817	-
Payments to suppliers and employees		(900,033)	(2,362,245)
Borrowing and finance costs paid		(982)	(16,986)
Interest received		3,344	6,790
Income tax refund (net of professional fees)		185,582	-
Net cash used in operating activities		(441,272)	(2,372,441)
Cash flows from investing activities			
Proceeds from disposal of mining tenements		-	2,500,000
Payments for property, plant and equipment		-	(4,180)
Net cash (used in)/provided by investing activities		-	2,495,820
Cash flows from financing activities			
Proceeds from/(payment of) security bond		-	1,004,559
Repayment of borrowings		-	(250,000)
Net cash provided by financing activities		-	754,559
Net (decrease)/ increase in cash and cash equivalents		(441,272)	877,938
Cash and cash equivalents at the beginning of the period		771,534	50,229
Cash and cash equivalents at the end of the period		330,262	928,167

The accompanying notes form part of this interim financial report.

Notes to the interim financial statements For the half-year ended 31 December 2014

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 2014 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.

Comparatives

The comparatives for the half year ended 31 December 2013 were for the company only as the controlled entity, Ausnational Investments Pty Ltd, was incorporated as a controlled entity after 31 December 2013.

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 \$557,597 and had net cash outflows from operations of \$441,272 for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of \$4,481,571 and net liabilities of \$4,159,933. 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 the amount of \$2,255,477 exists relating to the satisfactory delivery of goods. This amount is currently recognised as a current liability in the statement of financial position as at 31 December 2014. As the company does not believe it is liable for this debt, the company has lodged a writ for a breach of contract in the WA Supreme Court (refer to Note 6(a));
- \$328,000 of share application monies, shown as a current liability in the statement of financial position as at 31 December 2014, will be converted to equity;
- Convertible notes expired in 3 February 2015 (refer to Note 7) have been extended and are repayable by 3 February 2016. 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;
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 31 December 2014, for cash as has occurred in the prior year; and
- Issue of shares for cash from capital raising to be conducted in accordance with Corporations Act.

Notes to the interim financial statements For the half-year ended 31 December 2014 (cont)

1. Basis of preparation (cont)

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 dependant on the following factors:

- success with its legal action against the disputed creditor;
- payment of the convertible note by the issue of shares; 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. (Loss)/profit for the half-year

The following items are relevant in explaining the financial performance:

	31 December 2014 \$	31 December 2013 \$
(a) Other Income		
Fuel tax credit	-	6,613
Interest revenue	103,344	6,790
Other	243,562	1,490,404 [#]
	<u>346,906</u>	<u>1,503,807</u>
(b) Expenses		
The (loss)/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 to Note 2 (c)).	-	343,185
Other	72,103	263,727
	<u>72,103</u>	<u>606,912</u>
(c) Income tax benefit		
Research and Development tax rebate receivable/received	-	2,103,951

[#] 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 2014 (cont)

3. Receivables

	31 December 2014 \$	30 June 2014 \$
Amount due under contract for sale of mining tenements	1,000,000	1,000,000
Research and Development rebate receivable	-	185,582
Sundry receivables	32,920	60,175
Loan – unsecured	300,000	200,000
	<u>1,332,920</u>	<u>1,445,757</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 consolidated entity remained focused on mineral exploration over a number of areas of interest in Western Australia.

6. Contingencies

- a) 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 2014 as a current liability.

On 23 December 2014, the Company lodged a Writ in the WA Supreme Court wherein the writ claims losses suffered by the Company out of the false and misleading conduct by Stone Resources Ltd (ASX:SHK) on or about October and November 2011 whereby the Company induced by such conduct entered into a Toll Milling Agreement (“the Contract”) with Stone Resources Ltd on or about 29 November 2011 and as a result suffered loss and damage.

- b) There is also an indemnity guarantee facility of \$203,000 (30 June 2014: \$203,000) provided by Australia New Zealand Bank which remains unused as at 31 December 2014 (30 June 2014: unused).

Other than the above, there are no other known significant contingencies as at 31 December 2014.

Notes to the interim financial statements
For the half-year ended 31 December 2014 (cont)

7. Subsequent events

Convertible notes with a face value of \$1,500,000, which expired on 3 February 2015 have been extended to 3 February 2016. 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 2014 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:

1. The financial statements and notes, as set out in this half-year financial report are in accordance with Corporations Act 2001 including:
 - (a) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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, 16 March 2015

**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 2014, 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 2014 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:

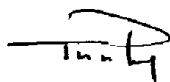
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the consolidated entity incurred a loss of \$557,597 and had net cash outflows from operating activities of \$441,272 for the half-year ended 31 December 2014. As at that date, the consolidated entity had net current liabilities of \$4,481,571 and net liabilities of \$4,159,933. 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.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 16 March 2015

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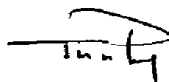
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nex Metals Explorations Ltd for the half-year ended 31 December 2014, 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: 16 March 2015