

**NEX METALS EXPLORATIONS LIMITED**

**ABN: 63 124 706 449**

**Financial Report  
For the year ended 30 June 2019**

**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**

45 Guthrie Street  
OSBORNE PARK WA 6017

**REGISTERED OFFICE**

45 Guthrie Street  
OSBORNE PARK WA 6017

**AUDITORS**

HLB Mann Judd  
Level 4  
130 Stirling Street  
PERTH WA 6000

**SHARE REGISTRY**

Advanced Share Registry Services  
110 Stirling Highway  
NEDLANDS WA 6009

Telephone: 08 9389 8033

**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 2019 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) PhD, MBA, CA(M), FCPA, FCMA, FTII, CFP

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 2019 was \$2,222,065 (2018 : loss of \$649,694). The operating results for the year ended 30 June 2019 is summarised as follows:

	30 June 2019	30 June 2018
Profit/(Loss) before income tax benefit	(2,222,065)	(1,195,057)
Income Tax Benefit (being R & D tax offset received)	-	545,363
Profit/(Loss) for the year	(2,222,065)	(649,694)

#### Financial Position

The consolidated entity had net liabilities of \$4,318,377 as at 30 June 2019, an increase of \$1,228,925 from net liabilities of \$3,089,452 at 30 June 2018.

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.

#### Directors' Shareholdings

As at the date of this report the interests of the directors in the shares of the Company were:

Director	Ordinary Shares
Thomas F Percy	1,016,000
Kenneth M Allen	7,270,001
Hock Hoo Chua	860,000
Raja Mohd Azmi bin Raja Razali	7,600,000

# Nex Metals Explorations Limited

## ABN 63 124 706 449

### DIRECTORS' REPORT

---

#### Review of Operations

##### **Metalicity Ltd Farm-In Agreement on Kookynie and Yundamindra Projects**

On 6 May 2019 the Company announced it had entered into a farm-in agreement with Metalicity Limited (ASX: MCT) ("MCT") for the Kookynie and Yundamindra Projects\* in the Eastern Goldfields, Western Australia. The Company sees the value of the spend and experience of MCT exploration team as a significant step forward in advancing the project to production. NME retains processing/milling rights for the projects.

The deal structure for the NME – MCT farm-in agreement is as follows:

- Initial Placements:
  - An initial placement amount of NME's shares, taken by MCT for \$50,000 upon execution of the agreement at a 20-day VWAP per NME share preceding the date of execution, plus a premium of 20%.
  - A second initial placement of NME shares to MCT, 6 months post the execution date of the agreement for a further \$50,000 based on a 20-day VWAP preceding the 6-month anniversary.
- 51% Earn In:
  - An initial spend of minimum \$500,000 to drill test the Projects within and up to 12 months from date of the agreement execution.
  - A total of \$5 million spend within and up to 5 years to earn 51% of the Projects inclusive of the initial spend and time duration.

Metalicity has the right to withdraw from the farm-in at the completion of the initial \$500,000 spend and at any time after that event.

Overall, MCT and NME see the agreement as an opportunity to unlock the potential of the Kookynie and Yundamindra Projects and realise the value through methodical, results driven exploration with the aspiration of developing a revenue producing sustainable asset. NME will participate with Metalicity with the provision of staffing and other resources during the farm-In stage. MCT is aware of the Complaints lodged on Yundamindra tenements but as previously advised by the Company we are dealing with those in the normal course. Expenditure will still occur on those tenements in any event as part of the MCT exploration program.

*\*Includes tenements: Yundamindra L39/34,52,258 – M39/84,274,406,407,408,409,410,839,840. Kookynie E40/332-333, -G40/3 – L40/9 – M40/22,27,61,77.*

##### **Drilling by Metalicity Ltd**

Joint venture partner Metalicity Limited (ASX: MCT) commenced drilling at the Kookynie Gold Project, located approximately 50km south of the WA Goldfields town of Leonora.



Figure 1 – MD of Metalicity Jason Livingstone with a diamond core rig positioned to drill the DCC Trend.

A programme of reverse circulation (RC) and diamond drilling (DD) commenced in June at Kookynie to confirm and extend zones of known mineralisation and completed subsequent to year end.

