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Nex Metals
Explorations Ltd

ABN 63 124 706 449

Annual Report 2014

Corporate Directory

ABN

63 124 706 449

DIRECTORS

Thomas F Percy QC

Kenneth Allen

Hock Hoo Chua

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

COMPANY SECRETARY

Kenneth Allen

PRINCIPAL OFFICE

Level 1, 95 Canning Highway
SOUTH PERTH WA 6151

REGISTERED OFFICE

Level 1, 95 Canning Highway
SOUTH PERTH WA 6151

SOLICITORS

Lawton Gillon

Level 11, 16 St Georges Terrace
PERTH WA 6000

AUDITORS

RSM Bird Cameron Partners

8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009

STOCK EXCHANGE LISTING

Australian Stock Exchange
Home Exchange: Perth, Western Australia
Code: NME

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Directors' Report

The directors of Nex Metals Explorations Limited ("the company") submit herewith the financial report for the financial year ended 30 June 2014 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
 Kasit Phisitkul (resigned 12 December 2013)
 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 more recently 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

Kasit Phisitkul (Non-Executive Director) (Master of Public and Private Management (MPPM)) – Resigned 12 December 2013

Mr Phisitkul is of engineering background and a dynamic and successful Managing Director of Kenber Group based in Thailand for over 20 years. Kenber specializes in geological investigation, geotechnical engineering, dam construction and foundation treatment, mining and other related works with scope of business primarily covering Southeast Asian countries. He has various professional and civil functions such as Honorary Adviser to the Thai Senate and several government ministers, Executive Director to the Thai-Chinese Culture and Economy Association and Executive Board member of Maejo University Promotion Committee, among others. He has vast knowledge and extensive government and business connections in the region particularly in the field of mining and geotechnical-engineering works.

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

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

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

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

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

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.

Directors' Report Continued

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 profit after taxation of the consolidated entity for the year ended 30 June 2014 was \$707,565 (2013 : loss of \$3,394,712). The operating results for the year ended 30 June 2014 is summarised as follows:

	30 June 2014	30 June 2013
Profit/(Loss) before income tax benefit	(1,581,968)	(8,526,973)
Income Tax Benefit (being R & D tax offset received)	2,289,533	5,132,261
Profit/(Loss) for the year	707,565	(3,394,712)

Financial Position

The consolidated entity had net liabilities of \$3,602,336 as at 30 June 2014, a decrease of \$707,565 from net liabilities of \$4,309,901 at 30 June 2013.

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 can be found 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.

Review of Operations for the year ended 30 June 2014

Yundamindera Exploration

The consolidated entity has been conducting research and development on its now fully owned Yundamindera Project with respect to Copper identified on the tenements. The consolidated entity is currently in discussions with a Perth University experienced in new affordable methodologies for Copper discovery and processing. Surface sampling has been submitted for assaying. Further analysis of the structural framework of gold mineralization at Yundamindera also continued involving the detailed airborne magnetic and Light Detection and Ranging (LiDAR) surveys flown by Nex in 2011 and the previous mapping of outcrops and the three-dimensional geological model generated by the extensive drillhole database. A tribute arrangement has been entered into on a small parcel of historical tailings with a Company experienced in re-treating tailings, at the date of this report they have received or Government approvals. This will provide the consolidated entity small revenue but importantly mitigate expenditure commitments on the leases.

Kookynie

Concurrent to activities at Yundamindera, the consolidated entity has continued its field work with respect to Research and Development commenced during the mining phase at the Kookynie Gold Operations and extending that into the Cosmopolitan/Champion/McTavish and Leipold deposits. The consolidated entity continues to manage the Kookynie Gold project on a fee for services with all Nex operational staff and expenses being paid by the new owners.

Evaluation of Projects

The consolidated entity continues to have projects presented to it for evaluation during the past year extending from base metals, iron ore and diamonds. In light of the current economic market and commodity prices aside of the opportunities presented to the consolidated entity it is prudent that only advanced stage projects would warrant any interest with the consolidated entity having just stabilised its statement of financial position. However, a number of project evaluations are in progress.

Mining Rehabilitation Fund

The consolidated entity has submitted all 2014 disturbance data for all tenements currently held or managed by the consolidated entity pursuant to the Mining Rehabilitation Fund Act 2012. Minimal levy was required for the current year.

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 Limited, has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. L'Heureux consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Significant Changes in the State of Affairs

Significant Creditor Settlement

During the year ended 30 June 2013, a claim was brought against the company by a creditor for the payment of services rendered amounting to \$1,419,555. This was recognised as a current liability in the statement of financial position as at 30 June 2013. The claim was settled in December 2013 in the company's favour, resulting in the write back of \$1,419,555 to the statement of profit or loss and other comprehensive income.

Environmental Bonds

The company applied for and received the return of its Environmental Bonds of \$1 million from the Department of Mines and Minerals.

Income Tax Benefit

During the year ended 30 June 2014, the company applied for and received a rebate from the Australian Taxation Office ("ATO") of \$2,103,951, representing the tax value of research and development costs for the year ended 30 June 2013 and an amendment for 30 June 2012 tax year. Subsequent to year end, the company also applied and received a rebate from the ATO of \$185,582 relating to an amendment for 30 June 2013 tax year. This amount is shown as a receivable as at 30 June 2014.

