

NEMEX

RESOURCES LIMITED

ACN 146 243 843

AND ITS CONTROLLED ENTITIES

**HALF - YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2017**

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONTENTS

	<i>Page</i>
Directors' Report	2
Auditor's Independence Declaration	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity.....	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Condensed Financial Statements.....	9
Directors' Declaration.....	15
Independent Auditor's Review Report	16

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity (“Group”) for the half-year ended 31 December 2017. The directors report as follows:

Directors

The directors of the Company during or since the end of the half-year are listed below. All directors were in office for this entire period unless otherwise stated.

Hui Zhang	Executive Chairman
Tao Ding	Non-Executive Director
Yongjin Li	Non-Executive Director

Results

The consolidated loss for the half-year after tax was \$296,568 (2016: \$31,910).

Review of Operations

Investment in Security Biometric Technology

In April 2014, the Company entered into a conditional agreement to earn up to a 51% interest in Wavefront Biometric Technologies Pty Ltd (“Wavefront”) and its unique biometric technology. Wavefront has developed and patented a biometric technology for reliable and secure authentication of a person’s identity, based on capturing data associated with the eye. Nemex currently holds a 40% interest in Wavefront.

During the period, Nemex joined with several Wavefront shareholders (holding in total greater than 50.1% of Wavefront’s issued shares), seeking to change and restructure the Wavefront board. A general meeting of Shareholders of Wavefront was held on 20th September 2017 under section 249F of the Corporations Act.

All resolutions considered at the meeting were passed and the Wavefront Board was restructured and comprised Mr Lindsay Stringer, Mr Robert Chambers and Mr Xavier Appleton as directors.

The new management team completed a thorough financial and technical audit of Wavefront. Some technical issues limiting the ability to capture consistent attributes of the eye were identified and a development roadmap to improve the capture method is currently being assessed. Wavefront will evaluate both hardware and software improvement options when re-evaluating the biometric acquisition process, placing a focus on strengthening Wavefront’s patented corneal biometric identifier. Extensions of the multi biometric patent have been lodged in India & South Africa.

Subsequent to period end, Wavefront advised that Mr Xavier Appleton & Mr Robert Chambers resigned as directors of Wavefront due to personal commitments.

Corporate

In August 2017, Nemex has issued 3.6 million shares at an issue price of 2 cents per share to raise \$72,000 for ongoing working capital requirements.

The Board continues to assess new investment opportunities, including potential investments in both resource and non-resource related sectors.

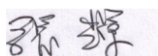
NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.



H Zhang
Chairman
Sydney

Dated this 16th day of March 2018

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Nemex Resources Limited for the half-year ended 31 December 2017, 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
16 March 2018**

**M R Ohm
Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

For the half - year ended 31 December 2017

	Notes	31 December 2017 \$	31 December 2016 \$
REVENUES			
Interest income		169,752	123,778
Foreign currency exchange gains		-	3,244
		169,752	127,022
EXPENSES			
Administrative expenses		(105,837)	(112,101)
Employee benefits expense		(38,280)	(37,202)
Foreign currency exchange losses		(2,514)	-
Impairment of exploration expenditure		-	(2,205)
Impairment of loan to associate		(319,689)	-
Share of net losses of associate		-	(7,424)
		-	(7,424)
Loss before income tax expense	2	(296,568)	(31,910)
Income tax benefit		-	-
		-	-
Net loss for the period		(296,568)	(31,910)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		-	-
		-	-
Other comprehensive income for the period		-	-
		-	-
Total comprehensive loss for the period		(296,568)	(31,910)
Basic and diluted loss per share (cents per share)	5	(0.12)	(0.01)

The accompanying notes form part of these financial statements.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	31 December 2017 \$	30 June 2017 \$
Current Assets			
Cash and cash equivalents		63,425	94,371
Other receivables	3	159,604	317,595
Total Current Assets		223,029	411,966
Total Assets		223,029	411,966
Current Liabilities			
Trade and other payables		143,201	107,570
Total Liabilities		143,201	107,570
Net Assets		79,828	304,396
Equity			
Issued capital	6	12,054,428	11,982,428
Equity based compensation reserve		1,488,751	1,488,751
Foreign currency translation reserve		234,869	234,869
Accumulated losses		(13,698,220)	(13,401,652)
Total Equity		79,828	304,396

The accompanying notes form part of these financial statements.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half - year ended 31 December 2017