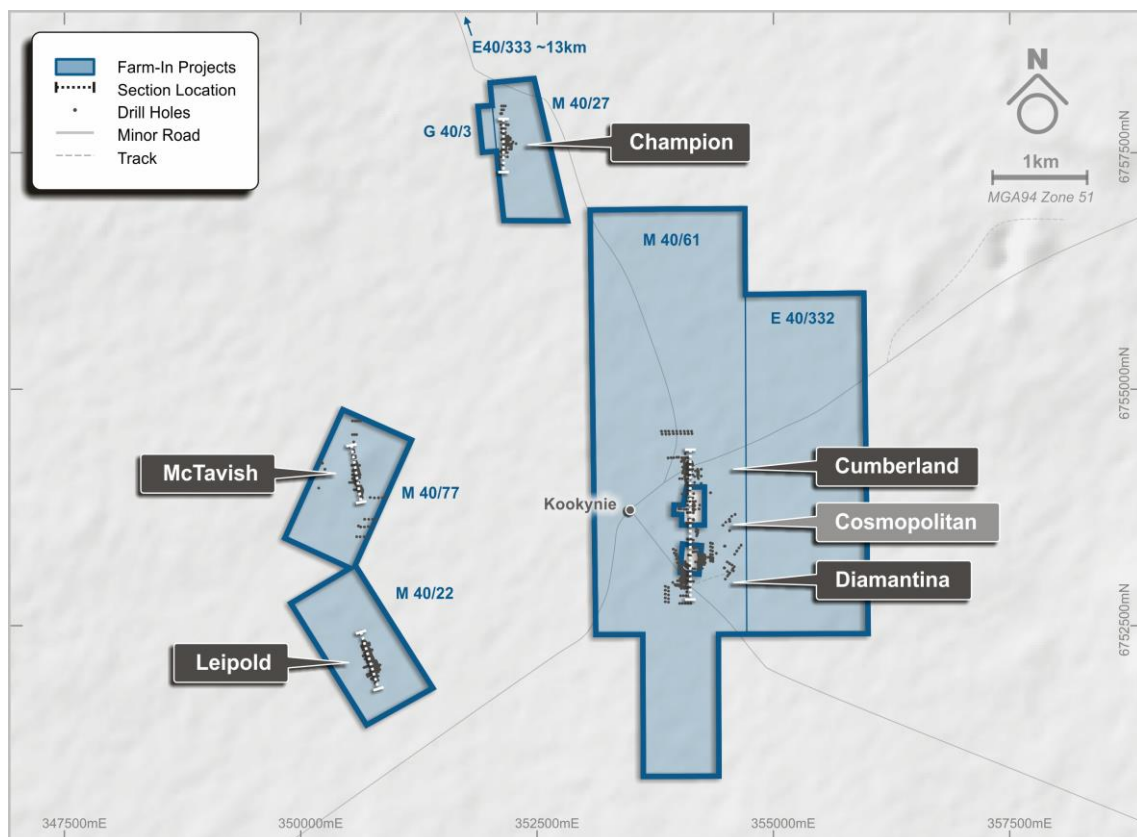


Figure 2 – Kookynie Prospect Locality Map.

# Nex Metals Explorations Limited

## ABN 63 124 706 449

### DIRECTORS' REPORT

---

The programme consists of approximately six holes in total (four planned into the DCC Trend, one planned into McTavish, and the final hole into the Champion Prospect) for approximately 600 metres of RC and 600 metres of DD. Mapping was undertaken that supported Metalicity's interpretation of the controls of mineralisation. The drilling on the DCC Trend is designed to also test mineralised cross cutting (east-west) structures that control the main north-south mineralised trends that host the Diamantina, Cosmopolitan and Cumberland historical workings.

Drilling programme results were available subsequent to year end, refer to Metalicity's ASX announcement dated 31 July 2019.

#### **Operating Plan/Processing Mill**

The Company completed a 5-year operating plan and has been in discussions with potential funders during the year seeking to source capital to cover the cost of the plant and installation, drilling and working capital.

#### **Applications for Forfeiture on Yundamindra Tenements**

The applications for Forfeiture lodged by MCA Nominees Pty Ltd in the previous year has had a number of Wardens Court mention hearings during the year and is progressing through the system. The tenements concerned are on Yundamindra tenements M39/84, M39/274, M39/406, M39/407, M39/408, M39/409, M39/410, M39/839, M39/840. The applicant is by MCA Nominees Pty Ltd who hold the tenements immediately north of Nex Yundamindra Tenements. The Company believes there is no basis for the claim and is defending the matter in the normal course. As the tenements are under application for forfeiture the Mining Act/regulations permit that expenditure commitments are not required to be met on the concerned tenements.

#### **Evaluation of Projects**

The Company continues to have projects presented to it for evaluation during the period extending from gold, base metals, copper and sand. The Company takes the view that in the current commodities market that projects need to show exceptional value for the Company to proceed to any type of acquisition arrangement.