Sale of Kookynie Gold Project

Settlement occurred during the December quarter with the receipt of an additional \$2,500,000 with the balance of \$1,000,000 and pro-rata rates and taxes of approximately \$80,000 to be transferred on clearing 3 caveats on tenements (these funds are held in trust by the purchaser's legal representative's trust account for which the formal agreement provides for automatic transfer on lifting the caveats). The company does not foresee any reason that the caveats will not be lifted.

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

Significant Events After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company 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 Nex Metals Explorations Limited is listed on the Australian Stock 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 Nex Metals Explorations Limited'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' Report Continued

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 was 1 board meeting and 2 circular resolutions passed.

Directors	Board of directors	
	A	B
Thomas F Percy	3	3
Kenneth Allen	3	3
Kasit Phisitkul (resigned 12 December 2013)	3	2
Hock Hoo Chua	3	2
Raja Mohd Azmi bin Raja Razali	3	-

Notes

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

B - Number of meetings attended.

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

Share Options

There are no unissued ordinary shares of Nex Metals Explorations Limited 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 Nex Metals Explorations Limited 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 Nex Metals Explorations Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

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

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

The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.25% (9.50% from 1 July 2014). 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 the Black-Scholes or Binomial methodologies.

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

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

Performance based remuneration

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

The following table shows the gross revenue and losses and share price of the company at the end of the respective financial years.

	30 June 2014	30 June 2013
Revenue	\$30,461	\$432,976
Net profit/(loss)	\$707,565	(\$3,394,712)
Share Price	\$0.008	\$0.01

(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
Kasit Phisitkul	Non-Executive Director (resigned 12 December 2013)
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 2014	Short-term		Post-employment	Total
	Salary & Fees \$	Non Cash \$	Superannuation \$	\$
Directors				
T Percy	37,500	-	3,469	40,969
K Allen	122,004	-	11,285	133,289
K Phisitkul	11,301	-	-	11,301
H Chua	25,000	-	2,313	27,313
R Razali	-	-	-	-
	195,805	-	17,067	212,872

Year ended 30 June 2013	Short-term		Post-employment	Total
	Salary & Fees \$	Non Cash \$	Superannuation \$	\$
Directors				
T Percy	37,500	-	3,375	40,875
K Allen	122,004	-	10,980	132,984
K Phisitkul	25,000	-	-	25,000
H Chua	25,000	-	2,250	27,250
R Razali	-	-	-	-
	209,504	-	16,605	226,109

(c) Service agreements

The agreements related to remuneration are set out below

- 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) and a fully maintained motor vehicle (up to the value of \$24,000 per year). 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.
- The company has entered into a letter agreement with Prof. Dato' 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.
- 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.

Directors' Report Continued

- 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 2014.

Terminated agreements

- i. The company has entered into a letter agreement with Kasit Phisitkul whereby the company has agreed to pay Kasit Phisitkul \$50,000 per annum, plus statutory entitlements, payable monthly in arrears, for acting as a non-executive director of the company. In October 2008 Mr Phisitkul agreed to reduce his base remuneration by 50% effective October 2008 until further notice. Mr Phisitkul's agreement was terminated on 12 December 2013 as a result of his resignation.

(d) Option holdings of Key Management Personnel

There are no unissued ordinary shares under option during the year ended 30 June 2014.

(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 2014.

(f) Shareholdings of Key Management Personnel

Directors	Balance at 01/07/13 No.	Exercise of Options No.	Other changes during the year No.	Balance at 30/6/14 No.
T F Percy	1,000,000	-	16,000	1,016,000
K Allen	7,150,001	-	-	7,150,001
K Phisitkul	1,000,000	-	(1,000,000)*	-
H H Chua	860,000	-	-	860,000
R Razali	7,600,000	-	-	7,600,000
	17,610,001	-	(984,000)	16,626,001

* represents balance held at date of resignation.

(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 2014 \$	30 June 2013 \$
(i) Accounting, administration, rent & labour hire fees paid to Allens Business Group Pty Ltd, a related company of Kenneth Allen	68,191	97,368
(ii) Fees paid on behalf of International Mining Logistics Pty Ltd, a related entity of Kenneth Allen	31,239	9,470

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

Current liabilities		
Payables and accruals	593,889	459,753
Share applicable monies (i)	328,000	328,000
	<u>921,889</u>	<u>787,753</u>

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

- (c) Directors loans

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

[End of Remuneration 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.

Non-Audit Services

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

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

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

Auditor's Independence Declaration

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

Proceedings on Behalf of the Company

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

The company was not a party to any such proceedings during the year except as disclosed in Note 17.

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



Kenneth Allen

Managing Director

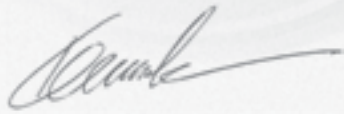
Perth, 30 September 2014

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out in the financial report, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. The directors have been given the declarations required by s295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.