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Equity Based Compensation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	11,982,428	(11,798,061)	234,869	1,488,751	1,907,987
Loss for the period	-	(31,910)	-	-	(31,910)
Total comprehensive loss for the period	-	(31,910)	-	-	(31,910)
Balance at 31 December 2016	11,982,428	(11,829,971)	234,869	1,488,751	1,876,077
Balance at 1 July 2017	11,982,428	(13,401,652)	234,869	1,488,751	304,396
Loss for the period	-	(296,568)	-	-	(296,568)
Total comprehensive loss for the period	-	(296,568)	-	-	(296,568)
Shares issued during the year (net of costs)	72,000	-	-	-	72,000
Balance at 31 December 2017	12,054,428	(13,698,220)	234,869	1,488,751	79,828

The accompanying notes form part of these financial statements.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half - year ended 31 December 2017

	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Cash payments in the course of operations	(100,495)	(139,928)
Interest received	63	124
Net cash used in operating activities	(100,432)	(139,804)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	(2,205)
Net cash used in investing activities	-	(2,205)
Cash flows from financing activities		
Proceeds from issue of shares	72,000	-
Net cash provided by financing activities	72,000	-
Net (decrease) / increase in cash and cash equivalents	(28,432)	(142,009)
Cash and cash equivalents at the beginning of the reporting period	94,371	309,070
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(2,514)	3,244
Cash and cash equivalents at the end of the reporting period	63,425	170,305

The accompanying notes form part of these financial statements.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half - year ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Nemex Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules. The interim consolidated financial statements were authorised for issue on 16 March 2018.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the commercial realisation of the Group's assets and the settlement of liabilities in the normal course of business.

The Group has incurred a loss for the period after tax of \$296,568 (2016: \$31,910) and experienced net operating and investing cash outflows of \$100,432 (2015: \$142,009). As at 31 December 2017, the Group has net current assets of \$79,828.

The Directors consider that additional funding will be required to enable the Group to continue as a going concern for a period of at least twelve months from the date of signing this financial report. Such additional funding is potentially available from a number of sources including further capital raisings.

However, due to the existence of the above financial conditions, there exists a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe the Group will obtain sufficient funding from one or more of the funding opportunities detailed above to enable it to continue as a going concern and therefore that it is appropriate to prepare the financial statements on a going concern basis.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half - year ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2017.

Investment in Wavefront Biometric Technologies Pty Ltd ('Wavefront') and associated loan

The Group has a 40% investment in Wavefront. Due to the significant uncertainty as to whether the Wavefront technology can be successfully commercialised and the inability to reliably determine value-in-use or fair value less costs of disposal, the Board have fully impaired the investment in Wavefront during the year ended 30 June 2017 and have recorded an impairment against the carrying value of the loan of \$1,320,693 reflecting an amount recoverable of \$150,000, which is based on Wavefront's net cash position at 31 December 2017.

The Directors will continue to monitor progress on the Wavefront technology and will continually assess the existence of any further indications of impairment.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Standards and Interpretations applicable to 31 December 2017

In the half-year ended 31 December 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2017.

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 the Company and therefore no material change is necessary to Group accounting policies.

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half - year ended 31 December 2017

2. LOSS BEFORE INCOME TAX EXPENSE

	31 December 2017	31 December 2016
	\$	\$
These expense items are relevant in explaining the financial performance for the half-year:		
Impairment of loan to associate	319,689	-
Exploration expenditure impaired	-	2,205

3. OTHER RECEIVABLES

	Half –year ended 31 December 2017	Year ended 30 June 2017
	\$	\$
Current:		
Prepayments and advances	9,604	17,595
Other receivables (i)	150,000	300,000
Balance at the end of the period	<u>159,604</u>	<u>317,595</u>

(i)The loan of \$950,000 plus accrued interest of \$520,693 (for a total of \$1,470,693) was provided to Wavefront to fund ongoing development and commercialisation activities. The loans are accruing interest at a rate of 20% per annum.

The Company has an option to increase its shareholding in WBT to 51% pursuant to the subscription agreement through the conversion of the loans to equity and the payment of a further \$279,307 as at 31 December 2017.