#### **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.

# Nex Metals Explorations Limited

## ABN 63 124 706 449

### DIRECTORS' REPORT

#### Significant Changes in the State of Affairs

There were no significant changes in the company's state of affairs occurred during the financial year.

#### Significant Events After Balance Date

- (a) The Company received confirmation that the convertible note of \$1,500,000 would be extended to 31 December 2020.
- (b) The Company executed a Deed of Acknowledgement on 30 August 2019 with Metalicity, expanding the Farm-In Agreement to incorporate additional tenements within the Kookynie and Yundamindra Gold Projects.

No other 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.

#### 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 3 circular resolutions passed.

Directors	Board of directors	
	A	B
Thomas F Percy	4	4
Kenneth Allen	4	4
Hock Hoo Chua	4	3
Raja Mohd Azmi bin Raja Razali	-	-

#### Notes

A - Number of meetings held during the time the director held office during the period.

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.



# Nex Metals Explorations Limited

## ABN 63 124 706 449

### DIRECTORS' REPORT

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.

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

The board's 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 however this was not required during the year ended 30 June 2019. 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.

#### *Additional information*

The financial performance of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Revenue	-	3	37,631	7	103,615
EBITDA	(2,056,246)	(1,026,228)	1,591,981	(835,808)	(993,629)
EBIT	(2,067,357)	(1,042,292)	1,577,208	(844,510)	(1,004,812)
Profit/(Loss) after income tax	(2,222,065)	(649,694)	1,730,514	(356,262)	(211,674)

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

	2019	2018	2017	2016	2015
Share price at financial year end (\$)	0.013	0.015	0.01	0.008	0.004
Total dividends declared (cents per share)	-	-	-	-	-
Basic (loss)/earnings per share (cents per share)	(1.17)	(0.43)	1.13	(0.23)	(0.14)

# 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 2019	Short-term		Post-employment	Total	% Performance Related
	<i>Salary &amp; Fees</i>	<i>Non Cash</i>	<i>Superannuation</i>		
	\$	\$	\$	\$	
<b>Directors</b>					
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	-	-	-	-	-
	184,504	-	17,528	202,032	-

Year ended 30 June 2018	Short-term		Post-employment	Total	% Performance Related
	<i>Salary &amp; Fees</i>	<i>Non Cash</i>	<i>Superannuation</i>		
	\$	\$	\$	\$	
<b>Directors</b>					
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	-	-	-	-	-
	184,504	-	17,528	202,032	-

(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.
- (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 2018 or 2019.

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**DIRECTORS' REPORT**

(d) *Option holdings of Key Management Personnel*

There are no unissued ordinary shares under option during the year ended 30 June 2019.

(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 2019.

(f) *Shareholdings of Key Management Personnel*

	Balance at 01/07/18 No.	Exercise of Options No.	Other changes during the year No.	Balance at 30/06/19 No.
<b>Directors</b>				
T F Percy	1,016,000	-	-	1,016,000
K Allen	7,270,001	-	-	7,270,001
H H Chua	860,000	-	-	860,000
R Razali	7,600,000	-	-	7,600,000
	<u>16,746,001</u>	-	-	<u>16,746,001</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 2019 \$	30 June 2018 \$
(i) Accounting, administration, rent & labour hire fees paid to Allens Business Group Pty Ltd, a related company of Kenneth Allen	123,796	72,306
(b) <i>Aggregate amounts payable to directors and their director related entities at balance date</i>		
<i>Current liabilities</i>		
Payables and accruals	1,604,049	1,402,017
Share applicable monies ^	<u>328,000</u>	<u>328,000</u>
	<u>1,932,049</u>	<u>1,730,017</u>

^ 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.

**Non-Audit Services**

The Directors review any non-audit services to be provided to ensure they are compatible with the general standard for independence for auditors imposed by the Corporations Act 2001.

During the year, the auditors did not provide any non-audit services to the consolidated entity.

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.

**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, 30 September 2019

**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 2019 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**

30 September 2019  
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 2019**

	Note	30 June 2019 \$	30 June 2018 \$
Revenue	2(a)	-	3
Other income	2(b)	343,400	348,774
Occupancy expenses		(83,852)	(49,593)
Administration expenses		(79,099)	(102,590)
Consultants expenses	2(c)	(259,676)	(62,343)
Depreciation expenses		(11,111)	(16,064)
Employment and contractor expenses		(555,077)	(553,668)
Borrowing and finance costs		(154,707)	(152,765)
Travel expenses		(26,916)	(66,972)
Exploration and evaluation expenses	8	(773,748)	(293,339)
Research and development costs	2(c)	(203,621)	(246,500)
Provision for doubtful debts		(417,658)	-
<b>Profit/(Loss) before income tax benefit</b>	3	(2,222,065)	(1,195,057)
Income tax benefit	3	-	545,363
<b>Profit/(Loss) for the year</b>		(2,222,065)	(649,694)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive profit/(loss) for the year</b>		(2,222,065)	(649,694)
<b>Profit/(Loss) per share:</b>			
Basic profit/(loss) (cents per share)	14	(1.17)	(0.43)

