NEMEX RESOURCES LIMITED

ACN 146 243 843

AND ITS CONTROLLED ENTITIES

HALF - YEAR FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2018

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity ("Group") for the half-year ended 31 December 2018. 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.

Liu Hui Dong (Victor Liu)	Executive Chairman	Appointed 21 December 2018
Hui Zhang	Non-Executive Director	
Tao Ding	Non-Executive Director	
Yongjin Li	Non-Executive Director	Resigned 21 December 2018

Results

The consolidated loss for the half-year after tax was $118,821 (2017: $296,568).

Review of Operations

Investment in Security Biometric Technology

The Company holds a 40% interest in Wavefront Biometric Technologies Pty Ltd ("Wavefront"), and has the right to earn up to a 51% interest. Wavefront has developed and patented a biometric technology for authentication of a person's identity, based on capturing data associated with the eye.

During the period, the management team of Wavefront continued to focus on the technical issues identified previously in relation to the ability to capture consistent attributes of the eye and a development roadmap to improve the capture method.

Corporate

In July and October 2018, Nemex issued a total of 12.5 million shares at an issue price of 2 cents per share to raise $250,000 for ongoing working capital requirements.

During the period, Nemex reviewed a number of alternative investment opportunities, in both resource and non-resources related sectors, and discussed securing further funding with various investment groups, with a view to seeking reinstatement to trading on ASX. Nemex identified and engaged with ASX with respect to acquiring a gold project in Western Australia and securing further funding of approximately $4.5 million. Nemex sought advice from ASX that the planned acquisition and corporate structure would enable Nemex to re-comply with chapters 1 and 2 of the ASX Listing rules. ASX advised that the submission was not acceptable and would not extend the 3-year continuous suspension period permitted by ASX in order to assist the Company achieve reinstatement.

Nemex was removed from the official list of the ASX in December 2018, as a result of the Company's securities having been suspended from trading for a continuous period of 3 years.

Nemex will continue to assess opportunities with a view to undertaking a project acquisition and capital raising and the Company's securities returning to market trading in the first half of 2019.

Mr Liu Hui Dong (Victor Liu) was appointed to the Board as Executive Chairman of the Company in December 2018. Mr. Liu has more than 20 years experience in corporate management and business and customer development in Australia and Asia.

Mr Yongjin Li resigned as a director of the Company in December 2018.

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 2018.

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.

V Liu
Chairman
Sydney
Dated this 15th day of March 2019

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 2018, 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
15 March 2019

M R Ohm
Partner

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half - year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
REVENUES			
Interest income		64	169,752
		64	169,752
EXPENSES			
Administrative expenses		(123,113)	(105,837)
Employee benefits (expense) / reversal		4,280	(38,280)
Foreign currency exchange losses		(52)	(2,514)
Impairment of loan to associate		-	(319,689)
Loss before income tax expense	2	(118,821)	(296,568)
Income tax benefit		-	-
Net loss for the period		(118,821)	(296,568)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		-	-
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(118,821)	(296,568)
Basic and diluted loss per share (cents per share)	4	(0.05)	(0.12)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31 December 2018 $	30 June 2018 $
Current Assets			
Cash and cash equivalents		233,504	55,496
Other receivables	3	11,707	4,299
Total Current Assets		245,211	59,795
Total Assets		245,211	59,795
Current Liabilities			
Trade and other payables		306,579	227,762
Share applications received in advance		-	20,000
Total Liabilities		306,579	247,762
Net Assets / (Net Liabilities)		(61,368)	(187,967)
Equity			
Issued capital	5	12,299,848	12,054,428
Equity based compensation reserve		1,488,751	1,488,751
Foreign currency translation reserve		234,869	234,869
Accumulated losses		(14,084,836)	(13,966,015)
Total Equity / (Deficiency)		(61,368)	(187,967)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half - year ended 31 December 2018

	Issued Capital $	Accumulated Losses $	Foreign Currency Translation Reserve $	Equity Based Compensation Reserve $	Total Equity $
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
Balance at 1 July 2018	12,054,428	(13,966,015)	234,869	1,488,751	(187,967)
Loss for the period	-	(118,821)	-	-	(118,821)
Total comprehensive loss for the period	-	(118,821)	-	-	(118,821)
Shares issued during the year (net of costs)	245,420	-	-	-	245,420
Balance at 31 December 2018	12,299,848	(14,084,836)	234,869	1,488,751	(61,368)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half - year ended 31 December 2018

