

NEX METALS EXPLORATIONS LIMITED

ABN: 63 124 706 449

**Financial Report
For the year ended 30 June 2016**

Nex Metals Explorations Limited

ABN 63 124 706 449

CORPORATE DIRECTORY

DIRECTORS

Thomas F Percy QC
Kenneth Allen
Hock Hoo Chua
Raja Mohd Azmi bin Raja Razali (Alternative to Hock Hoo Chua)

COMPANY SECRETARY

Kenneth 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 Australia Partners
8 St Georges 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

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

The directors of Nex Metals Explorations Limited (the "company") submit herewith the financial report for the financial year ended 30 June 2016 on the company and its controlled entity (the "consolidated entity").

The names of the directors of the company at any time during or since the end of the financial year are:

Name

Thomas F Percy

Kenneth M Allen

Hock Hoo Chua

Raja Mohd Azmi bin Raja Razali (Alternative to Hock Hoo Chua)

Directors Qualifications and Experience

Thomas Percy QC (Chairman) B.Juris., LL.B.

Mr Percy was born in Kalgoorlie where his family ran the Federal Hotel for over 60 years. Mr Percy attended Kalgoorlie Central Primary School later Scotch College in Perth. After graduating from the University of W.A. in 1977 as Bachelor of Jurisprudence and Bachelor of Laws he completed his Articles in Kalgoorlie; where he practiced for the next 10 years. Mr Percy became a partner in the firm Lalor & Co in 1981, and later practiced on his own as a Barrister. He joined the W.A. Bar Association in 1984 and was appointed Queen's Counsel in December 1997. Mr Percy specialises in criminal trials and appeals and has been involved in many prominent cases over the past 25 years. He also has significant experience in mining litigation and Warden's Court cases.

He was a founding member and former Chairman of the Goldfields Credit Union, is currently a National Director of the Australian Lawyers Alliance and is a Director and Life Member of the East Perth Football Club.

Directorships held in other listed entities during the past 3 years: - None

Kenneth M Allen (Managing Director - Company Secretary) B.Bus (Curtin), PNA, FNTAA, FTIA, FAICD

Mr Allen has been a qualified accountant since 1988 and in his own Public Accounting Practice in Kalgoorlie-Boulder since 1991, and subsequently in his Perth Office. He has been involved in mining for over 20 years both directly and via his family's prospecting interests. Mr Allen is a Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. Mr Allen brings to the board extensive commercial experience in mining matters as well as a passion for sustainable and balanced environmental issues and practical carbon reductions for the mining industry.

Directorships held in other listed entities during the past 3 years: - None

Prof. Dato' Dr. Chua Hock Hoo (Non-Executive Director)

Dr Chua qualified as a professional accountant from the Chartered Institute of Management Accountant in 1993. He obtained Doctorate in Knowledge Management (PHD) from University of Malaya in 2012 and Master of Business Administration (MBA) from Oklahoma City University, USA in 1995. He had successfully completed the 5th Asean Senior Management Development Program organized by Harvard Business School Alumni Club of Malaysia on 7 July 2013.

Dr Chua distinguished himself in practice as an auditor, licensed liquidator and a tax consultant. He is the co-founder and currently the Managing Partner of Cheng & Co, a Chartered Accountants firm. He has been appointed as an Adjunct Professor of UNITAR International University since January 2014. He is a member of the Malaysian Institute of Accountants, Malaysian Institute of Taxation and Financial Planning Association of Malaysia, a fellow member of the Chartered Institute of Management Accountants (UK), a fellow member of CPA Australia, and an associate member of the Institute of Internal Auditors Malaysia. He is also a member of Harvard Business School Alumni Club of Malaysia.

Directorships held in other listed entities during the past 3 years – None.

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

Raja Mohd Azmi bin Raja Razali (Alternative representing Hock Hoo Chua)

Mr Razali is a former Group Chief Financial Officer of AirAsia and Chief Executive Officer of AirAsia between 2001 and 2007. Currently a director of Malaysia listed company Masterskill Education Group Berhad and Executive Chairman of private property development group Mainstay Holdings Sdn Bhd (owner of Space U8 Shopping Complex).

Directorships held in other listed entities during the past 3 years – None.

Principal Activities

The principal activity of the consolidated entity is exploring for gold, copper and nickel.

There were no significant changes in the nature of the activities of the consolidated entity during the year.

Operating Result

The loss after taxation of the consolidated entity for the year ended 30 June 2016 was \$356,261 (2015 : loss of \$211,674). The operating results for the year ended 30 June 2016 is summarised as follows:

	30 June 2016	30 June 2015
(Loss) before income tax benefit	(996,014)	(1,157,806)
Income Tax Benefit (being R & D tax offset received)	639,752	946,132
(Loss) for the year	(356,262)	(211,674)

Financial Position

The consolidated entity had net liabilities of \$4,170,272 as at 30 June 2016, an increase of \$356,262 from net liabilities of \$3,814,010 at 30 June 2015.

Further information, including the basis that Directors believe that there are reasonable grounds to believe that the consolidated entity will continue as a going concern and why it is appropriate to adopt the going concern basis in the preparation of the financial report is disclosed in Note 1.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No dividend has been recommended.

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

Review of Operations for the year ended 30 June 2016

Yundamindera and Kookynie Gold Research and Development Work

The Company has continued the Research and Development work on the Yundamindera and Kookynie Project with respect to gold Processing. Nex is now assessing the feasibility of other historical tailings both at Yundamindera and Kookynie.

The Company has identified during the period targets for potential commencement of mining operations and is reviewing metallurgical processing methodology as part of its research and development.

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.

Evaluation of Projects

The Company continues to have projects presented to it for evaluation during the past year extending from Base Metals, Copper, Gold and Diamonds.

Research and Development Rebate

The Company continues to undertake extensive research and development with respect to gold processing during the year. A further claim will be lodged in the last quarter of 2016 with the assistance of international accounting firm Deloitte Tax Services.

Legal Action

The Supreme Court action with Stone Resources Australia Limited (ASX:SHK) progressed through the Court process during the year including mediation and is now still pending experts reports to be submitted to the Court.

