

**NEMEX**  
**RESOURCES LIMITED**

ACN 146 243 843

ANNUAL REPORT  
2016

***Nemex Resources Limited***  
***Corporate Directory***

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<b>Directors</b>	Hui Zhang Tao Ding Yongjin Li	Executive Chairman Non-Executive Director Non-Executive Director
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<b>Company Secretary</b>	Paul Jurman
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	Telephone:	(61 8) 9388 2277
	Facsimile:	(61 8) 9380 6761

<b>Auditors</b>	HLB Mann Judd Level 4, 130 Stirling Street Perth Western Australia 6000
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<b>Share Registry</b>	Advanced Share Registry Services 110 Stirling Highway Nedlands Western Australia 6009	
	Telephone:	(61 8) 9389 8033
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Website: [www.nemexres.com.au](http://www.nemexres.com.au)

Securities trade on the Australian Securities Exchange – NXR

***Nemex Resources Limited***  
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***For the financial year ended 30 June 2016***

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## ***INVESTMENT IN SECURITY BIOMETRIC TECHNOLOGY***

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

As part of its technology development programme Wavefront facilitated a review of the technology through the International Centre for Biometric Research at Purdue University (“Purdue ICBR”), a globally recognised leader in biometric technology analysis.

Purdue ICBR completed testing Wavefront’s system (comprising its hardware and testing and analysis software) and Wavefront advised Nemex that Purdue ICBR was unable to independently validate and report on the Wavefront system performance metrics (such as False Acceptance Rate, False Rejection Rate and Equal Error Rate) without further in-depth analysis of the Wavefront software. Purdue ICBR noted Wavefront’s system software does not provide data output to calculate performance metrics in a format typically reviewed by Purdue ICBR.

Wavefront has advised the Company it has engaged the services of a software development group based in Australia to upgrade Wavefront’s system software to provide data output to calculate performance metrics in a format typically reviewed by Purdue ICBR.

The initial upgrade program, which is ongoing, has allowed image data to be captured and entered into the Wavefront algorithm and the resulting output data to be read in a format that is compatible with many commercial biometric readers.

Wavefront has advised that the initial work conducted has revealed that further refinements of the Wavefront technology should be undertaken before undertaking further independent validation at Purdue ICBR.

The further enhancements are expected to include:

- Development of the front end image capture capability;
- Refine the algorithm in terms of accuracy and possibly speed; and
- Optimization of the multi-modal aspects of the technology by creating an intelligent fusion methodology which could aid in the improvement of performance.

Nemex continues to support Wavefront in its current technology development and will reassess its position once results are received from further independent validation at the International Centre for Biometric Research at Purdue ICBR, currently expected by December 2016.

## ***MINERAL INTERESTS***

During the year, Nemex had an interest in two mineral projects:

- The Télimélé DSO iron project in Guinea, where Nemex has identified significant near-surface, high-grade mineralisation. No field work was undertaken at the project during the year due to the spread of the Ebola virus in Guinea. Despite significant efforts Nemex has been unsuccessful to date in securing a partner to assist develop the project and the Board has determined to relinquish this interest as the results to date and the current depressed iron ore price make the likelihood of an economic deposit being defined unlikely.
- The Woodley iron project in Western Australia. GWR withdrew from the Woodley farm-in agreement during the year and Nemex is assessing its options with respect to this project.

## ***CORPORATE***

In July 2015, a total of 4,162,500 unlisted options exercisable at 5 cents were exercised raising \$208,125 for additional working capital.

During the period, Dr Peter Turner, Mr Patrick Flint and Mr Paul Jurman resigned as Directors of the Company.

Mr Hui Zhang was appointed to the Board as a non-executive director on 21 October 2015 and effective from 16 December 2015, became Executive Chairman. Mr Zhang is a nominee of the Company's major shareholder. Mr. Zhang has more than 25 years' experience in corporate management and business and customer development in Asia.

Mr Tao Ding was appointed to the Board as a non-executive director on 16 December 2015. Mr Ding is a Chinese national based in Beijing. Mr Ding has extensive experience in the technology sector and provides technical input at the Board level, as well as assistance in introducing Wavefront to potential technology development partners in China.

Mr Jonathan Murray was appointed to the Nemex Board as an interim director on 15 December 2015 and resigned on 16 December 2015. Mr Murray is a partner at legal firm Steinepreis Paganin.

Mr Yongjin Li was appointed to the Board as a non-executive director on 15 July 2016. Mr Li graduated from the University of Science and Technology in 1983 and spent 15 years working for China Non Ferrous Metal Corporation (CNNC) which is owned by the China State owned Assets Supervision and Administration Commission of the State Council (SASAC). Mr. Li has extensive experience working with Chinese State-owned companies and will assist with introducing Wavefront to potential technology development partners in China.