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 2019**

	Note	30 June 2019 \$	30 June 2018 \$
<b>Current assets</b>			
Cash and cash equivalents	20(a)	14,231	56,349
Receivables	5	21,268	327,009
Other assets	6	4,628	3,754
<b>Total current assets</b>		<u>40,127</u>	<u>387,112</u>
<b>Non-current assets</b>			
Plant and equipment	7	28,178	39,289
Capitalised exploration and evaluation expenditure	8	269,664	269,664
<b>Total non-current assets</b>		<u>297,842</u>	<u>308,953</u>
<b>Total assets</b>		<u>337,969</u>	<u>696,065</u>
<b>Current liabilities</b>			
Payables	9	2,921,313	2,079,789
Interest-bearing liabilities	10	1,500,000	1,500,000
Provisions	11	235,033	205,728
<b>Total current liabilities</b>		<u>4,656,346</u>	<u>3,785,517</u>
<b>Total liabilities</b>		<u>4,656,346</u>	<u>3,785,517</u>
<b>Net liabilities</b>		<u>(4,318,377)</u>	<u>(3,089,452)</u>
<b>Equity</b>			
Issued capital	12(a)	19,877,247	18,884,107
Option reserve	13	2,260,245	2,260,245
Accumulated losses		<u>(26,455,869)</u>	<u>(24,233,804)</u>
<b>Total deficit</b>		<u>(4,318,377)</u>	<u>(3,089,452)</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 2019**

	Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Deficit \$
Balance at 1 July 2017	18,884,107	2,260,245	(23,584,110)	(2,439,758)
(Loss) for the year	-	-	(649,694)	(649,694)
<i>Total comprehensive (loss) for the year</i>	-	-	(649,694)	(649,694)
Balance at 30 June 2018	18,884,107	2,260,245	(24,233,804)	(3,089,452)

	Attributable to equity holders			
	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Deficit \$
Balance at 1 July 2018	18,884,107	2,260,245	(24,233,804)	(3,089,452)
(Loss) for the year	-	-	(2,222,065)	(2,222,065)
<i>Total comprehensive (loss) for the year</i>	-	-	(2,222,065)	(2,222,065)
Shares issued	998,565	-	-	998,565
Share issue costs	(5,425)	-	-	(5,425)
<i>Total contribution by owners</i>	993,140	-	-	993,140
Balance at 30 June 2019	19,877,247	2,260,245	(26,455,869)	(4,318,377)

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 2019**

	Note	30 June 2019 \$	30 June 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from other income		236,202	239,771
Payments to suppliers and employees		(522,895)	(1,312,435)
Borrowing and finance costs paid		-	(135,000)
Interest received		-	3
Research & development tax refund (net of professional fees)		-	545,363
Net cash (used in)/ provided by operating activities	20(b)	<u>(286,693)</u>	<u>(662,298)</u>
<b>Cash flows from investing activities</b>			
Proceeds from exploration investment		<u>50,000</u>	<u>-</u>
Net cash (used in)/ provided by investing activities		<u>50,000</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	20(c)	200,000	-
Share issue costs		<u>(5,425)</u>	<u>-</u>
Net cash (used in)/ provided by financing activities		<u>194,575</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(42,118)	(662,298)
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>56,349</u>	<u>718,647</u>
<b>Cash and cash equivalents at the end of the financial year</b>	20(a)	<u>14,231</u>	<u>56,349</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 2019

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 2019 was authorised for issue in accordance with a resolution of the directors on 30 September 2019.

### 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 \$2,222,065 and had net cash outflows from operating activities of \$286,693 for the year ended 30 June 2019. As of that date, the consolidated entity had net current liabilities of \$4,616,219 and net liabilities of \$4,318,377.

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:

- \$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 2019, will be transferred to equity when the shares are issued;
- Subsequent to balance date, the repayment date of the convertible note with a face value of \$1,500,000, recognised in current liabilities at 30 June 2019 was extended to 31 December 2020 (refer to Note 23);
- The possible sale of mining tenements, recognised as exploration and evaluation assets in the statement of financial position as at 30 June 2019, 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;
- Included in current payables is an amount of \$1,604,049 payable to the Directors of the consolidated entity. The Directors have agreed to not seek cash payments for their unpaid balances until the consolidated entity is in a financial position to pay.
- Allens Business Group Pty Ltd, an entity controlled by the Director, Ken Allen, has provided a letter of support to Nex Metals Explorations Ltd for \$400,000.