KENNETH ALLEN

Managing Director

Dated at Perth this 30th day of September 2014

Auditor's Independence Declaration



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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Nex Metals Explorations Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2014

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Independent Auditor's Report



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

Report on the Financial Report

We have audited the accompanying financial report of Nex Metals Explorations Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

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Independent Auditor's Report (continued)

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nex Metals Explorations Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Nex Metals Explorations Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity had net cash outflows from operating activities of \$2,329,074 for the year ended 30 June 2014. As of that date, the company and the consolidated entity had net current liabilities of \$3,658,464 and \$3,929,609 respectively and net liabilities of \$3,331,191 and \$3,602,336 respectively. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Nex Metals Explorations Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 September 2014

**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014**

	Note	30 June 2014 \$	30 June 2013 \$
Revenue	2(a)	30,461	432,976
Cost of sales		-	(2,191,529)
Gross profit		30,461	(1,758,553)
Other income	2(b)	1,773,294	246,244
Occupancy expenses		(52,561)	(73,753)
Administration expenses	2(c)	(391,288)	(260,129)
Consultants expenses	2(c)	(972,076)	(1,077,492)
Depreciation expenses		(24,791)	(280,637)
Employment and contractor expenses		(597,237)	(676,050)
Borrowing and finance costs		(167,642)	(620,720)
Travel expenses		(63,602)	(49,050)
Exploration and evaluation expenses	8	(1,042,860)	(344,762)
Mine development expenses written off	9	-	(2,750,575)
Plant and equipment written off	7	(73,666)	(881,496)
Profit/(loss) before income tax benefit		(1,581,968)	(8,526,973)
Income tax benefit	3	2,289,533	5,132,261
Profit/(loss) for the year		707,565	(3,394,712)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		707,565	(3,394,712)
Earnings/ (Loss) per share:			
Basic and diluted earnings/ (loss) (cents per share)	15	0.46 cents	(2.22) cents

The accompanying notes form part of this financial report.

Statement of Financial Position
As at 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Current assets			
Cash and cash equivalents	21(a)	771,534	50,229
Receivables	5	1,445,757	21,169
Other assets	6	9,176	1,019,472
Mine development expenditure –held for sale	9	-	3,500,000
Total current assets		2,226,467	4,590,870
Non-current assets			
Plant and equipment	7	42,609	136,886
Capitalised exploration and evaluation expenditure	8	284,664	284,664
Total non-current assets		327,273	421,550
Total assets		2,553,740	5,012,420
Current liabilities			
Payables	10	4,580,172	7,494,988
Interest-bearing liabilities	11	1,500,000	1,750,000
Provisions	12	75,904	77,333
Total current liabilities		6,156,076	9,322,321
Total liabilities		6,156,076	9,322,321
Net liabilities		(3,602,336)	(4,309,901)
Equity			
Issued capital	13a	18,884,107	18,884,107
Option reserve	14	2,260,245	2,260,245
Accumulated losses		(24,746,688)	(25,454,253)
Total equity/ (deficiency)		(3,602,336)	(4,309,901)

The accompanying notes form part of this financial report.

**Statement of Changes in Equity
For the Year Ended 30 June 2014**

Attributable to equity holders

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2012	18,889,807	2,260,245	(22,059,541)	(909,489)
Loss for the year	-	-	(3,394,712)	(3,394,712)
Total comprehensive income for the year	-	-	(3,394,712)	(3,394,712)
Transactions with owners in their capacity as owners				
Issue of shares for working capital	-	-	-	-
Share issue costs	(5,700)	-	-	(5,700)
Total contributions by owners	(5,700)	-	-	(5,700)
Balance at 30 June 2013	18,884,107	2,260,245	(25,454,253)	(4,309,901)

Attributable to equity holders

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2013	18,884,107	2,260,245	(25,454,253)	(4,309,901)
Profit for the year	-	-	707,565	707,565
Total comprehensive income for the year	-	-	707,565	707,565
Transactions with owners in their capacity as owners				
Issue of shares for working capital	-	-	-	-
Share issue costs	-	-	-	-
Total contributions by owners	-	-	-	-
Balance at 30 June 2014	18,884,107	2,260,245	(24,746,688)	(3,602,336)

The accompanying notes form part of this financial report.

Statement of Cash Flow
For the Year Ended 30 June 2014

	Note	30 June 2014 \$	30 June 2013 \$
Cash flows from operating activities			
Receipts from customers		-	432,976
Other revenue		280,119	-
Payments to suppliers and employees		(4,107,778)	(4,373,531)
Sundry receipts		-	930,881
Borrowing and finance costs paid		(292,642)	(320,285)
Interest received		30,461	18,591
Income tax refund (net of professional fees)		1,760,766	4,376,914
Net cash (used in)/provided by operating activities	21(b)	(2,329,074)	1,065,546
Cash flows from investing activities			
Payments for plant and equipment		(4,180)	(6,162)
Proceeds from disposal of mining tenements		2,500,000	-
Net cash provided by/(used in) investing activities		2,495,820	(6,162)
Cash flows from financing activities			
Payment for share issue costs		-	(5,700)
Proceeds from/(Payment) of security bond		1,004,559	(1,019,472)
Loans advanced		(200,000)	-
Repayment of borrowings		(250,000)	-
Net cash provided by / (used in) financing activities		554,559	(1,025,172)
Net increase in cash and cash equivalents		721,305	34,212
Cash and cash equivalents at the beginning of the financial year		50,229	16,017
Cash and cash equivalents at the end of the financial year	21(a)	771,534	50,229

The accompanying notes form part of this financial report.

Notes To The Financial Statements For the Year Ended 30 June 2014

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, 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 2014 was authorised for issue in accordance with a resolution of the directors on 30 September 2014.

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 had net cash outflows from operations of \$2,329,074 for the year ended 30 June 2014. As at that date, the company and consolidated entity had net current liabilities of \$3,658,464 and \$3,929,609 respectively and net liabilities of \$3,331,191 and \$3,602,336 respectively.