Concentrated Solar Thermal Research

The Company has been working with Curtin University on various research and development opportunities. The Company has continued background work with respect to power saving techniques during the research phase of the Kookynie Gold Project. Concentrated Solar Thermal was seen as one of the better alternate energy methods 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.

During the year Curtin University and the Company were successful in being 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.

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

The use of metal hydrides aim is to produce a storage system which will be at least two thirds less expensive than currently available systems.

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.

Significant Changes in the State of Affairs

Income Tax Benefit

During the year ended 30 June 2016, the company applied for and received a rebate from the Australian Taxation Office of \$639,752, representing the tax value of research and development costs for the year ended 30 June 2015.

Other than the above, no significant changes in the company's state of affairs occurred during the financial year.

Significant Events After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Further information on likely developments in the operations of the company has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the company. As the company is listed on the Australian Securities Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of the company's securities.

Environmental regulations

The company is aware of its environmental obligations and acts to ensure its environmental commitments are met. The Directors are not aware of any environmental regulation which has not been complied with.

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, there were 2 circular resolutions passed.

Directors	Board of directors	
	A	B
Thomas F Percy	2	2
Kenneth Allen	2	2
Hock Hoo Chua	2	2
Raja Mohd Azmi bin Raja Razali	2	-

Notes

A - Number of meetings held during the time the director held office during the period, including circular resolutions.

B - Number of meetings attended.

Being a small executive Board, the Directors are in contact on a regular basis, minimising the requirement for numerous formal meetings throughout the year.

Share Options

There are no unissued ordinary shares of the company under option as at the date of this report.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of the company.

(a) Principles used to determine the nature and amount of remuneration

The remuneration policy of the company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The board of the company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director and executives. Options are valued using an appropriate valuation methodology.

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

Company performance, shareholder wealth and directors' and executives' remuneration

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently \$350,000). Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in prevailing employee option plans.

Performance based remuneration

The company has no performance based remuneration component built into director and executive remuneration packages.

Voting and comments made at the company's 2015 Annual General Meeting ('AGM')

At the 2015 AGM, 69% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Additional information

The financial performance of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Revenue	411,349	575,777	1,803,755	679,220	2,522,108
EBITDA	(835,807)	(993,629)	(1,389,535)	(7,625,616)	(9,000,359)
EBIT	(844,509)	(1,004,812)	(1,414,326)	(7,906,253)	(9,336,800)
(Loss)/Profit after income tax	(356,262)	(211,674)	707,565	(3,394,712)	(9,189,989)

The factors that are considered to affect total shareholders return are summarised below:

	2016	2015	2014	2013	2012
Share price at financial year end (\$)	0.008	0.004	0.080	0.015	0.058
Total dividends declared (cents per share)	-	-	-	-	-
Basic (loss)/earnings per share (cents per share)	(0.23)	(0.14)	0.46	(2.22)	(6.49)

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

(b) Directors and Key Management Personnel Compensation

The key management personnel of the company are the Directors. There are no executives, other than Directors, who have the authority and responsibility for planning, directing and controlling the activities of the company.

Name of Director

Thomas F Percy	Chairman
Kenneth Allen	Managing Director
Hock Hoo Chua	Non-Executive Director
Raja Mohd Azmi bin Raja Razali	Non-Executive Director

The remuneration for each director and key management personnel of the company are as follows:

Year ended 30 June 2016	Short-term		Post-employment	Total
	<i>Salary & Fees</i>	<i>Non Cash</i>	<i>Superannuation</i>	
	\$	\$	\$	\$
Directors				
T Percy	37,500	-	3,563	41,063
K Allen	122,004	-	11,590	133,594
H Chua	25,000	-	2,375	27,375
R Razali	-	-	-	-
	<u>184,504</u>	<u>-</u>	<u>17,528</u>	<u>202,032</u>

Year ended 30 June 2015	Short-term		Post-employment	Total
	<i>Salary & Fees</i>	<i>Non Cash</i>	<i>Superannuation</i>	
	\$	\$	\$	\$
Directors				
T Percy	37,500	-	3,563	41,063
K Allen	122,004	-	11,590	133,594
H Chua	25,000	-	2,375	27,375
R Razali	-	-	-	-
	<u>184,504</u>	<u>-</u>	<u>17,528</u>	<u>202,032</u>

(c) Service agreements

The agreements related to remuneration are set out below

- (i) The company has entered into an executive services agreement with Kenneth Malcolm Allen whereby the company has agreed to employ Kenneth Malcolm Allen as managing director for a period of 4 years commencing on 6 December 2007 on a salary of \$220,000 per annum (exclusive of superannuation). In October 2008, Mr Allen agreed to reduce his total remuneration by 50% effective October 2008 until further notice. Mr Allen's term of agreement was extended on a monthly basis in November 2011.
- (ii) The company has entered into a letter agreement with Dr. Chua Hock Hoo, whereby the company has agreed to pay Dr Chua \$25,000 per annum, plus statutory entitlements, payable monthly in arrears for acting as a Non-Executive Director of the company.
- (iii) The company has entered into a letter agreement with Thomas Francis Percy whereby the company has agreed to pay Thomas Francis Percy director's fees of \$75,000 per annum, plus statutory entitlements, payable monthly in arrears, for acting as the non-executive chairman of the company. In October 2008, Mr Percy agreed to reduce his base remuneration by 50% effective October 2008 until further notice.

Nex Metals Explorations Limited

ABN 63 124 706 449

DIRECTORS' REPORT

- (iv) The company has entered into a letter agreement with Raja Mohd Azmi bin Raja Razali, whereby the company has agreed to pay Mr Razali \$25,000 per annum, plus statutory entitlements, when Mr Razali stands in as an alternate for Dr Chua on a pro rata basis. No payments were made to Mr Razali during the year ended 30 June 2016.

(d) *Option holdings of Key Management Personnel*

There are no unissued ordinary shares under option during the year ended 30 June 2016.

(e) *Share-based compensation of Key Management Personnel*

There are no shares issued to the directors as part of compensation during the year ended 30 June 2016.

