

Nex Metals Explorations Limited

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2016

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

45 Guthrie Street
OSBORNE PARK WA 6017

REGISTERED OFFICE

45 Guthrie Street
OSBORNE PARK WA 6017

AUDITORS

HLB Mann Judd
Level 4, 130 Stirling Street
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 2016.

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 \$81,844 (31 December 2015 – \$618,481).

Review of operations

Kookynie Gold Tailings and CSIRO

During the half year the Company signed a Collaboration agreement with CSIRO – Gold Processing team, for the development and commissioning of a mobile processing facility at the Cosmopolitan tailings in Kookynie. A grant is being applied for the majority of funding of the plant. The Company is pleased that a research organization of this calibre is working with us on our Non-Toxic gold processing methodology that we have been developing over the last few years, to significantly reduce environmental impacts (no cyanide or other toxic products to be used) but at the same time having cost-benefits to process low grade ores at a low capital and operating expenditure. CSIRO have developed their propriety process and reagents for gold extraction. A number of testing streams will be operating concurrently to measure performance outcomes. CSIRO estimate that this process has the potential to unlock significant value of lost gold each year in Australia which is currently constrained or lost to waste. The Kookynie project will be a first in the pilot programs.

Cosmopolitan and Champion underground mining projects.

During the half year has entered into discussions and has reached general agreement with a China based underground mining Company with respect to the re-opening of both the Cosmopolitan and Champion historical mines. Nex will not be required to provide any capital expenditure for the re-opening. The Company will provide an update to the market on signing of the formal agreement.

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.

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 an alternate energy method 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 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 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 2016 was lodged in the December 2016 quarter with the assistance of international accounting firm, Deloitte Tax Services. An amount of \$305,015 is shown as a receivable at 31 December 2016. The funds were received in January 2017.

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 blue ink, appearing to read 'Kenneth Allen', with a long horizontal flourish extending to the right.

Kenneth Allen
Managing Director
Perth, 24 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the half-year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Other income	2	291,983	226,800
Occupancy expenses		(11,890)	(16,644)
Administration expenses		(61,856)	(65,569)
Consultants expenses		(100,911)	(55,898)
Depreciation		(4,213)	(4,193)
Employment and contractor expenses		(369,157)	(324,620)
Borrowing expenses		(75,571)	(75,739)
Travel expenses		(17,586)	(26,012)
Litigation settlement		-	(140,000)
Exploration and evaluation expenses		(37,658)	(136,606)
Loss before income tax expense		(386,859)	(618,481)
Income tax benefit		305,015	-
Loss for the period		(81,844)	(618,481)
Other comprehensive income for the period		-	-
Total comprehensive loss attributable to owners of Nex Metals Explorations Ltd		(81,844)	(618,481)
Earnings per share:			
Basic and diluted loss per share (cents)		(0.05)	(0.40)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
Current assets			
Cash and cash equivalents		150,695	306,164
Receivables	3	500,282	114,368
Other current assets		36,412	29,644
Total current assets		687,389	450,176
Non-current assets			
Receivables	3	1,000,000	1,000,000
Plant and equipment		23,190	27,403
Exploration and evaluation expenditure		269,664	269,664
Total non-current assets		1,292,854	1,297,067
Total assets		1,980,243	1,747,243
Current liabilities			
Payables		4,587,923	4,287,569
Interest-bearing liabilities		1,500,000	1,500,000
Provisions		144,436	129,946
Total current liabilities		6,232,359	5,917,515
Total liabilities		6,232,359	5,917,515
Net liabilities		(4,252,116)	(4,170,272)
Equity			
Issued capital	4	18,884,107	18,884,107
Option reserve		2,260,245	2,260,245
Accumulated losses		(25,396,468)	(25,314,624)
Total deficiency in equity		(4,252,116)	(4,170,272)

The accompanying notes form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2016

	Consolidated			
	Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
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)