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

- In June 2012, the company secured a \$7 million standby subscription agreement with Gurney Capital Nominees Pty Ltd. No amounts have been drawn down on this facility at the date of this report but funding is available if required;
- A dispute with a creditor for the amount of \$2,255,477 exists relating to the satisfactory delivery of goods. This amount is currently recognised as a current liability in the statement of financial position as at 30 June 2014. As the company does not believe it is liable for this debt, the company expects to commence litigation in financial year 2015 for a breach of contract (refer to Note 17);
- \$328,000 of share application monies, shown as a current liability as at balance date, will be converted to equity;
- Convertible notes that expired in February 2014 have been extended and are repayable by
- 3 February 2015. The directors are confident that the note holder will redeem the convertible notes for shares and no cash payment will be required to settle the liability;
- The possible sale for cash of mining tenements, recognised as exploration and evaluation assets in the statement of financial position, as has occurred in the prior year; and
- Issue of shares for cash from capital raising to be conducted in accordance with the Corporations Act.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The company's and consolidated entity's ability to continue as going concerns is mainly dependant on the following factors;

- success with its legal action against the disputed creditor;
- payment of the convertible note by the issue of shares; and
- obtaining cash through the issue of shares.

Should the company and consolidated entity not achieve the factors set out above, there is significant uncertainty whether the company and consolidated entity will continue as going concerns 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 company and consolidated entity do not continue as going concerns.

Notes to the Financial Statements for the year ended 30 June 2014 Continued
Summary of Significant Accounting Policies Continued

(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 government 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 statement of profit or loss and other comprehensive income in the periods 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

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 derecognized 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 the statement of profit or loss and other comprehensive income.

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 of 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 the statement of profit or loss and other comprehensive income.

Loans and receivables

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently matured are 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.

Notes to the Financial Statements for the year ended 30 June 2014 Continued

Summary of Significant Accounting Policies Continued

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 consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the 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 consolidated entity's reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed immediately to the statement of profit or loss and other comprehensive income.

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

(f) Income tax

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

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.

Notes to the Financial Statements for the year ended 30 June 2014 Continued
Summary of Significant Accounting Policies Continued

(g) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by the consolidated entity 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 the statement of comprehensive income.

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) Mine Development

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

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

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

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

(i) Payables

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

(j) Plant and equipment

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

Depreciation

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

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

(k) Provisions

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

(l) Revenue recognition**Gold sales**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods based on management's best estimate, the price is fixed and generally title has passed.

Interest revenue

Interest revenue is recognised when earned.

Notes to the Financial Statements for the year ended 30 June 2014 Continued

Summary of Significant Accounting Policies Continued

(m) Borrowings

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

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

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

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

(n) Borrowing costs

Borrowing 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 borrowing costs are recognised in income in the period in which they are incurred.

(o) Leases

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

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

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

(p) Earnings per share

(i) Basic Earnings per share

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

(ii) Diluted Earnings per Share

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

(q) Trade and other receivables

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

(r) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Nex Metals Explorations Limited at the end of the reporting period. A controlled entity is any entity over which Nex Metals Explorations Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities. In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group 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.

Notes to the Financial Statements for the year ended 30 June 2014 Continued
Summary of Significant Accounting Policies Continued

(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.

Exploration and evaluation expenditure

The Board of Directors determines 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. The Board's decision is made after considering the likelihood of finding commercially viable reserves.

Impairment - General

The consolidated entity assesses 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 the statement of profit or loss and other comprehensive income.

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

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

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

(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 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The adoption of this standard will not have a material impact on the consolidated entity.

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the consolidated entity's financial statements.

AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the consolidated entity's financial statements.

(v) Comparative Figures

The comparatives for the year ended 30 June 2013 were for the parent entity only. During the financial year ended 30 June 2014, Ausnational Investments Pty Ltd was incorporated as a subsidiary of Nex Metals Explorations Limited. Accordingly, the disclosure for 30 June 2014 in this financial report is on a consolidated basis.

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$
2. Profit/(loss) before income tax		
(a) Revenue	-	414,385
Gold sales	30,461	18,591
Interest revenue	30,461	432,976
(b) Other Income		
Sundry income #	1,766,681	123,262
Fuel tax credits	6,613	122,982
(c) Expenses		
<i>Consultants expenses</i>		
Professional fees incurred in relation to the Research and Development tax offset claim	377,664	902,158
Legal	150,000	80,889
Other	444,412	94,445
<i>Administration expenses</i>		
Research and development costs	271,146	-

Includes \$1,454,170 creditor write back, resulting from settlement of dispute.

3. Income tax

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

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

Profit/(loss) from operations	1,581,968	(8,526,973)
Prima facie income tax benefit at 30%	474,590	(2,558,091)

Permanent differences

Non-deductible expenses	18,617	1,278,883
Movements in unrecognised temporary differences	104,343	798,821
Unused tax loss not recognised as a deferred tax asset	-	480,387

Recoupment of prior year tax losses not previously brought to account

(597,550)	-
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Research & development rebate (see note 3(d))

2,289,533	5,132,261
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Income tax benefit

2,289,533	5,132,261
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(c) Unrecognised deferred tax balances

The directors estimate that the potential deferred tax benefits (at 30%) not brought to account attributable to tax losses carried forward at balance date is approximately \$2,985,629 (2013: \$3,583,179). They will only be of benefit to the consolidated entity if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the consolidated entity is able to meet the continuity of ownership and/or business tests.

(d) Research & development rebate

During the year ended 30 June 2014, the consolidated entity applied for and received rebates from the Australian Taxation Office of \$2,289,533 (2013: \$5,132,261), representing the tax value of research and development costs for the year ended 30 June 2013. This amount is shown as an income tax benefit in the statement of profit or loss and other comprehensive income for the year ended 30 June 2014.