	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Cash payments in the course of operations	(47,424)	(100,495)
Interest received	64	63
Net cash used in operating activities	(47,360)	(100,432)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from issue of shares (net)	225,420	72,000
Net cash provided by financing activities	225,420	72,000
Net (decrease) / increase in cash and cash equivalents	178,060	(28,432)
Cash and cash equivalents at the beginning of the reporting period	55,496	94,371
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(52)	(2,514)
Cash and cash equivalents at the end of the reporting period	233,504	63,425

The accompanying notes form part of these financial statements.

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 2018 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 15 March 2019.

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 $118,821 (2017: $296,568) and experienced net operating and investing cash outflows of $47,360 (2017: $100,432). As at 31 December 2018, the Group has a net asset deficiency of $61,368, comprising Cash of $233,504, Other receivables of $11,707 and Trade and other payables of $306,579. The Group has reached agreement with various parties (including the Directors in respect of amounts due of $125,668) that payment of amounts due totalling $241,544 will be deferred pending completion of future capital raisings.

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.

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.

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 2018.

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, except for adoption of new accounting standards listed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Standards and Interpretations applicable to 31 December 2018

In the half-year ended 31 December 2018, 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 2018.

As a result of this review, the Directors have applied AASB 9 and AASB 15 from 1 July 2018.

AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed.

Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

AASB 15 *Revenue from contracts with Customers*

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations, Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

In prior periods, revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue is capable of being reliably measured. For these periods, the only revenue was interest income accruing on the loan to Wavefront Biometric Technologies Pty Ltd using the effective interest method.

Under AASB 15, revenue is recognised when a performance obligation is satisfied and recovery of the consideration is probable. As at 30 June 2018, the loan to Wavefront Biometrics Technologies Pty Ltd was fully impaired and any interest accrued is not expected to be recovered. As the expected consideration to be received is nil, no interest income is to be recognised as revenue.

There is a material impact on the profit or loss on the adoption of this new standard in the current year.

Nemex Resources Limited has elected to adopt AASB 15 using the modified retrospective method with an initial date of application of 1 July 2018. As a result, the disclosure in Note 2 would not include comparative information under AASB 15.

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 July 2018.

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

2. LOSS BEFORE INCOME TAX EXPENSE

	31 December 2018 $	31 December 2017 $
These expense items are relevant in explaining the financial performance for the half-year:		
Impairment of loan to associate	-	319,689

3. OTHER RECEIVABLES

	Half –year ended 31 December 2018 $	Year ended 30 June 2018 $
Current:		
Prepayments and advances	11,707	4,299
Balance at the end of the period	11,707	4,299

4. LOSS PER SHARE

	Half –year ended 31 December 2018 cents	Half –year ended 31 December 2017 cents
Basic loss per share	(0.05)	(0.12)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	248,994,820	243,882,798

5. ISSUED CAPITAL

	CONSOLIDATED			
	Six Months to 31 December 2018		Year to 30 June 2018	
	Number	$	Number	$
Ordinary shares, issued and fully paid	244,925,421	12,299,848	244,925,421	12,054,428
(a) Movements in Issued Ordinary Shares:				
Balance at the beginning of the period	244,925,421	12,054,428	241,325,421	11,982,428
Placement	12,500,000	250,000	3,600,000	72,000
Issue costs	-	(4,580)	-	-
Balance at the end of the period	257,425,421	12,299,848	244,925,421	12,054,428

6. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2018.

7. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

8. 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.

9. SEGMENT REPORTING

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group’s operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision maker to make decisions regarding the Group’s operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being investment activities and one geographical segment, namely Australia.

The revenues and results of this segment are those of the Group as a whole and are set out in the condensed statement of comprehensive income and the assets and liabilities of the Group as a whole are set out in the condensed statement of financial position.

DIRECTORS' DECLARATION

31 December 2018

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 2018 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.

V Liu
Chairman

Dated at Sydney this 15th 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 2018, 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 2018 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 - material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the 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 Group's financial position as at 31 December 2018 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 Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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
15 March 2019

M R Ohm
Partner