(f) *Shareholdings of Key Management Personnel*

	Balance at 01/07/15 No.	Exercise of Options No.	Other changes during the year No.	Balance at 30/6/16 No.
Directors				
T F Percy	1,016,000	-	-	1,016,000
K Allen	7,150,001	-	-	7,150,001
H H Chua	860,000	-	-	860,000
R Razali	7,600,000	-	-	7,600,000
	<u>16,626,001</u>	-	-	<u>16,626,001</u>

(g) *Related party disclosures*

(a) *Transactions with director related entities*

Transactions with director related entities are on commercial terms no more favourable than those available to other persons unless otherwise stated.

	30 June 2016 \$	30 June 2015 \$
(i) Accounting, administration, rent & labour hire fees paid to Allens Business Group Pty Ltd, a related company of Kenneth Allen	56,165	61,917
(b) <i>Aggregate amounts payable to directors and their director related entities at balance date</i>		
<i>Current liabilities</i>		
Payables and accruals	997,953	798,803
Share applicable monies (i)	<u>328,000</u>	<u>328,000</u>
	<u>1,325,953</u>	<u>1,126,803</u>

- (i) This represents share application monies from Raja Mohd Azmi bin Raja Razali.

(c) *Directors loans*

No loans existed during the year and as at balance date between the company and its directors.

(d) *Other related party transactions*

Royalty obligations to RW Allen, a related party of Kenneth Allen, has been disclosed in Note 15.

[End of Remuneration Report]

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' REPORT

Indemnification and insurance of officers

During the financial year, the company paid a premium in respect of a contract of insurance insuring the directors and officers of the company against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

Indemnification and insurance of auditor

The company has not, during or since the start of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company or to intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year except as disclosed in Note 16.

Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 4. The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 4 do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within this financial report.

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



Kenneth Allen
Managing Director

Perth, 29 September 2016

Nex Metals Explorations Limited
ABN 63 124 706 449

DIRECTORS' DECLARATION

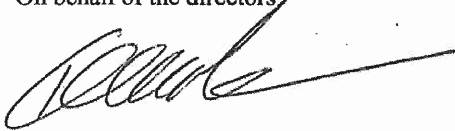
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Kenneth Allen
Managing Director

29 September 2016
Perth

Nex Metals Explorations Limited
ABN 63 124 706 449

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	30 June 2016 \$	30 June 2015 \$
Revenue	2(a)	7	103,615
Other income	2(b)	551,636	472,162
Occupancy expenses		(31,949)	(32,253)
Administration expenses		(140,384)	(182,335)
Consultants expenses	2(c)	(196,432)	(312,278)
Depreciation expenses		(8,702)	(11,183)
Employment and contractor expenses		(592,393)	(632,823)
Borrowing and finance costs		(151,504)	(152,994)
Travel expenses		(49,448)	(78,287)
Exploration and evaluation expenses	8	(376,845)	(331,430)
Loss before income tax benefit	3	(996,014)	(1,157,806)
Income tax benefit	3	639,752	946,132
Loss for the year		(356,262)	(211,674)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(356,262)	(211,674)
Loss per share:			
Basic and diluted loss (cents per share)	14	(0.23)	(0.14)

The accompanying notes form part of this financial report.

Nex Metals Explorations Limited
ABN 63 124 706 449

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	30 June 2016 \$	30 June 2015 \$
Current assets			
Cash and cash equivalents	20(a)	306,164	356,780
Receivables	5	114,368	51,545
Other assets	6	29,644	38,198
Total current assets		<u>450,176</u>	<u>446,523</u>
Non-current assets			
Receivables	5	1,000,000	1,300,000
Plant and equipment	7	27,403	32,194
Capitalised exploration and evaluation expenditure	8	269,664	284,664
Total non-current assets		<u>1,297,067</u>	<u>1,616,858</u>
Total assets		<u>1,747,243</u>	<u>2,063,381</u>
Current liabilities			
Payables	9	4,287,569	4,267,788
Interest-bearing liabilities	10	1,500,000	1,500,000
Provisions	11	129,946	109,603
Total current liabilities		<u>5,917,515</u>	<u>5,877,391</u>
Total liabilities		<u>5,917,515</u>	<u>5,877,391</u>
Net liabilities		<u>(4,170,272)</u>	<u>(3,814,010)</u>
Equity			
Issued capital	12(a)	18,884,107	18,884,107
Option reserve	13	2,260,245	2,260,245
Accumulated losses		<u>(25,314,624)</u>	<u>(24,958,362)</u>
Total deficit		<u>(4,170,272)</u>	<u>(3,814,010)</u>

The accompanying notes form part of this financial report.

Nex Metals Explorations Limited
ABN 63 124 706 449

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Deficit \$
Balance at 1 July 2014	18,884,107	2,260,245	(24,746,688)	(3,602,336)
Loss for the year	-	-	(211,674)	(211,674)
<i>Total comprehensive income for the year</i>	-	-	(211,674)	(211,674)
Transactions with owners in their capacity as owners				
Issue of shares for working capital	-	-	-	-
Share issue costs	-	-	-	-
Total contributions by owners	-	-	-	-
Balance at 30 June 2015	18,884,107	2,260,245	(24,958,362)	(3,814,010)
	Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Deficit \$
Balance at 1 July 2015	18,884,107	2,260,245	(24,958,362)	(3,814,010)
Loss for the year	-	-	(356,262)	(356,262)
<i>Total comprehensive income for the year</i>	-	-	(356,262)	(356,262)
Transactions with owners in their capacity as owners				
Issue of shares for working capital	-	-	-	-
Share issue costs	-	-	-	-
Total contributions by owners	-	-	-	-
Balance at 30 June 2016	18,884,107	2,260,245	(25,314,624)	(4,170,272)

The accompanying notes form part of this financial report.