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;

- continued support from the holder of the convertible note;
- raising further equity; and
- continual on-going support of the Directors.

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

---

### 1. Summary of Significant Accounting Policies (continued)

Should the consolidated entity not achieve appropriate level of funding from some or all of 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.

#### (c) Financial instruments

##### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the consolidated entity becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

##### *Classification and initial measurement of financial assets*

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

#### (c) Financial instruments (continued)

For the purpose of subsequent measurement, financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The consolidated entity's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

##### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The consolidated entity accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

##### *Impairment of financial assets*

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaced AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables and loan commitments.

Recognition of credit losses is no longer dependent on the consolidated entity first identifying a credit loss event. Instead the consolidated entity considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The consolidated entity makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the consolidated entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

#### (c) Financial instruments (continued)

The consolidated entity assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

##### *Classification and measurement of financial liabilities*

The consolidated entity's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the consolidated entity designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

##### **Applicable to 30 June 2018**

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.

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

---

**1. Summary of Significant Accounting Policies (continued)**

**(c) Financial instruments (continued)**

*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 nor 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.

*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 assess 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 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.

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

#### (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.

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.

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

#### (g) Exploration and Evaluation Expenditure (continued)

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.

#### (h) 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.

#### (i) 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%

Plant and equipment is tested for impairment in accordance with the policy in note 1(e).

#### (j) 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.

#### (k) Revenue recognition

##### *Other revenue*

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent control of the good or service has passed and 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.

#### (l) 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.



# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

#### (l) Borrowings (continued)

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.

#### (m) 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.

#### (n) 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.

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.

#### (o) 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.

#### (p) Trade and other receivables

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

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade and other receivables are estimated with reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

(p) **Trade and other receivables (continued)**

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery; for example, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

(q) **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.

(r) **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.

(s) **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.

**Share-based payment transactions**

The Company measures the cost of equity-settled transactions with suppliers by reference to the fair value of the equity instruments at the date at which they are granted.

The Company measures the cost of equity-settled share-based payments with suppliers at fair value at the grant date.

**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.

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

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

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the consolidated entity and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the following new and revised Standards and Interpretations on the consolidated entity and, therefore, no material change is necessary to the entity's accounting policies.

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

##### *AASB 9 Financial Instruments*

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

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

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

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI).

Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

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

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

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

##### *AASB 15 Revenue from Contracts with Customers*

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

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

# Nex Metals Explorations Limited

ABN 63 124 706 449

## CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Summary of Significant Accounting Policies (continued)

(t) **New, revised or amending Accounting Standards and Interpretations adopted (continued)**

The Company has adopted AASB 15 from 1 July 2018 which has no material impact to the amounts recognised in the financial statements.

(u) **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 2019. 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 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. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will change 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 will not have a material impact to the amounts recognised in the financial statements based on the consolidated entity's current leasing arrangements.

(v) **Comparative Figures**

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

(w) **Research and Development**

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period as incurred.

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	30 June 2019 \$	30 June 2018 \$
<b>2. Loss before income tax</b>		
(a) Revenue		
Interest revenue	-	3
(b) Other Income		
Sundry income	343,400	348,774
(c) Expenses		
<i>Consultants expenses</i>		
Legal	137,214	(19,636)
Other	122,462	81,979
	259,676	62,343
Research and development costs	203,621	246,500
<b>3. Income tax</b>		
(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:		
Profit/(Loss) from operations	(2,222,065)	(1,195,057)
Prima facie income tax benefit/(expense) at 27.5%	(611,068)	(328,641)
Tax effect of non-deductible items	37,745	25
Deferred tax asset not recognised	539,550	256,655
Timing difference	33,773	71,961
Utilisation of tax losses	-	-
Research & development rebate (see note 3(d))	-	545,363
Income tax benefit	-	545,363
(c) <b>Unrecognised deferred tax balances</b>		
The directors estimate that the potential deferred tax benefits not brought to account attributable to tax losses carried forward at balance date is approximately \$2,728,544 (2018: \$2,105,143). 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) <b>Research &amp; development rebate</b>		
There was no rebate claimed in the current year.		
<b>4. Remuneration of auditors</b>		
Audit and review of the financial report	24,200	28,500

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	30 June 2019 \$	30 June 2018 \$
<b>5. Receivables</b>		
<b>Current</b>		
Trade receivables	244,666	137,469
Sundry receivables	194,260	189,540
Less provision for doubtful debts (i)	(417,658)	-
	<u>21,268</u>	<u>327,009</u>

(i) During the year ended 30 June 2019, an allowance for doubtful debts was recognised as trade and sundry receivables exceeded 120 days. An allowance for doubtful debts is made for the lifetime expected credit loss. Refer to Note 21 for the Company's financial risk management and policies.