The Company was suspended from trading on 21 December 2015 due to it having only two directors at that time. At the time of its suspension, the Company anticipated that it would be re-instated to trading following the appointment of a third director.

As noted above, Mr Li was appointed to the board of the Company on 15 July 2016. However, due to the passage of time since the Company's suspension, ASX advised the Company that it will not be re-instated to trading unless and until ASX is comfortable that the Company has an appropriate structure and operations for a listed entity.

Based on current ASX policy, the Company expects that it will need to have acquired 100% of Wavefront (or 100% of another project that is suitable for a listing on ASX) and re-comply with chapters 1 and 2 of the ASX Listing rules, prior to its securities being reinstated to trading. While this is inconsistent with previous advice from ASX in relation to the transaction between NXR and Wavefront, this is consistent with current ASX policy in relation to investments in technology companies by ASX listed entities.

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

**Nemex Resources Limited**  
**Directors' Report**  
**For the financial year ended 30 June 2016**

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Your Directors present their report together with the financial statements of Nemex Resources Limited ("Company") and its controlled entities ("the Consolidated Entity" or "Group"), for the year ended 30 June 2016 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

**DIRECTORS**

The names and details of the Directors in office during or since the end of the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

**Hui Zhang**  
**Executive Chairman**  
**(Director since 21 October 2015)**

Mr. Zhang has more than 25 years' experience in corporate management and business and customer development in Asia. Mr Zhang is a nominee of the Company's major shareholder. Mr Zhang graduated from the Shanghai Maritime University in Shanghai, China and obtained a master degree at Tokyo University of Mercantile Marine in Tokyo, Japan majoring in transportation management and transportation engineering.

Mr Zhang holds no other listed company directorships and has held no other listed company directorships in the last 3 years.

**Tao Ding**  
**Non-Executive Director**  
**(Appointed 16 December 2015)**

Mr Ding is a Chinese national based in Beijing. He is currently General Manager of Beijing Yuexin Times Technology Co. Ltd, a technology company focused on IT integration and services, with customers in various sectors including Government, Finance, Education and Media.

Mr Ding graduated from the Northwestern Polytechnical University in Shaanxi Province, China with a degree in computer automation system engineering.

Mr Ding holds no other listed company directorships and has held no other listed company directorships in the last 3 years.

**Yongjin Li**  
**Non-Executive Director**  
**(Appointed 15 July 2016)**

Mr Li graduated from the University of Science and Technology in 1983 and spent 15 years working for China Non Ferrous Metal Corporation (CNNC) which is owned by the China State owned Assets Supervision and Administration Commission of the State Council (SASAC).

Mr. Li has extensive experience working with Chinese State-owned companies and will assist with introducing Wavefront to potential technology development partners in China.

Mr Li holds no other listed company directorships and has held no other listed company directorships in the last 3 years.

**Paul Jurman**  
**CPA, B Com**  
**Company Secretary**  
**(Appointed Director 31 October 2012 – resigned 16 December 2015)**

Mr Jurman is a CPA with more than 10 years' experience and has been involved in a diverse range of Australian public listed companies in company secretarial and financial roles.

*Former Directorships in the last 3 years:*

Explaurum Limited	appointed 21 September 2012 and resigned 21 September 2015
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Mr Patrick Flint (appointed a director on 8 September 2010) and Mr Paul Jurman (appointed a director on 31 October 2012) both resigned as directors on 16 December 2015.

Dr Peter Turner was appointed a director on 1 February 2011 and resigned on 21 October 2015.

Mr Jonathan Murray was appointed a director on 15 December 2015 and resigned on 16 December 2015.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated Entity during the course of the financial year was maintenance of its mineral tenements and continuing the diversification of its activities through its investment in Wavefront Biometric Technologies Pty Ltd (WBT), an emerging security biometric technology company.

## **RESULTS AND DIVIDENDS**

The consolidated loss after tax for the year ended 30 June 2016 was \$1,809,864 (2015: \$4,547,912). No dividends were paid during the year and the Directors do not recommend payment of a dividend.

## **EARNINGS PER SHARE**

Basic loss per share for the year was 0.75 cents (2015: 2.34 cents).

## **REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW**

The Group was engaged in exploration for iron ore and other minerals in West Africa and Australia and has diversified its activities through its investment in WBT. A review of the Group's operations, including information on exploration activity results and the investment in WBT, financial position, strategies and projects of the Consolidated Entity during the year ended 30 June 2016 is provided in this Financial Report and, in particular, in the "Review of Operations" section immediately preceding this Directors' Report. The Group's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

As an exploration and investment entity, the Group has no operating revenue or earnings and consequently the Group's performance cannot be gauged by reference to those measures. Instead, the Directors consider the Group's performance based on the success of exploration and investment activity, acquisition of additional prospective mineral interests and investments and, in general, the value added to the Group's asset and investment portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Group and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

The Group's business strategy for the financial year ahead and in the foreseeable future is to assist and support WBT in its current technology development and will reassess its position once results are received from further independent validation at the International Centre for Biometric Research at Purdue ICBR, currently expected by December 2016 and continue to assess new investment opportunities, including potential investments in both resource and non-resources related sectors and may also include further exploration activity on the Woodley project.