Nex Metals Explorations Limited
ABN 63 124 706 449

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	30 June 2016 \$	30 June 2015 \$
Cash flows from operating activities			
Other revenue		359,564	431,207
Payments to suppliers and employees		(1,209,852)	(1,684,506)
Borrowing and finance costs paid		(136,176)	(137,994)
Interest received		7	3,615
Income tax refund (net of professional fees)		639,752	924,752
Net cash used in operating activities	20(b)	<u>(346,705)</u>	<u>(462,926)</u>
Cash flows from investing activities			
Payments for plant and equipment		<u>(3,911)</u>	<u>(768)</u>
Net cash used in investing activities		<u>(3,911)</u>	<u>(768)</u>
Cash flows from financing activities			
Receipt of loans advanced		<u>300,000</u>	<u>48,940</u>
Net cash provided by financing activities		<u>300,000</u>	<u>48,940</u>
Net decrease in cash and cash equivalents		<u>(50,616)</u>	<u>(414,754)</u>
Cash and cash equivalents at the beginning of the financial year		<u>356,780</u>	<u>771,534</u>
Cash and cash equivalents at the end of the financial year	20(a)	<u>306,164</u>	<u>356,780</u>

The accompanying notes form part of this financial report.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

These consolidated financial statements and notes represent those of Nex Metals Explorations Limited and its controlled entity (the "consolidated entity"). The separate financial statements of the parent entity, Nex Metals Explorations Limited (the "company"), have not been presented within this financial report as permitted by the *Corporations Act 2001*. Nex Metals Explorations Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The financial report of Nex Metals Explorations Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 29 September 2016.

1. Summary of Significant Accounting Policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated. Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The financial statements have 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 financial statements, the consolidated entity incurred a net loss of \$356,262 and had net cash outflows from operating activities of \$346,705 for the year ended 30 June 2016. As of that date, the consolidated entity had net current liabilities of \$5,467,339 and net liabilities of \$4,170,272.

The Directors believe that there are reasonable grounds to believe that consolidated entity will be able to continue as a going concern after consideration of the following factors:

- A dispute with a creditor for an 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 30 June 2016. As the company does not believe it is liable for this debt, the company has lodged a writ for breach of contract in the WA Supreme Court. Consequently, the creditor has lodged a counterclaim. Mediation proceedings have commenced during this financial year (refer to Note 16);
- \$328,000 of share application monies received from a Director, shown as a current liability in the statement of financial position as at 30 June 2016, will be transferred to equity when the shares are issued;
- Convertible notes with a face value of \$1,500,000 are recognised in current liabilities as it is repayable by 3 February 2017. The directors are confident that the note holder will extend the convertible notes at repayment date as has occurred in the prior years;
- The directors are confident that the \$1,000,000 owing from A & C Mining Investment Pty Ltd will be received as the consolidated entity is in a position to deliver title to the remaining tenements to A & C Mining Investment Pty Ltd;
- A research and development rebate claim will be lodged during the financial year ended 30 June 2017 with respect to research and development costs incurred for the year ended 30 June 2016;
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 30 June 2016, for cash as has occurred in the prior years; and
- Issue of shares for cash from capital raising to be conducted in accordance with the Corporations Act 2001.

Nex Metals Explorations Limited
ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

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 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;
- obtaining cash through a successful research and development rebate claim;
- extension of the repayment date of the convertible note; and
- receipt of the monies owed by A & C Mining Investment Pty Ltd.

Should the consolidated entity not achieve the factors set out above, there is a material uncertainty which may cast significant doubt about whether the consolidated entity will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The 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.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for the consolidated entity's obligation for short-term employee benefits. Short-term employee benefits are benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated entity's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position. The consolidated entity's obligations for employees' annual leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the financial period in which the changes occur.

The consolidated entity's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(c) Financial instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and their fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designed as such to avoid an accounting mismatch or enable performance evaluation where a group or financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest method. Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting periods. All other investments are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial statements that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity not fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Fair Value

Fair value is determined based on the current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of Assets

At the end of each reporting date, the directors assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST;

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Impairment of assets

At each reporting date, the director's review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed immediately to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(f) Income tax (continued)

Current and deferred income tax expense (revenue) is charged or credited outside profit or loss when the tax related to items that are recognised outside profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a largely enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(g) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in an area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The consolidated entity performs impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to profit or loss.

Expenditure is not carried forward in respect of any area of interest unless the consolidated entity's right of tenure to that area of interest is current. Expenditures incurred before the consolidated entity has obtained legal rights to explore a specific area is expensed as incurred. Amortisation is not charged on areas under development, pending commencement of production.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(h) Mine Development

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine, the related infrastructure and capitalised exploration and evaluation expenditure transferred from capitalised exploration and evaluation expenditure account.

Amortisation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mine properties are tested for impairment in accordance with the policy in note 1(e).

Costs of site restoration are provided for from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates of the future costs and current legal requirements and technology, discounted to present value. Any changes in the estimates for the costs are accounted for on a prospective basis.

(i) Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(j) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Plant and office equipment	6.67% to 100%
Motor vehicle	13.33% to 30%

(k) Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events for which it is probable that an outflow of economic benefits will result in that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting year.

Nex Metals Explorations Limited
ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(l) Revenue recognition

Other revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Interest revenue

Interest revenue is recognised when earned.

(m) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(n) Finance costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantively ready for their intended use or sale.

All other finance costs are recognised in profit or loss in the financial period in which they are incurred.

(o) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership transferred to the consolidated entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(o) **Leases (continued)**

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(p) **Earnings per share**

(i) Basic Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) **Trade and other receivables**

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(r) **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the company at the end of the reporting period. In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated entity have been eliminated in full on consolidation. Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

(t) **Critical accounting judgments, estimates and assumptions**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

There have been no judgements, apart from those involving estimation, in applying accounting policies that have a significant effect on the amounts recognised in these financial statements.

Following is a summary of the key assumptions concerning the future and other key sources of estimation at reporting date that have not been disclosed elsewhere in these financial statements.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(t) Critical accounting judgments, estimates and assumptions (continued)

Exploration and evaluation expenditure

The directors determine when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. This decision is made after considering the likelihood of finding commercially viable reserves.

Impairment - General

The directors assess impairment at the end of each reporting period by evaluation of conditions and events specific to the consolidated entity that may be indicative of impairment triggers. Recoverable amounts of impairment assets are reassessed and compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

(u) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(v) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The directors' assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. Summary of Significant Accounting Policies (continued)

(v) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

(w) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	30 June 2016 \$	30 June 2015 \$
2. Loss before income tax		
(a) Revenue		
Interest revenue	7	103,615
(b) Other Income		
Sundry income	551,636*	472,162
	551,636	472,162
*Includes \$140,294 write back of creditor.		
(c) Expenses		
<i>Consultants expenses</i>		
Professional fees incurred in relation to the Research and Development tax rebate claim	-	206,963
Legal	2,673	3,867
Other	193,759	101,448
	196,432	312,278
Research and development costs	-	66,002

3. Income tax

(a) No Income tax is payable by the consolidated entity as it incurred losses for income tax purposes for the year.