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$	
4. Remuneration of auditors			
Audit and review of the financial report	40,000	43,500	
Corporate finance services	18,138	-	
	58,138	43,500	
5. Receivables			
Amount due under contract for sale of mining tenements	1,000,000	-	
Research and development rebate (Note 3(d))	185,582	-	
Sundry receivables	60,175	21,169	
Loan – unsecured	200,000	-	
	1,445,757	21,169	
6. Other assets			
Security bond	-	1,019,472	
Prepayments	9,176	-	
	9,176	1,019,472	
7. Plant and equipment			
	Motor Vehicles	Plant and Office	Total
	\$	Equipment	\$
	\$	\$	\$
Year ended 30 June 2014			
Opening net book value	68,113	68,773	136,886
Additions	1,915	2,265	4,180
Write down	(27,212)	(46,454)	(73,666)
Depreciation charge for the year	(13,672)	(11,119)	(24,791)
Closing net book value	29,144	13,465	42,609
At 30 June 2014			
Cost	102,413	66,266	168,679
Accumulated depreciation	(73,269)	(52,801)	(126,070)
Net book value	29,144	13,465	42,609
Year ended 30 June 2013			
Opening net book value	244,148	1,048,709	1,292,857
Additions	-	6,162	6,162
Write down	(121,628)	(759,868)	(881,496)
Depreciation charge for the year	(54,407)	(226,230)	(280,637)
Closing net book value	68,113	68,773	136,886
At 30 June 2013			
Cost	158,573	180,647	339,220
Accumulated depreciation	(90,460)	(111,874)	(202,334)
Net book value	68,113	68,773	136,886

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$
8. Capitalised exploration expenditure		
Opening balance	284,664	284,664
Current year expenditure	1,042,860	344,762
Current year expenditure written off	(1,042,860)	(344,762)
Closing balance	<u>284,664</u>	<u>284,664</u>
9. Mine Development expenditure		
Current		
Opening balance	3,500,000	-
Transfer from non-current assets (i)	-	3,500,000
Sale of mining tenements	(3,500,000)	-
Closing balance	<u>-</u>	<u>3,500,000</u>
Non-current		
Opening balance	-	6,750,575
Impairment charge	-	(2,750,575)
Non-refundable deposit received for sale (i)	-	(500,000)
Transfer to current assets (i)	-	(3,500,000)
Closing balance	<u>-</u>	<u>-</u>

(i) During the year, sale of the Kookynie Gold Project occurred for \$4,000,000 with \$500,000 deposit received in 2013, \$2,500,000 received in the current year and the balance of \$1,000,000 is owing to the consolidated entity (refer Note 5) from the purchaser.

10. Payables

Current

Trade payables and accruals (i)		1,911,260	6,956,553
Trade payables in dispute (refer Note 17)		2,255,477	-
Accrued interest	11(a)	85,435	210,435
Share application monies		328,000	328,000
		<u>4,580,172</u>	<u>7,494,988</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 \$3,519,526.

11. Interest-bearing liabilities

Current

Unsecured loans	11(b)	-	250,000
Convertible note	11(a)	1,500,000	1,500,000
		<u>1,500,000</u>	<u>1,750,000</u>

(a) During the year, the consolidated entity renegotiated the convertible note and the terms were extended to 3 February 2015, 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 2014 was \$85,435 (2013: \$205,435). The consolidated entity paid a total of \$270,000 in interest during the year to the note holder.

(b) The unsecured loans represent loans from unrelated entities. During the year ended 30 June 2014, the consolidated entity repaid this loan in full. There was no interest paid in the year.

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$
12. Provisions		
Employee entitlements	75,904	77,333
13. Issued Capital		
152,716,956 fully paid ordinary shares (2013 :152,716,956)	18,884,107	18,884,107
(a) Movements in issued capital: Year ended 30 June 2014		
	No of Shares	Issue Price
		\$
Balance at 1 July 2012	152,716,956	18,889,807
Share issue costs	-	(5,700)
Balance at 30 June 2013	152,716,956	18,884,107
Balance at 1 July 2013	152,716,956	18,884,107
Share issue costs	-	-
Balance at 30 June 2014	152,716,956	18,884,107
(b) Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
	2014 Number	2013 Number
(c) Movements in Options on Issue		
Opening balance	-	18,000,000
Options expired during the year	-	(18,000,000)
Closing Balance	-	-
	30 June 2014 \$	30 June 2013 \$
14. Reserves		
Option reserve	2,260,245	2,260,245
Option reserve		
Balance at beginning of financial year	2,260,245	2,260,245
Balance at end of financial year	2,260,245	2,260,245
This option issue reserve is used to recognise both the fair value or issue price of options issued.		
15. Earnings/(loss) per share	2014 Cents Per Share	2013 Cents Per Share
Basic and diluted earnings/(loss) per share:	0.46	(2.22)
The profit/(loss) for the year and the weighted average number of ordinary shares used in the calculation of basic earnings/(loss) per share are as follows:		
	30 June 2014 \$	30 June 2013 \$
Profit/(loss) for the year after income tax	707,565	(3,394,712)
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	152,716,956	152,716,956