	Current	> 30 days past due	> 60 days past due	> 90 days past due	> 120 days past due
Expected loss rate	0%	100%	100%	100%	100%
Gross carrying amount	21,268	24,281	39,466	22,510	331,401
Loss allowing provision	-	(24,281)	(39,466)	(22,510)	(331,401)

	30 June 2019 \$	30 June 2018 \$
<b>6. Other assets</b>		
Prepayments	<u>4,628</u>	<u>3,754</u>

<b>7. Plant and equipment</b>	<b>Motor Vehicles</b>	<b>Plant and Office Equipment</b>	<b>Total</b>
	\$	\$	\$
<b>Year ended 30 June 2019</b>			
Opening net book value	34,433	4,856	39,289
Additions	-	-	-
Depreciation charge for the year	(9,912)	(1,199)	(11,111)
<b>Closing net book value</b>	<u>24,521</u>	<u>3,657</u>	<u>28,178</u>
<b>At 30 June 2019</b>			
Cost	145,136	70,945	216,081
Accumulated depreciation	(120,615)	(67,288)	(187,903)
<b>Net book value</b>	<u>24,521</u>	<u>3,657</u>	<u>28,178</u>
<b>Year ended 30 June 2018</b>			
Opening net book value	48,394	6,959	55,353
Additions	-	-	-
Depreciation charge for the year	(13,961)	(2,103)	(16,064)
<b>Closing net book value</b>	<u>34,433</u>	<u>4,856</u>	<u>39,289</u>
<b>At 30 June 2018</b>			
Cost	145,136	70,945	216,081
Accumulated depreciation	(110,703)	(66,089)	(176,792)
<b>Net book value</b>	<u>34,433</u>	<u>4,856</u>	<u>39,289</u>

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	30 June 2019 \$	30 June 2018 \$
<b>8. Capitalised exploration expenditure</b>		
Opening balance	269,664	269,664
Current year expenditure	773,748	293,339
Current year expenditure written off (i)	(773,748)	(293,339)
Closing balance	<u>269,664</u>	<u>269,664</u>

(i) The recoupment of cost carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

**9. Payables**

**Current**

Trade payables and accruals (i)	451,385	136,893
Accrued director fees (ii)	1,604,049	1,402,017
Accrued interest 10(a)	295,435	145,435
Loans – other (iii)	570,444	395,444
	<u>2,921,313</u>	<u>2,079,789</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 \$200,531.
- (ii) The Directors have agreed not to seek cash payments for their unpaid balances until the consolidated entity is in a financial position to pay.
- (iii) The loans from unrelated parties are unsecured and interest free.

	30 June 2019 \$	30 June 2018 \$
<b>10. Interest-bearing liabilities</b>		
<b>Current</b>		
Convertible note (a)	<u>1,500,000</u>	<u>1,500,000</u>

- (a) Subsequent to year end, the consolidated entity renegotiated the convertible note and the terms were extended to 31 December 2020, 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 2019 was \$295,435 (2018: \$145,435).

The principal sum in respect of the convertible note and related unpaid interest are secured by a charge over the assets of the consolidated entity.

	30 June 2019 \$	30 June 2018 \$
<b>11. Provisions</b>		
Employee entitlements	<u>235,033</u>	<u>205,728</u>
Balance at beginning of financial year	205,728	158,689
Movement for year	<u>29,305</u>	<u>47,039</u>
Balance at end of financial year	<u>235,033</u>	<u>205,728</u>