(b) The prima facie income tax benefit on loss from operations reconciles to the income tax benefit in the financial statements as follows:

(Loss) from operations	(996,014)	(1,157,806)
Prima facie income tax benefit at 28.5% (2015:30%)	(283,864)	(347,342)
Tax effect of non-deductible items	(43,990)	(25,223)
Deferred tax asset not recognised	47,539	372,565
Adjustment for prior period	280,315	-
Research & development rebate (see note 3(d))	639,752	946,132
Income tax benefit	639,752	946,132

(c) Unrecognised deferred tax balances

The directors estimate that the potential deferred tax benefits (at 28.5% for 2016; 30% for 2015) not brought to account attributable to tax losses carried forward at balance date is approximately \$3,182,256 (2015: \$3,134,717). The prior year balance includes a reduction in opening deferred taxes resulting from reduction in tax rate of \$164,985 resulting from the change in tax rate from 30% in 2015 to 28.5% in 2016 for the company. They will only be of benefit to the consolidated entity if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the consolidated entity is able to meet the continuity of ownership and/or business tests.

(d) Research & development rebate

During the year ended 30 June 2016, the consolidated entity applied for and received rebates from the Australian Taxation Office of \$639,752 representing the tax value of research and development costs for the year ended 30 June 2015. (2015: \$946,132) This amount is shown as an income tax benefit in the statement of profit or loss and other comprehensive income for the year ended 30 June 2016.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	30 June 2016 \$	30 June 2015 \$	
4. Remuneration of auditors			
Audit and review of the financial report – RSM Australia Partners	38,000	38,000	
	<u>38,000</u>	<u>38,000</u>	
5. Receivables			
Current			
Sundry receivables	114,368	51,545	
	<u>114,368</u>	<u>51,545</u>	
Non-Current			
Amount due under contract for sale of mining tenements	1,000,000	1,000,000	
Loan – unsecured	-	300,000	
	<u>1,000,000</u>	<u>1,300,000</u>	
6. Other assets			
Prepayments	29,644	38,198	
	<u>29,644</u>	<u>38,198</u>	
7. Plant and equipment			
	Motor Vehicles	Plant and Office Equipment	Total
	\$	\$	\$
Year ended 30 June 2016			
Opening net book value	21,720	10,474	32,194
Additions	-	3,911	3,911
Depreciation charge for the year	(5,525)	(3,177)	(8,702)
Closing net book value	<u>16,195</u>	<u>11,208</u>	<u>27,403</u>
At 30 June 2016			
Cost	102,413	70,945	173,358
Accumulated depreciation	(86,218)	(59,737)	(145,955)
Net book value	<u>16,195</u>	<u>11,208</u>	<u>27,403</u>
Year ended 30 June 2015			
Opening net book value	29,144	13,465	42,609
Additions	-	768	768
Depreciation charge for the year	(7,424)	(3,759)	(11,183)
Closing net book value	<u>21,720</u>	<u>10,474</u>	<u>32,194</u>

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

7. Plant and equipment (continued)

	Motor Vehicles	Plant and Office Equipment	Total
	\$	\$	\$
At 30 June 2015			
Cost	102,413	67,034	169,447
Accumulated depreciation	(80,693)	(56,560)	(137,253)
Net book value	21,720	10,474	32,194

	30 June 2016 \$	30 June 2015 \$
8. Capitalised exploration expenditure		
Opening balance	284,664	284,664
Current year expenditure	236,551	331,430
Current year expenditure written off	(251,551)	(331,430)
Closing balance	<u>269,664</u>	<u>284,664</u>

9. Payables

Current

Trade payables and accruals (i)	1,588,657	1,583,876
Trade payables in dispute (refer Note 16)(i)	2,255,477	2,255,477
Accrued interest	115,435	100,435
Share application monies	<u>328,000</u>	<u>328,000</u>
	<u>4,287,569</u>	<u>4,267,788</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The amount of payables at balance date exceeding normal trading terms is estimated at \$2,898,206.

	30 June 2016 \$	30 June 2015 \$
10. Interest-bearing liabilities		
Current		
Convertible note	<u>1,500,000</u>	<u>1,500,000</u>

(a) During the year, the consolidated entity renegotiated the convertible note and the terms were extended to 3 February 2017, unless the note holder elects to convert to ordinary share at the lower of \$0.03 per share or the 10 trading day volume weighted average price of shares traded on the ASX. Interest is payable at 10% per annum. Total interest accrued during the year ended 30 June 2016 was \$115,435 (2015: \$100,435). The consolidated entity paid a total of \$135,000 in interest during the year to the note holder.

	30 June 2016 \$	30 June 2015 \$
11. Provisions		
Employee entitlements	<u>129,946</u>	<u>109,603</u>

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12. Issued Capital

Fully paid ordinary shares	18,884,107	18,884,107
----------------------------	------------	------------

(a) Movements in issued capital: Year ended 30 June 2016

	No of Shares	\$
Balance at 1 July 2014	152,716,956	18,884,107
Share issue costs	-	-
Balance at 30 June 2015	152,716,956	18,884,107
Balance at 1 July 2015	152,716,956	18,884,107
Share issue costs	-	-
Balance at 30 June 2016	152,716,956	18,884,107

(b) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

13. Reserves

	30 June 2016 \$	30 June 2015 \$
Option reserve	2,260,245	2,260,245
Option reserve		
Balance at beginning of financial year	2,260,245	2,260,245
Balance at end of financial year	2,260,245	2,260,245

This option issue reserve is used to recognise both the fair value or issue price of options issued.

14. Loss per share

Basic and diluted loss per share:	(0.23)	(0.14)
-----------------------------------	--------	--------

The loss for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	30 June 2016 \$	30 June 2015 \$
Loss for the year after income tax	(356,262)	(211,674)
Weighted average number of ordinary shares for the purposes of basic loss per share	152,716,956	152,716,956

Nex Metals Explorations Limited
ABN 63 124 706 449

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

15. Commitments for expenditure

30 June 2016
\$

30 June 2015
\$

(a) Exploration commitments

The consolidated entity has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in.