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$
16. Commitments for expenditure		
(a) Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Not later than 1 year	-	38,500
Later than 1 year and not later than 2 years	-	38,500
Later than 2 years and not later than 5 years	-	25,632
	-	102,632
(b) Exploration commitments		
The consolidated entity has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
Not later than 1 year	109,252	196,738
Later than 1 year and not later than 2 years	100,546	191,781
Later than 2 years and not later than 5 years	263,221	449,248
	473,018	837,767
(c) Royalty Commitments		
(i) The consolidated entity has royalty obligations to Mr RW Allen pursuant to mining tenement acquisition agreements. The royalty under the agreements are as follows:		
(a) \$1.00 per tonne for any gold bearing ore extracted from the tenements;		
(b) for uranium, 5% of the sale price if the market price is up to USD50.00 per pound, 7.5% of the sale price if the market price ranges between USD50.01 to USD99.99 per pound, and 10% of the sale price if the market price is USD100.00 or above per pound, less selling costs in all cases; and		
(c) 1% of gross sales of extracted metals for any other mineral		
(ii) The consolidated entity has various royalty commitments in relation to tenements acquired in the Kookynie 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.		
17. Contingencies		
(a) During the year ended 30 June 2013, a claim was brought against the consolidated entity by a creditor for the payment of services rendered amounting to \$1,419,555. This was recognised as a current liability in the statement of financial position as at 30 June 2013. The claim was settled in December 2013 in the company's favour, resulting in the write back of \$1,419,555 to the statement of profit or loss and other comprehensive income.		
(b) A dispute with a creditor for the amount of \$2,255,477 exists relating to the satisfactory delivery of goods. The consolidated entity expects to commence litigation for a breach of contract in the financial year 2015.		
(c) There is also an indemnity guarantee facility of \$203,000 (2013: \$203,000) provided by Australia New Zealand Bank which remains unused as at 30 June 2014 (2013: unused).		
Other than the above, there were no other contingencies as at 30 June 2014.		

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$
18. 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 (KMP) for the year ended 30 June 2014.		
Compensation of Key Management Personnel		
Short term employee benefits	195,805	209,504
Post-employment benefits	17,067	16,605
	212,872	226,109

19. Related Party Disclosures**(a) Transactions with director related entities**

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

(i) Accounting, administration, rent & labour hire fees paid to Allens Business Group Pty Ltd, a related company of Kenneth Allen	68,191	97,368
(ii) Fees paid on behalf of International Mining Logistics Pty Ltd, a related entity of Kenneth Allen	31,239	9,470

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

Payables and accruals	593,889	459,753
Share applicable monies (i)	328,000	328,000
	921,889	787,753

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

(c) Directors loans

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

20. Controlled Entity

Name	Country of Incorporation	Percentage Interests Held		Cost of Parent Entity Investment	
		2014 %	2013 %	2014 \$	2013 \$
Ausnational Investments Pty Ltd	Australia	100%	-	1	-

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	30 June 2014 \$	30 June 2013 \$
21. Cash Flow Information		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash at bank	771,534	50,229
	<u>771,534</u>	<u>50,229</u>
(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities		
Profit/(loss) for the year	707,565	(3,394,712)
Depreciation	24,791	280,637
Mine development expenditure written off	-	2,750,575
Plant and equipment written off	73,666	881,496
Write back of creditors	(1,454,170)	-
Changes in assets and liabilities		
Receivables	(224,588)	355,183
Other assets	-	500,000
Prepayments	5,737	17,790
Payables and provisions	(1,462,075)	(325,423)
Net cash (used) in/ provided by operating activities	<u>(2,329,074)</u>	<u>1,065,546</u>

Non Cash Financing and Investing Activities

There are no non-cash financing and investing activities for the year ended 30 June 2014.

22. 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	771,534	50,229
Receivables	1,445,757	21,169
	<u>2,217,291</u>	<u>71,398</u>

Financial liabilities

Payables	4,580,172	7,494,988
Borrowings – Unsecured loan	-	250,000
Borrowings – Convertible note	1,500,000	1,500,000
	<u>6,080,172</u>	<u>9,244,988</u>

Notes to the Financial Statements for the year ended 30 June 2014 Continued
Financial risk management and policies Continued

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

It is, and has been throughout the period under review, the consolidated entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the consolidated entity are capital risk, credit risk, liquidity risk, and interest rate risk. The Board 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 2014.

Cash at bank is held with internationally regulated banks.

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

(b) Capital risk

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

(c) Liquidity risk

Maturity profile of financial instruments

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

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

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

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Notes to the Financial Statements for the year ended 30 June 2014 Continued
Financial risk management and policies Continued

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

As at 30 June 2014	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	771,534	-	-	771,534	2.6%
Receivables	1,445,757	-	-	1,445,757	-
	<u>2,217,291</u>	<u>-</u>	<u>-</u>	<u>2,217,291</u>	
Financial Liabilities:					
Payables	4,580,172	-	-	4,580,172	-
Borrowings – Convertible note	1,500,000	-	-	1,500,000	10.0%
	<u>6,080,172</u>	<u>-</u>	<u>-</u>	<u>6,080,172</u>	
As at 30 June 2013					
Financial Assets:					
Cash	50,229	-	-	50,229	2.75
Receivables	21,169	-	-	21,169	-
	<u>71,398</u>	<u>-</u>	<u>-</u>	<u>71,398</u>	
Financial Liabilities:					
Payables	7,494,988	-	-	7,498,988	-
Borrowings – Unsecured loan	250,000	-	-	250,000	12.0
Borrowings – Convertible note	1,500,000	-	-	1,500,000	10.0
	<u>9,244,988</u>	<u>-</u>	<u>-</u>	<u>9,244,988</u>	

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.

23. 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.