Due to the inherent risky nature of the Group's activities, the Directors are unable to comment on the likely results or success of these strategies. The Group's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Group, generic to the technology industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Group and its future performance include but are not limited to:

- Risk associated with competition and the identification of new technologies;
- Development and commercialisation risk associated with WBT's technology;
- Protection of intellectual property rights;
- Retention of key staff, particularly with respect to the WBT technology development team;
- Sovereign risk, change in government policy, change in mining and fiscal legislation;
- force majeure events;
- change in market conditions; and
- capital requirement and lack of future funding.

This is not an exhaustive list of risks faced by the Group or an investment in it. There are other risks generic to the stock market and the world economy as whole and other risks generic to the technology industry, all of which can impact on the Group.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There have not been any significant changes in the state of affairs of the Company and its controlled entities during the financial year, other than as noted in this financial report.

## **EVENTS SUBSEQUENT TO BALANCE DATE**

There are no matters or circumstances which have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company's objective is to maximise shareholder value through the successful development and commercialisation by WBT of its technology and to continue to assess new investment opportunities, including potential investments in both resource and non-resources related sectors.

The Directors are unable to comment on the likely results from the Company's planned activities due to the speculative nature of such activities.

## **DIRECTORS' MEETINGS**

The number of meetings of the Company's Directors held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

	<b>Full meetings of directors</b>	
	<b>Held</b>	<b>Attended</b>
H Zhang – appointed 21 October 2015	9	9
T Ding – appointed 16 December 2015	5	5
P J Flint – resigned 16 December 2015	6	6
P Turner – resigned 21 October 2015	2	2
P M Jurman – resigned 16 December 2015	6	6
J Murray – appointed 15 December 2015, resigned 16 December 2015	-	-



***Nemex Resources Limited***  
***Directors' Report***  
***For the financial year ended 30 June 2016***

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**DIRECTORS' INTERESTS**

The interests of each Director in the shares and options of Nemex Resources Limited at the date of this report are as follows:

<b>Director</b>	<b>Fully Paid Ordinary Shares</b>
H Zhang	15,741,629
T Ding	-
Y Li	700,000

**SHARE OPTIONS**

As at the date of this report, there are no options on issue, nor were any options issued during the year.

No options have been issued after 30 June 2016 and up to the date of this report.

***Shares issued on exercise of options***

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there was no amount unpaid on the shares issued):

<b>Number of Shares</b>	<b>Amount paid on each share</b>
4,162,500	\$0.05

**SHARES UNDER PERFORMANCE RIGHTS**

No Performance Rights are on issue as at the date of this report and no Performance Rights were issued during the year.

## **REMUNERATION REPORT (audited)**

This report outlines the remuneration arrangements in place for the Key Management Personnel (considered to be the Directors) of Nemex Resources Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

### **Remuneration philosophy**

The Board reviews the remuneration packages applicable to Directors on an annual basis. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Independent advice on the appropriateness of remuneration packages is obtained, where necessary.

Remuneration is not linked to past company performance but rather towards generating future shareholder wealth through share price performance. As an exploration and investment Company, the Company does not yet generate operating revenues or earnings and company performance, at this stage, can only be judged by exploration and investment success and ultimately shareholder value. Market capitalisation is one measure of shareholder value but this is subject to many external factors over which the Company has no control. Presently, total fixed remuneration for senior executives is determined by reference to market conditions and incentives for out-performance are provided by way of performance rights and options over unissued shares. The Directors believe that this best aligns the interests of the shareholders with those of the senior executives.

### **Remuneration committee**

The Board is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodical basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and management team.

### **Remuneration structure**

In accordance with best practice corporate governance, the structure of Director's remuneration is separate and distinct.

### **Non-Executive Directors' remuneration**

#### *Objective*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

#### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The present limit of approved aggregate remuneration is \$500,000 per year.

The Board reviews the remuneration packages applicable to the Non-Executive Directors on an annual basis. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. Non-Executive Directors may receive performance rights (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves.

## **REMUNERATION REPORT (audited) (continued)**

### **Non-Executive Directors' remuneration (continued)**

Non-Executive Directors may also be remunerated for additional specialised services performed at the request of the Board. The remuneration of the Non-Executive Directors for the year ended 30 June 2016 is detailed in Table 1 of this report.