Outstanding exploration commitments are as follows:

Not later than 1 year	95,213	96,271
Later than 1 year and not later than 2 years	93,806	90,630
Later than 2 years and not later than 5 years	280,851	262,303
	<u>469,870</u>	<u>449,204</u>

(b) Other commitments

Commitments in relation to the Solar Thermal Energy Research and Development project with Curtin University:

Not later than 1 year	50,500	-
Later than 1 year and not later than 2 years	246,500	-
Later than 2 years and not later than 5 years	3,000	-
	<u>450,000</u>	<u>-</u>

(c) Royalty Commitments

- (i) The consolidated entity has royalty obligations to RW Allen pursuant to mining tenement acquisition agreements. The royalty under the agreements are as follows:

- (a) \$1.00 per tonne for any gold bearing ore extracted from the tenements;
- (b) for uranium, 5% of the sale price if the market price is up to USD50.00 per pound, 7.5% of the sale price if the market price ranges between USD50.01 to USD99.99 per pound, and 10% of the sale price if the market price is USD100.00 or above per pound, less selling costs in all cases; and
- (c) 1% of gross sales of extracted metals for any other mineral

- (ii) The consolidated entity has various royalty commitments in relation to tenements acquired in the Kookynie and Yundamindera area. These commitments vary. Based on average grades and the budgeted areas to be mined, the Directors consider that royalties payable for the next 2-3 years will be insignificant.

16. Contingencies

- (a) A dispute with a creditor for an amount of \$2,255,477 exists relating to the satisfactory delivery of goods. The consolidated entity commenced litigation for a breach of contract during the year ended 30 June 2015 with the creditor filing a counter claim. Mediation proceedings are in progress pending submission of expert reports.

Other than the above, there were no other contingencies as at 30 June 2016.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

17. Key Management Personnel Disclosures

Refer to Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the company's Key Management Personnel for the year ended 30 June 2016.

Compensation of Key Management Personnel

	30 June 2016	30 June 2015
	\$	\$
Short term employee benefits	184,504	184,504
Post-employment benefits	17,528	17,528
	<u>202,032</u>	<u>202,032</u>

18. Related Party Disclosures

(a) Transactions with director related entities

Transactions with director related entities are on commercial terms no more favourable than those available to other persons unless otherwise stated.

- (i) Accounting, administration, rent & labour hire fees paid to Allens Business Group Pty Ltd, a related company of Kenneth Allen

56,165 61,917

(b) Aggregate amounts payable to directors and their director related entities at balance date

Current liabilities

Payables and accruals

Share applicable monies (i)

997,953	798,803
328,000	328,000
<u>1,325,953</u>	<u>1,126,803</u>

- (i) This represents share application monies from Raja Mohd Azmi Bin Raja Razali.

(c) Directors loans

No loans existed during the year and as at balance date between the consolidated entity and its directors.

(d) Other related party transactions

Royalty obligations to RW Allen, a related party of Kenneth Allen, has been disclosed in Note 15.

19. Controlled Entity

Name	Country of Incorporation	Percentage Interests Held		Cost of Parent Entity Investment	
		2016	2015	2016	2015
				\$	\$
Ausnational Investments Pty Ltd	Australia	100%	100%	1	1

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20. Cash Flow Information	30 June 2016 \$	30 June 2015 \$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash at bank	306,164	356,780
	<u>306,164</u>	<u>356,780</u>
(b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(356,262)	(211,674)
Impairment of capitalised exploration costs	15,000	-
Depreciation	8,702	11,183
Changes in assets and liabilities		
Receivables	(62,823)	45,272
Prepayments	8,554	(29,022)
Payables and provisions	40,124	(278,685)
Net cash used in operating activities	<u>(346,705)</u>	<u>(462,926)</u>

Non Cash Financing and Investing Activities

There were no non-cash financing and investing activities for the year ended 30 June 2016 and 30 June 2015.

21. Financial risk management and policies

The consolidated entity's exploration activities are being funded by equity and are not exposed to significant financial risks. There are no speculative or financial derivative instruments. Funds are invested for various short term periods to match forecast cash flow requirements.

The consolidated entity holds the following financial instruments:

Financial assets

Cash and cash equivalents	306,164	356,780
Receivables	1,114,368	1,351,545
	<u>1,420,532</u>	<u>1,708,325</u>

Financial liabilities

Payables	4,287,569	4,267,788
Borrowings – Convertible note	1,500,000	1,500,000
	<u>5,787,569</u>	<u>5,767,788</u>

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. Financial risk management and policies (continued)

The consolidated entity's principal financial instruments comprise cash and short-term deposits. The consolidated entity does not have any borrowings. The main purpose of these financial instruments is to fund the consolidated entity's operations.

It is, and has been throughout the period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the consolidated entity are credit risk, capital risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Credit risk

Management does not actively manage credit risk.

The consolidated entity has no significant exposure to credit risk from external parties at year end. The maximum exposure to credit risk at the reporting date is equal to the carrying value of financial assets at 30 June 2016.

Cash at bank is held with internationally regulated banks.

Other receivables are of a low value and all amounts are current. There are no trade receivables.

(b) Capital risk

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(c) Liquidity risk

Maturity profile of financial instruments

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The consolidated entity's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The consolidated entity does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash-burn rate of the consolidated entity on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

21. Financial risk management and policies (continued)

The following table sets out the carrying amount, by maturity, of the financial instruments including exposure to interest rate risk:

As at 30 June 2016	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	306,164	-	-	306,164	0.0%
Receivables	114,368	1,000,000	-	1,114,368	-
	420,532	1,000,000	-	1,420,532	-

Financial Liabilities:

Payables	4,287,569	-	-	4,287,569	-
Borrowings – Convertible note	1,500,000	-	-	1,500,000	10%
	5,787,569	-	-	5,787,569	

As at 30 June 2015

Financial Assets:					
Cash	356,780	-	-	356,780	0.6%
Receivables	51,545	1,300,000	-	1,351,545	-
	408,325	1,300,000	-	1,708,325	

Financial Liabilities:

Payables	4,267,788	-	-	4,267,788	-
Borrowings – Convertible note	1,500,000	-	-	1,500,000	10%
	5,767,788	-	-	5,767,788	

Sensitivity analysis – interest rates

The sensitivity effect of possible interest rate movements have not been disclosed as they are immaterial.