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<b>12. Issued Capital</b>		
Fully paid ordinary shares	<u>19,877,247</u>	<u>18,884,107</u>
<b>(a) Movements in issued capital:</b>		
	<b>Issue Price</b>	<b>No of Shares</b>
		<b>\$</b>
Balance at 1 July 2017	152,716,956	18,884,107
Share issue costs	-	-
<b>Balance at 30 June 2018</b>	<u>152,716,956</u>	<u>18,884,107</u>
Balance at 1 July 2018	152,716,956	18,884,107
Shares issued for debt consideration, loan and interest payments	\$0.025 37,942,596	948,565
Shares issued as part of Farm-In Agreement	\$0.0239 2,087,796	50,000
Share issue costs	-	(5,425)
<b>Balance at 30 June 2019</b>	<u>192,747,348</u>	<u>19,877,247</u>
(b) Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
<b>13. Reserves</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Option reserve	<u>2,260,245</u>	<u>2,260,245</u>
<b>Option reserve</b>		
Balance at beginning of financial year	<u>2,260,245</u>	<u>2,260,245</u>
Balance at end of financial year	<u>2,260,245</u>	<u>2,260,245</u>
This option issue reserve is used to recognise both the fair value or issue price of options issued.		
There are no unissued ordinary shares of the Company under option as at 30 June 2019.		
	<b>2019</b>	<b>2018</b>
	<b>Cents Per Share</b>	<b>Cents Per Share</b>
<b>14. Profit/ (Loss) per share</b>		
Basic profit/(loss) loss per share:	<u>(1.17)</u>	<u>(0.43)</u>
The profit/(loss) for the year and the weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share are as follows:		
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) for the year after income tax	<u>(2,222,065)</u>	<u>(649,694)</u>
Weighted average number of ordinary shares for the purposes of basic profit/ (loss) per share	<u>189,380,547</u>	<u>152,716,956</u>



**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**15. Commitments for expenditure**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
(a) <u>Exploration commitments</u>		
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	108,007	100,094
Later than 1 year and not later than 2 years	107,853	99,280
Later than 2 years and not later than 5 years	323,514	297,743
	<u>539,374</u>	<u>497,117</u>

- (i) 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**

On 4 May 2018, the Company advised that they had received applications for forfeiture on Yundamindera tenements M39/84, M39/274, M39/406, M39/407, M39/408, M39/409, M39/410, M39/839, M39/840. The applicant is by MCA Nominees Pty Ltd who hold the tenements immediately north of Nex Yundamindera Tenements.

The Company believes there is no basis for the claim and is defending the matter in the normal course.

There were no other contingencies as at 30 June 2019.

**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 2019.

Compensation of Key Management Personnel

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	184,504	184,504
Post-employment benefits	17,528	17,528
	<u>202,032</u>	<u>202,032</u>

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**18. Related Party Disclosures**

	30 June 2019 \$	30 June 2018 \$
(a) <i>Transactions with director related entities</i>		
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	123,796	72,306
(b) <i>Aggregate amounts payable to directors and their director related entities at balance date</i>		
<i>Current liabilities</i>		
Payables and accruals	1,604,049	1,402,017
Share applicable monies ^	328,000	328,000
	1,932,049	1,730,017

^ 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.

(a) *Other related party transactions*

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

**19. Controlled Entity**

Name	Country of Incorporation	Percentage Interests Held		Cost of Parent Entity Investment	
		2019	2018	2019	2018
				\$	\$
Ausnational Investments Pty Ltd	Australia	100%	100%	1	1

**20. Cash Flow Information**

	30 June 2019 \$	30 June 2018 \$
(a) <b>Reconciliation of cash and cash equivalents</b>		
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	14,231	56,349
	14,231	56,349

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

20. Cash Flow Information (continued)	30 June 2019	30 June 2018
	\$	\$
<b>(b) Reconciliation of loss for the year to net cash flows from operating activities</b>		
Profit/(loss) for the year	(2,222,065)	(649,694)
Depreciation	11,111	16,064
Provision for doubtful debts	417,658	-
Changes in assets and liabilities		
Receivables	(106,664)	(89,890)
Prepayments	(874)	10,240
Payables and provisions	1,614,141	50,982
Net cash provided by/(used in) operating activities	<u>(286,693)</u>	<u>(662,298)</u>

**Non Cash Financing and Investing Activities**

- (i) During the year, the Company issued 37,942,596 shares at \$0.025 per share to creditors to reduce a total of \$948,565 debt owing.
- (ii) During the year, the Company issued 2,087,796 shares at \$0.0239 per share to satisfy obligations under a Farm-In Agreement

There were no other non-cash financing and investing activities for the year ended 30 June 2019.

	Interest Free Loans \$	Convertible Note \$	Total \$
<b>(c) Changes in liabilities arising from financing activities</b>			
Balance as at 1 July 2017	395,444	1,500,000	1,895,444
Balance as at 30 June 2018	395,444	1,500,000	1,895,444
Proceeds from borrowings	200,000	-	200,000
Repayments via equity issue	(25,000)	-	(25,000)
Balance as at 30 June 2019	<u>570,444</u>	<u>1,500,000</u>	<u>2,070,444</u>

**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	14,231	56,349
Receivables	21,268	327,009
	<u>35,499</u>	<u>383,358</u>

**Financial liabilities**

Payables	2,921,313	2,079,789
Borrowings – Convertible note	1,500,000	1,500,000
	<u>4,421,313</u>	<u>3,579,789</u>

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.