	Consolidated			
	Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2016	18,884,107	2,260,245	(25,314,624)	(4,170,272)
Loss for the period	-	-	(81,844)	(81,844)
Total comprehensive loss for the period	-	-	(81,844)	(81,844)
Balance at 31 December 2016	18,884,107	2,260,245	(25,396,468)	(4,252,116)

The accompanying notes form part of this interim financial report

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Other receipts	210,963	213,946
Payments to suppliers and employees	(365,320)	(561,564)
Borrowing and finance costs paid	(1,115)	(739)
Interest received	3	4
Net cash (used in) operating activities	<u>(155,469)</u>	<u>(348,353)</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	-	300,000
Net cash provided by financing activities	<u>-</u>	<u>300,000</u>
Net (decrease) in cash and cash equivalents	(155,469)	(48,353)
Cash and cash equivalents at the beginning of the period	306,164	356,780
Cash and cash equivalents at the end of the period	<u>150,695</u>	<u>308,427</u>

The accompanying notes form part of this interim financial report.

Notes to the interim financial statements For the half-year ended 31 December 2016

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 2016 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.

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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Consolidated Entity. As a result of this review, the Directors have determined that there is no material impact of the new and revised standards and interpretations on issue not yet adopted by the Company and therefore no material change is necessary to Group accounting policies.

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 \$81,844 and had net cash outflows from operating activities of \$155,469 for the half-year ended 31 December 2016. As at that date, the Consolidated Entity had net current liabilities of \$5,544,970 and net liabilities of \$4,252,116. 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 2016. 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 2017 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 2016, 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 2017 have been re-extended to 6 February 2018. 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 2016, 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.
- Directors have deferred fees owing for at least 12 months.

Notes to the interim financial statements

For the half-year ended 31 December 2016 (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; 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 2016 \$	31 December 2015 \$
Interest revenue	3	4
Mine management fees	171,862	226,610
Royalties	120,000	-
Other	118	186
	<u>291,983</u>	<u>226,800</u>

Notes to the interim financial statements

For the half-year ended 31 December 2016 (cont'd)

3. Receivables

	31 December 2016 \$	30 June 2016 \$
Current		
Sundry receivables	75,267	114,368
Royalties receivable	120,000	-
Research and Development Tax Rebate *	305,015	-
	<u>500,282</u>	<u>114,368</u>
Non-Current		
Amount due under contract for sale of mining tenements	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

* The R & D tax rebate was received in January 2017.

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

The Consolidated Entity commenced litigation for a breach of contract during the year ended 30 June 2015 with the creditor filing a counter claim.

The Supreme Court has determined that expert reports are required and is managing the process. The expert reports are expected in the March 2017 quarter.

Other than the above, there are no other known significant contingencies as at 31 December 2016.

7. Subsequent events

Convertible notes with a face value of \$1,500,000, which expired on 3 February 2017 have been extended to 3 February 2018. 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 \$0.08 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 2016 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 2016 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, 24 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nex Metals Explorations Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nex Metals Explorations Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for 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 gives a true and fair view and 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 2016 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 the company, 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*.

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 2016 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*.

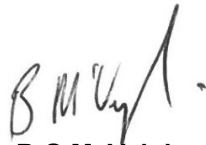
Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 to the financial report which indicates that the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as they are due are dependent upon the consolidated entity being successful in completing a capital raising, satisfactory settlement of the legal dispute and conversion of the convertible note debt by the issue of shares.

These conditions indicate the existence of a material uncertainty that 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.



HLB Mann Judd
Chartered Accountants

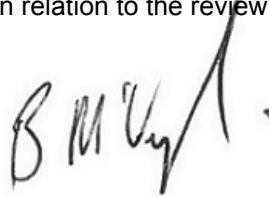

B G McVeigh
Partner

Perth, Western Australia
24 March 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Nex Metals Explorations Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
24 March 2017**

**B G McVeigh
Partner**