(d) Net fair value of financial assets and liabilities

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

Nex Metals Explorations Limited

ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22. Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity operates predominantly in one business segment which is mineral mining and exploration and predominantly in one geographical area which is Western Australia.

The company is domiciled in Australia. All revenue from external parties is generated from Australia only. All the assets are located in Australia.

23. Subsequent Events

Since the end of the financial year, there has not arisen any item, transactions or event of a material and unusual nature likely, in the opinion of the directors, which will affect substantially the operations of the consolidated entity in subsequent financial years.

24. Parent Entity Disclosures

	2016 \$	2015 \$
<i>Financial Position</i>		
Assets		
Current assets	450,176	446,523
Non-current assets	1,478,782	1,798,573
Total assets	1,928,958	2,245,096
Liabilities		
Current liabilities	5,917,515	5,877,391
Total liabilities	5,917,515	5,877,391
Equity		
Issued capital	18,884,107	18,884,107
Reserves	2,260,245	2,260,245
Accumulated losses	(25,132,909)	(24,776,647)
Total equity	(3,988,557)	(3,632,295)
<i>Financial Performance</i>		
Loss for the year	(356,262)	(301,104)
Other comprehensive income	-	-
Total comprehensive income	(356,262)	(301,104)

a) Contingent liabilities

Refer to Note 16 for details of contingent liabilities.

b) Commitments

Refer to Note 15 for details of commitments.

Nex Metals Explorations Limited
ABN 63 124 706 449

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

25. Company Details

The registered office and principal place of business of the Company is:

Level 1
95 Canning Highway
South Perth WA 6151



RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 9261 9100
F +61(0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEX METALS EXPLORATIONS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Nex Metals Explorations Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our audit, 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 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Nex Metals Explorations Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1, which indicates that the consolidated entity incurred a net loss of \$356,262 and had net cash outflows from operating activities of \$346,705 for the year ended 30 June 2016. As at that date, the consolidated entity had net current liabilities of \$5,467,339 and net liabilities of \$4,170,272. 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.

Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Nex Metals Explorations Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten-style signature of "RSM" in black ink.

RSM AUSTRALIA PARTNERS

A handwritten signature in black ink, appearing to read "Tutu Phong".

TUTU PHONG
Partner

Perth, WA
Dated: 29 September 2016



RSM Australia Partners

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61(0) 8 9261 9100
F +61(0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Nex Metals Explorations Limited for the year ended 30 June 2016, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Rsm

RSM AUSTRALIA PARTNERS

Tutu Phong

TUTU PHONG
Partner

Perth, WA
Dated: 29 September 2016

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Nex Metals Explorations Limited

ABN 63 124 706 449

Corporate Governance Statement

CORPORATE GOVERNANCE

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

In accordance with ASX Listing Rule 1.1 Condition 13, the corporate governance statement set out below discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management. Due to the small size of the Company, they have not been formally documented.

The responsibilities of the Board include but are not limited to:

- (a) setting and reviewing strategic direction and planning;
- (b) reviewing financial and operational performance;
- (c) identifying principal risks and reviewing risk management strategies; and
- (d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Managing Director.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

Recommendation 1.3

The Company has a written agreement with each of the Directors setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company has entered into with its Managing Director, any of its directors, and any other person or entity who is a related party of the Managing Director or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Nex Metals Explorations Limited

ABN 63 124 706 449

Corporate Governance Statement

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- (a) ensuring a good flow of information between the Board, its committees, and Directors;
- (b) monitoring policies and procedures of the Board;
- (c) advising the Board through the Chairman of corporate governance policies; and
- (d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

The role of the Company Secretary is currently undertaken by the Managing Director.

Recommendation 1.5

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Diversity is not limited to gender, age, ethnicity and/or cultural backgrounds.

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of a diversity policy is justified at this time.

The Company has one (1) female employee who represents approximately 25% of total employees. There are currently no female members of the Board of the Company.

The Board intends to set measurable objectives for achieving diversity, specifically including gender diversity and will review and report on the effectiveness and relevance of these measurable objectives. However, due to the current size of the Board and management, these measurable objectives have not yet been set.

Recommendation 1.6

Given the Company's size and nature there is no formal process for evaluating the performance of the board, its committees and individual directors. Should the size of the Company change, the Board will consider establishing a formal process. The Board Policy sets out how the company addresses succession issues.

During the current reporting period, the Company has not conducted an evaluation of its Managing Director.

Recommendation 1.7

Given the Company's size and nature there is no formal process for evaluating the performance of its senior executives. Should the size of the Company change, the Board will consider establishing a formal process. The Board Policy sets out how the company addresses succession issues.

Principle 2: Structure the board to add value

Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

Nex Metals Explorations Limited

ABN 63 124 706 449

Corporate Governance Statement

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- (a) a broad range of business experience; and
- (b) technical expertise and skills required to discharge duties.

Recommendation 2.3

The Board of the Company currently consists of two non-executive directors and one executive director.

Mr Thomas Percy QC is a non-executive director and satisfies the tests of independence.

Mr Ken Allen is an executive director and currently fills the role of managing director and company secretary.

Mr Hock Hoo Chua is a non-executive director and satisfies the tests of independence.

The skills, experience, expertise, qualification and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. The directors have the relevant industry experience and specific expertise relevant to the Company's business and operations.

Recommendation 2.4

The majority of the Board are independent directors.

Recommendation 2.5

The Chairman of the Board, Mr Thomas Percy, is an independent, non-executive Director.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly

Recommendation 3.1

A copy of the Company's code of conduct is available on the Company's website.

Nex Metals Explorations Limited
ABN 63 124 706 449

Corporate Governance Statement

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

There is no separate Audit Committee.

The full Board carries out the role of the Audit Committee in accordance with the Audit Committee Charter.

The Company's financial statements are prepared by external accountants and are reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate.