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**21. Financial risk management and policies (continued)**

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 2019.

Cash at bank is held with internationally regulated banks.

Other receivables are of a low value and all amounts are current.

**(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.

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

<b>As at 30 June 2019</b>	<b>&lt; 1 month</b>	<b>1 – 3 months</b>	<b>3 months – 1 year</b>	<b>1 – 5 years</b>	<b>Over 5 years</b>	<b>Total</b>	<b>Weighted average effective interest rate %</b>
<b>Financial Assets:</b>							
Cash	14,231	-	-	-	-	14,231	0%
Receivables	21,268	-	-	-	-	21,268	-
	35,499	-	-	-	-	35,499	-
<b>Financial Liabilities:</b>							
Payables	2,921,313	-	-	-	-	2,921,313	-
Borrowings – Convertible note	-	-	1,500,000	-	-	1,500,000	10%
	2,921,313	-	1,500,000	-	-	4,421,313	-

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**21. Financial risk management and policies (continued)**

As at 30 June 2018	< 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:							
Cash	56,349	-	-	-	-	56,349	0%
Receivables	327,009	-	-	-	-	327,009	-
	383,358	-	-	-	-	383,358	-
Financial Liabilities:							
Payables	2,079,789	-	-	-	-	2,079,789	-
Borrowings – Convertible note	-	-	1,500,000	-	-	1,500,000	10%
	2,079,789	-	1,500,000	-	-	3,579,789	-

**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.

**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**

- (a) The Company received confirmation that the convertible note of \$1,500,000 would be extended to 31 December 2020.
- (b) The Company executed a Deed of Acknowledgement on 30 August 2019 with Metalicity, expanding the Farm-In Agreement to incorporate additional tenements within the Kookynie and Yundamindra Gold Projects.

No other 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.

**Nex Metals Explorations Limited**  
**ABN 63 124 706 449**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**24. Parent Entity Disclosures**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Financial Position</i>		
Assets		
Current assets	40,127	387,112
Non-current assets	297,842	308,953
Total assets	<u>337,969</u>	<u>696,065</u>
Liabilities		
Current liabilities	4,656,346	3,785,517
Total liabilities	<u>4,656,346</u>	<u>3,785,517</u>
Equity		
Issued capital	19,877,247	18,884,107
Reserves	2,260,245	2,260,245
Accumulated losses	(26,455,869)	(24,233,804)
Total equity	<u>(4,318,377)</u>	<u>(3,089,452)</u>
<i>Financial Performance</i>		
Profit/(loss) for the year	(2,222,065)	(882,231)
Other comprehensive income	-	-
Total comprehensive income	<u>(2,222,065)</u>	<u>(882,231)</u>

**a) Contingent liabilities**

Refer to Note 16 for details of contingent liabilities.

**b) Commitments**

Refer to Note 15 for details of commitments.

**25. Company Details**

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

45 Guthrie Street  
OSBORNE PARK WA 6017

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Nex Metals Explorations Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



**Perth, Western Australia**  
**30 September 2019**

**B G McVeigh**  
**Partner**

**hlb.com.au**

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

## INDEPENDENT AUDITOR'S REPORT

To the members of Nex Metals Explorations Limited

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of Nex Metals Explorations Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### *Material uncertainty related to going concern*

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

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

**hlb.com.au**

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.



Key Audit Matter	How our audit addressed the key audit matter
<b>Carrying amount of exploration and evaluation expenditure</b> Note 8 of the financial report	
<p>At 30 June 2019, the exploration and evaluation expenditure was carried at \$269,664 (2018: \$269,664).</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources, the consolidated entity capitalises acquisition costs of rights to explore and applies the expense model after recognition.</p> <p>Our audit focussed on the consolidated entity's assessment of the carrying amount of the capitalised exploration and evaluation asset. We considered this to be a key audit matter because this is one of the significant assets of the consolidated entity. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values;</li> <li>• We obtained evidence that the consolidated entity has current rights to tenure of its area of interest;</li> <li>• We examined the exploration budget for 2019/20 and discussed with management the nature of planned ongoing activities;</li> <li>• We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the consolidated entity had not decided to discontinue exploration and evaluation at its area of interest; and</li> <li>• We examined the disclosures made in the financial report.</li> </ul>

*Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Nex Metals Explorations Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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

HLB Mann Judd

**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**30 September 2019**



**B G McVeigh**  
**Partner**