The recoverability of the loans to Wavefront is dependent on either Nemex exercising its option to increase its shareholding in Wavefront to 51% or Wavefront generating sufficient funds in its own right to repay the loans. Due to the significant uncertainty as to whether the Wavefront technology can be successfully commercialised the Board have recorded an impairment against the carrying value of the loan of \$1,320,693 reflecting an amount recoverable of \$150,000, which is based on Wavefront's net cash position at 31 December 2017.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half - year ended 31 December 2017

4. INVESTMENTS

	Half –year ended 31 December 2017 \$	Year ended 30 June 2017 \$
Investment in associate – Wavefront Biometric Technologies Pty Ltd (WBT)	-	-

The Company has a 40% shareholding in Wavefront. Wavefront is an unlisted private Australian emerging security biometric technology company. The recoupment of costs carried forward in relation to the investment in WBT is dependent on the successful development and commercialisation of the Wavefront technology. Due to the significant uncertainty as to whether the Wavefront technology can be successfully commercialised the Board have fully impaired the investment in Wavefront. The Directors will continue to monitor progress on the development of Wavefront’s technology.

5. LOSS PER SHARE

	Half –year ended 31 December 2017 cents	Half –year ended 31 December 2016 cents
Basic loss per share	(0.12)	(0.01)

	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	243,882,798	241,325,421

6. ISSUED CAPITAL

	CONSOLIDATED			
	Six Months to 31 December 2017		Year to 30 June 2017	
	Number	\$	Number	\$
Ordinary shares, issued and fully paid	244,925,421	12,054,428	241,325,421	11,982,428
<i>(a) Movements in Issued Ordinary Shares:</i>				
Balance at the beginning of the period	241,325,421	11,982,428	241,325,421	11,982,428
Placement	3,600,000	72,000	-	-
Balance at the end of the period	244,925,421	12,054,428	241,325,421	11,982,428

7. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2017.

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half - year ended 31 December 2017

8. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

On 31 January 2018, the Company announced that the conditional subscription agreement for the issue of 36 million shares at an issue price of 2 cents per share (to raise \$720,000) to Guangdong Huaxiazhongjing Fund Management Co Ltd (“Huaxiazhongjing”) did not complete and was terminated.

No other matters or circumstances have arisen since 31 December 2017 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity 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 Directors consider that the carrying values of financial assets and financial liabilities approximate their fair values.

10. SEGMENT REPORTING

Management has determined that the Group has two reportable segments, being mineral exploration and investment activities in Australia and its investment in WBT. The Board monitors the exploration activities based on actual versus budgeted expenditure incurred on the individual areas of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing activities, while also taking into consideration the results of exploration work that has been performed to date.

31 December 2017	Investment in WBT	Investment in Australia	Total
	\$	\$	\$
Revenue			
Reportable segment	169,689	-	169,689
Unallocated revenue	-	-	63
Total revenue	169,689	-	169,752
Results			
Operating profit / (loss) before income tax	(150,000)	(146,631)	(296,631)
Unallocated profit/(loss)	-	-	63
Net loss			(296,568)
Non-Cash Expenses			
Impairment of loan to associate	319,689		319,689
Assets			
Reportable segment assets	150,000	73,029	223,029
Non-current assets acquired	-	-	-
Liabilities			
Reportable segment liabilities	-	143,201	143,201

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the half - year ended 31 December 2017

10. SEGMENT REPORTING - continued

31 December 2016	Investment in WBT	Mineral Exploration and Investment in Australia	Total
	\$	\$	\$
Revenue			
Reportable segment	123,654	-	123,654
Unallocated revenue	-	-	3,368
Total revenue	123,654	-	127,022
Results			
Operating profit / (loss) before income tax	116,230	(151,508)	(35,278)
Unallocated profit/(loss)	-	-	3,368
Net loss			(31,910)
Non-Cash Expenses			
Impairment of exploration expenditure	-	2,205	2,205
Assets			
Reportable segment assets	1,747,641	176,644	1,924,285
Non-current assets acquired	-	-	-
Liabilities			
Reportable segment liabilities	-	48,208	48,208

NEMEX RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

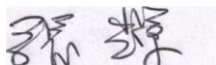
DIRECTORS' DECLARATION

31 December 2017

In the opinion of the directors of Nemex Resources Limited ('The Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year then ended.
2. 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 signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



H Zhang
Chairman

Dated at Sydney this 16th day of March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Nemex Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Nemex Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed 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.

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 Nemex Resources 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 2017 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*.

Material uncertainty related to going concern

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

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

2017 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*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
16 March 2018**



**M R Ohm
Partner**