Recommendation 4.2

Due to the size of the Company, the Managing Director is responsible to provide a declaration to the Board in accordance with section 295A of the Corporations Act as the Company does not have a Chief Executive Officer (or equivalent) or Chief Financial Officer (or equivalent). Accordingly, the Board will seek to procure that the Managing Director puts in place sound systems of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 4.3

The Company's external auditor attends each AGM of the Company and is always available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company has complied with this recommendation.

A disclosure policy is available on the Company's website.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.nexmetals.com.

Recommendation 6.2

The Company has not established a formal Shareholder communication strategy.

While the Company has not established a formal Shareholder communication strategy, it actively communicates with its Shareholders in order to identify their expectations and actively promotes shareholder involvement in the Company via announcements lodged with the ASX. Shareholders with internet access are encouraged to provide their email addresses in order to receive electronic copies of information distributed by the Company. Alternatively, hard copies of information distributed by the Company are available on request.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

Nex Metals Explorations Limited

ABN 63 124 706 449

Corporate Governance Statement

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1

The Company has not established a risk committee. Due to the size of the Company, it does not have a published risk management policy. A Board member is responsible for the day to day management of the Company and communicates directly with the other Board members, this ensures that any potential risk to the Company is dealt with immediately. Should the size of the Company change, the Board will consider establishing a separate risk committee.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

Recommendation 7.3

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks.

Recommendation 7.4

Given the speculative nature of the Company's business, it is subject to general risks and certain specific risks.

The Company has identified those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclosed how it intends to manage those risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

There is no separate Remuneration Committee.

Given the current size and composition of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at two Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. The full Board will function in accordance with the Remuneration Committee Charter. Remuneration is currently in accordance with the general principals recommended by the ASX. Non-executive Directors receive a fixed fee for their services and do not receive performance based remuneration.

Nex Metals Explorations Limited

ABN 63 124 706 449

Corporate Governance Statement

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company does not have an equity-based remuneration scheme.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- (a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- (b) trading in the Company's securities which is not subject to the Company's trading policy; and
- (c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.

Nex Metals Explorations Limited
ABN 63 124 706 449

Additional Shareholder Information

AS AT 29 SEPTEMBER 2016

Statement of Quoted Securities

Shareholding at 29 September 2016

Distribution of shareholders and their holdings as at 29 September 2016

Distribution of Shareholders	Number	
	Shareholders	Ordinary Shares
Category (size of holding)		
1 – 1,000	14	1,874
1,001 – 5,000	74	246,828
5,001 – 10,000	197	1,623,930
10,001 – 100,000	376	13,928,662
100,001 – and over	163	136,915,662
	824	152,716,956

Twenty Largest Shareholders as at 29 September 2016 — Ordinary Shares

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,395,873	6.15
2	UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	7,687,333	5.03
3	MR KENNETH M ALLEN	6,620,001	4.33
4	FMR INVESTMENTS PTY LTD	6,460,000	4.23
5	WESTERN AUSTRALIAN HOLDINGS PTY LTD	6,000,001	3.93
6	FIRST LIGHT NOMINEES PTY LTD <NIGAM FAMILY A/C>	5,800,001	3.80
7	MR ROYCE WILLIAM ALLEN	3,743,570	2.45
8	MRS LEE ALLEN	3,500,000	2.29
9	MS LEE KIANG ALLEN	3,174,603	2.08
10	MS ANDREA KATHLEEN HUANG LING ALLEN	2,638,500	1.73
11	CITICORP NOMINEES PTY LIMITED	2,349,561	1.54
12	MR MATE BARAC	2,258,696	1.48
13	MRS USHA SATYA NIGAM	2,115,340	1.39
14	MR AH TUANG HON	2,000,000	1.31
15	MR PECK CHONG YEO	1,980,000	1.30
16	MR SAM KOW WONG	1,952,380	1.28
17	MR BRETT ROYLE	1,868,733	1.22
18	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,817,938	1.19
19	MR BRETT ROYLE	1,686,498	1.10
20	MR PETER JOHN MAXWELL + MRS MARGARET RAE MAXWELL	1,666,000	1.09
		74,715,028	48.92

Nex Metals Explorations Limited

ABN 63 124 706 449

Additional Shareholder Information

Restricted Securities

There were no restricted securities to be included in the Annual Report.

Substantial Shareholders

In accordance with section 709(1) of the Corporations Act 2001, the Company had been notified of the following substantial shareholder:

- Royce William Allen has a relevant interest in 5,600,000 fully paid ordinary shares (Notice dated 19 December 2007).
- FMR Group has a relevant interest in 6,800,000 fully paid ordinary shares (Notice dated 2 July 2009)

Voting Rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands. Options have no voting rights until such options are exercised as fully paid ordinary shares.

ASX Listing Rule 4.10.19

In accordance with ASX Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

Company Secretary

The name of the company secretary is Kenneth M Allen.

Statement of Unquoted Securities

a) Options

There are no unlisted options on issue.

b) Convertible notes

Convertible notes – As at 25 October 2016, the Company had on issue 1 convertible note with Cesuco Trading Limited for a face value of \$1,500,000. This note matures in February 2017, unless the note holder elects to convert to ordinary shares at the lower of \$0.03 per share or the VWAP based on 10 trading days immediately prior to conversion. Interest is payable at 10% per annum.

Nex Metals Explorations Limited
ABN 63 124 706 449

Tenement Schedule as at 25 October 2016

Lease	Nex Area	Locality	Status	Holder	Area Hectares
G40/3	Kookynie Central	Kookynie	Live	NEX METALS EXPLORATIONS LTD	7.239
M40/27	Kookynie Central	Champion	Live	NEX METALS EXPLORATIONS LTD	85.475
M39/410	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	978
L40/9	Kookynie Central	Kookynie	Live	NEX METALS EXPLORATIONS LTD	1
M39/274	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	230
M39/839	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	7.3
M39/840	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	9.7
M40/0061	Kookynie Central	Kookynie	Live	NEX METALS EXPLORATIONS LTD	832.7
M40/22	Niagra	Leipold deposit	Live	NEX METALS EXPLORATIONS LTD	121.7
M40/0077	Niagra	Mc Tavish Hill	Live	NEX METALS EXPLORATIONS LTD	119.2
M39/84	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	378
M39/407	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	896
M39/408	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	785
M39/409	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	966
M39/406	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	124
L39/34	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	1
L39/51	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	2
L39/52	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	1