24. Subsequent Events

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

Notes to the Financial Statements for the year ended 30 June 2014 Continued

	2014 \$	2013 \$
25. Parent Entity Disclosures		
<i>Financial Position</i>		
Assets		
Current assets	2,226,467	4,590,870
Non-current assets	327,273	421,550
Total assets	2,553,740	5,012,420
<i>Liabilities</i>		
Current liabilities	5,884,931	9,322,321
Total liabilities	5,884,931	9,322,321
<i>Equity</i>		
Issued capital	18,884,107	18,884,107
Reserves	2,260,245	2,260,245
Accumulated losses	(24,475,543)	(25,454,253)
Total equity	(3,331,191)	(4,309,901)
<i>Financial Performance</i>		
Profit/(loss) for the year	978,711	(3,394,712)
Other comprehensive income	-	-
Total comprehensive income	978,711	(3,394,712)

(a) Contingent liabilities

Refer to Note 17 for details of contingent liabilities.

(b) Commitments

Refer to Note 16 for details of commitments.

26. Company Details

The registered office of the Company is:

Nex Metals Explorations Limited
Level 1
95 Canning Highway
South Perth WA 6151

The principal place of business is:

Nex Metals Explorations Limited
Level 1
95 Canning Highway
South Perth WA 6151

Corporate Governance

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable; the Company has adopted the Eight Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

Further information about the Company's corporate governance practices is set out on the Company's website at www.nexmetals.com. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Explanations for Departures from Best Practice Recommendations

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Notification of Departure:

The Company has not formally disclosed the functions reserved to the Board and those delegated to management. The appointment of the Non-Executive Chairman to the Board is formalised in writing by way of a letter of engagement.

Explanation for Departure:

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management.

Due to the small size of the Board and of the Company, the Board does not consider it necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the financial performance of the Company, ensuring that shareholder value is increased and providing the overall corporate governance of the Company.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Chairperson and/ or Managing Director is responsible for reviewing the performance of executive management at least once every calendar year with reference to the terms of their employment contract.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

During the reporting year, an evaluation of the Managing Director, executive directors and senior executives took place as disclosed at Recommendation 1.2.

Principle 2: Structure the board to add value

Recommendation 2.1: A majority of the board should be independent directors.

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

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

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

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

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

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

Recommendation 2.2: The chair should be an independent director

Mr Thomas Percy is the non-executive chairman and meets the Company's criteria for independence.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The role of Managing Director is separate from the chairman and therefore the company has complied with this Recommendation.

Recommendation 2.4: The board should establish a nomination committee**Notification of Departure:**

There is no separate Nomination Committee.

Explanation for Departure:

The board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. The board currently serves the role of nomination committee. Terms and conditions of employees are negotiated by the Managing Director for recommendation to the board. The board deals with any conflicts of interest that may occur when convening in the capacity of nomination committee, ensuring the director with conflicting interest is not party to the relevant discussions.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

Evaluation of the board, its committees and individual directors is held via ongoing discussions regarding the performance of the board and its directors. The Company has adopted policies and procedures concerning the evaluation and development of its directors and executives and seeks external advice where appropriate.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.**Skills, experience, expertise and term of office of each director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors report.

Identification of independent directors and materiality thresholds

The independent directors of the Company are Thomas Percy QC and Hock Hoo Chua. These directors are independent as they are non-executive directors who are not members of management and are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles and Recommendations. The Company did not measure independence against set materiality thresholds due to the fact that during the reporting year the Company had not determined its materiality thresholds. However, when considering materiality the Company would consider the key factors of financial impact and market perception.

Statement concerning availability of independent professional advice

To assist independent decision making, a director may consider it necessary to obtain independent professional advice. With the consent of the Chairperson to incur such expenses, the Company will pay the reasonable expenses associated with the director obtaining such advice.

Nomination matters

The board carries out the role of the Nomination Committee. The board did not officially convene as a nomination committee during the reporting year however nomination-related matters were discussed by the board from time to time as required.

Performance evaluation

During the reporting year, the performance of executive management was reviewed with reference to the terms of their employment contract.

Selection and (re) appointment of directors

In determining candidates for the board, all directors are involved in evaluating the range of skills, experience and expertise of the existing board, considering the balance of independent directors on the board as well as skills and qualifications of potential candidate which will increase the board's effectiveness. Any appointment made by the board is subject to ratification by shareholders at the next annual general meeting.

The board recognises that board renewal is important to performance and the impact of board tenure on succession planning. Each director other than the Managing Director; must not hold office without retiring and submitting themselves for re-election past the third annual general meeting following that director's appointment or three years, whichever is longer. Re-appointment of directors is not automatic.

Principle 3: Promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and;
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has complied with this recommendation.

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

Recommendations 3.2, 3.3, 3.4 and 3.5: Companies should establish a policy concerning diversity and disclose a policy or summary of that policy, and in each annual report disclose the measurable objectives for achieving gender diversity, disclosing the proportion of women employees in the whole organization, women in senior executive positions and women on the board and provide information indicated in the Guide to reporting on Principle 3.

The Company has not complied with this recommendation.

The Board considers that at this time no efficiencies or other benefits would be gained by introducing a formal diversity policy. In the future, as the Company grows and increases in size and activity, the Board will consider the establishment of a formal diversity policy.

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

Principle 4: Safeguard integrity in the financial reporting

Recommendation 4.1 – 4.4: Audit committee

Notification of Departure:

There is no separate Audit Committee.

Explanation for Departure:

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

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

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 – 5.2: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has complied with this recommendation.

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

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company has designed a communication policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

The Company is committed to open and effective communications with holders of the Company's shares, ensuring all shareholders are informed of all significant developments concerning the Company.

Principle 7: Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal control and compliance. Where necessary, the Company draws on the expertise of external consultants to assist in dealing with and mitigating risk.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The board also requires management to report to it confirming that those risks are being managed effectively. The board has also received a report from management regarding its effectiveness of the Company's management of its material business risks.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Managing Director has provided a declaration to the board in accordance with section 295A of the Corporations Act and has assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 – 8.4: The board should establish a remuneration committee

Notification of Departure:

There is no separate Remuneration Committee.

Explanation for Departure:

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

Additional Information

Statement of Quoted Securities

Shareholding at 22 October 2014

Distribution of shareholders and their holdings as at 22 October 2014

Category (size of holding)	Number of Shareholders
1 – 1,000	14
1,001 – 5,000	79
5,001 – 10,000	199
10,001 – 100,000	400
> 100,000	171
Total on register	863

TThe number of shareholdings held in less than marketable parcels is 251.

Twenty Largest Shareholders – Ordinary Shares		No.	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,690,000	5.690
2	UOB KAY HIAN PRIVATE LIMITED <CLIENTS A/C>	7,687,333	5.034
3	MR KENNETH M ALLEN	6,620,001	4.335
4	FMR INVESTMENTS PTY LTD	6,460,000	4.230
5	WESTERN AUSTRALIAN HOLDINGS PTY LTD <SHASH NIGAM FAMILY A/C>	6,000,001	3.929
6	FIRST LIGHT NOMINEES PTY LTD <NIGAM FAMILY A/C>	5,800,001	3.798
7	MR ROYCE WILLIAM ALLEN	4,243,570	2.779
8	GROUP # 889383 *	4,130,194	2.704
*	<i>J P MORGAN NOMINEES AUSTRALIA LIMITED</i>	4,130,194	2.704
9	MRS LEE ALLEN	3,500,000	2.292
10	MS LEE KIANG ALLEN	3,174,603	2.079
11	MR MATE BARAC	2,258,696	1.479
12	MRS USHA SATYA NIGAM	2,115,340	1.385
13	MR AH TUANG HON NO	2,000,000	1.310
14	MR PECK CHONG YEO	1,980,000	1.297
15	MR WONG SAM KOW	1,952,380	1.278
16	MR BRETT ROYLE	1,868,733	1.224
17	MR GEHARD ERNST LAMBRECHT	1,824,000	1.194
18	MR BRETT ROYLE	1,686,498	1.104
19	MR PETER JOHN MAXWELL & MRS MARGARET RAE MAXWELL	1,666,000	1.091
20	MR HOCK PENG CHUA	1,650,000	1.080
		75,307,350	49.312

Restricted Securities

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

Substantial Shareholders

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

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

Voting Rights

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

ASX Listing Rule 4.10.19

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

Company Secretary

The name of the company secretary is Kenneth M Allen.

Statement of Unquoted Securities

(a) Options

There are no unlisted options on issue.

(b) Convertible notes

Convertible notes – As at 22 October 2014, the Company had on issue 1 convertible note with Cesuco Trading Limited for a face value of \$1,500,000. This note matures in February 2015, unless the note holder elects to convert to ordinary shares at the lower of \$0.03 per share or the VWAP based on 10 trading days immediately prior to conversion. Interest is payable at 10% per annum.

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Consolidated Tenement Schedule as at 30 June 2014

Lease	Nex Area	Locality	Status	Holder	Area Hectares
P26/3615	Mt Monger	Mt Monger	Live	NEX METALS EXPLORATIONS LTD	4.86
G40/3	Kookynie Central	Kookynie	Live	FMR INVESTMENTS PTY LTD	7.239
M40/27	Kookynie Central	Champion	Live	FMR INVESTMENTS PTY LTD	85.475
E39/1329	Yundamindera	Yundamindera	Live	ARCHIMEDES MINING PTY LTD	2,400
M39/410	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	978
E39/1584	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	4,800
L40/9	Kookynie Central	Kookynie	Live	KOOKYNIE RESOURCES PTY LTD FMR INVESTMENTS PTY LTD	1.00
M39/274	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	230
M39/839	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	7.3
M39/840	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	9.7
M40/0061	Kookynie Central	Kookynie	Live	KOOKYNIE RESOURCES PTY LTD FMR INVESTMENTS PTY LTD	832.7
P26/3839	Mt Hunt	Mt Monger	Live	NEX METALS EXPLORATIONS LTD	159.00
E25/462	Mt Monger	Seabrook Hills	Live	NEX METALS EXPLORATIONS LTD	1,500
P26/3838	Mt Hunt	Mt Hunt 1	Live	NEX METALS EXPLORATIONS LTD	189
M40/22	Niagra	Lubra Queen	Live	FMR INVESTMENTS PTY LTD HALLMARK MINING LTD	121.7
M40/0077	Niagra	Mc Tavish Hill	Live	KOOKYNIE RESOURCES PTY LTD FMR INVESTMENTS PTY LTD	119.2
M39/84	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	378
M39/407	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	896
M39/408	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	785
M39/409	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	966
M39/406	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	124
L39/34	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	1
L39/51	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	2
L39/52	Yundamindera	Yundamindera	Live	SARACEN GOLD MINES PTY LTD	1
E39/1648	Yundamindera	Yundamindera	Live	NEX METALS EXPLORATIONS LTD	300

Note to the above Table.

Where tenement is not in the name of Nex Metals Explorations Ltd the Company has 100% beneficial ownership with transfers in process with Government Departments.

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