### **Executive Directors' remuneration**

#### *Objective*

The Company aims to reward the Executive Directors with a level of remuneration commensurate with the position and responsibility within the Company and so as to:

- align the interests of the Executive Directors with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

#### *Structure*

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration.

### **Fixed remuneration**

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of company-wide and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practice. The Board has access to external, independent advice where necessary.

### **Variable remuneration – Long Term Incentive ('LTI')**

#### *Objective*

The objective of the LTI plan is to reward executives and senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. The LTI is provided in the form of performance rights and options over ordinary shares in the Company.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance.

#### *Structure*

LTI grants to executives are delivered in the form of performance rights and options. The issue of performance rights and options as part of the remuneration packages of executive and non-executive directors is an established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding the relevant directors.

Remuneration is not linked to past group performance but rather towards generating future shareholder wealth through share price performance. The company has recorded a loss to date as it carries out exploration activities on its tenements and other investment activities. No dividends have been paid.

**Nemex Resources Limited**  
**Directors' Report**  
**For the financial year ended 30 June 2016**

**REMUNERATION REPORT (audited) (continued)**

*Performance Rights Plan (PRP)*

Shareholders approved the Company's PRP at the Annual General Meeting held on 29 November 2012. The PRP is designed to provide a framework for competitive and appropriate remuneration so as to retain and motivate skilled and qualified personnel whose personal rewards are aligned with the achievement of the Company's growth and strategic objectives.

**Voting and comments made at the Company's 2015 Annual General Meeting (AGM)** – At the 2015 AGM, 92% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

**Table 1: Key Management Personnel remuneration for the years ended 30 June 2016 and 30 June 2015**

	Short-term employee benefits		Equity Compensation		Post-employment benefits	TOTAL	Performance Related
	Salary and Fees	Bonus and Non Cash Benefits	Value of Incentive Options / Shares	Value of Performance Rights	Superannuation Contributions / Termination payments		
	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>							
Hui Zhang							
2016	16,738	-	-	-	1,590	18,328	-
2015	-	-	-	-	-	-	-
Tao Ding							
2016	13,108	-	-	-	-	13,108	-
2015	-	-	-	-	-	-	-
Patrick Flint							
2016	58,885	-	-	-	1,319	60,204	-
2015	100,000	-	-	-	2,850	102,850	-
Peter Turner							
2016	12,308	-	-	-	1,169	13,477	-
2015	21,667	-	-	-	2,058	23,725	-
Paul Jurman							
2016	9,256	-	-	-	879	10,135	-
2015	20,000	-	-	-	1,900	21,900	-
Jonathan Murray							
2016	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
<b>Total</b>							
2016	110,295	-	-	-	4,957	115,252	-
2015	141,667	-	-	-	6,808	148,475	-

There were no share-based payments granted as compensation to key management personnel during the years ended 30 June 2016 and 30 June 2015.

There were no performance rights granted as compensation to key management personnel during the years ended 30 June 2016 and 30 June 2015.

There are no senior managers other than the directors.

**Options granted as part of Remuneration**

No incentive options affecting remuneration were granted to Key Management Personnel in the years ended 30 June 2016 and 30 June 2015.

**Nemex Resources Limited**  
**Directors' Report**  
**For the financial year ended 30 June 2016**

**REMUNERATION REPORT (audited) (continued)**

**Table 2: Shareholdings of key management personnel – Year ended 30 June 2016**

	<b>Balance at 1 July 2015</b>	<b>Received as Remuneration</b>	<b>Options Exercised / performance rights vested</b>	<b>Other Movements / Disposals</b>	<b>Balance at 30 June 2016</b>
<i>Parent entity directors</i>					
H Zhang	-	-	-	15,741,629*	15,741,629
T Ding	-	-	-	-	-
P J Flint	8,000,000	-	-	-	N/A
P Turner	1,750,000	-	-	-	N/A
P Jurman	6,000,000	-	-	-	N/A

\* These shares were held by Mr Zhang and his associates on his appointment as a director on 21 October 2015.

Messrs Flint, Turner and Jurman resigned as directors during the year ended 30 June 2016.

**Option holdings of key management personnel – Year ended 30 June 2016**

No options were held by key management personnel during the year ended 30 June 2016.

**Performance rights holdings of key management personnel – Year ended 30 June 2016**

No performance rights were held by key management personnel during the year ended 30 June 2016

**Other transactions with key management personnel**

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

	<b>2016 \$</b>	<b>2015 \$</b>
Accounting, secretarial and corporate service fees paid or payable to Corporate Consultants Pty Ltd, a company in which Mr Flint and Mr Jurman are directors and have beneficial interests.	<b>108,000</b>	143,000
Rent and variable outgoings for the sub-lease of furnished office space paid or payable to Corporate Consultants Pty Ltd, a company in which Mr Flint and Mr Jurman are directors and have beneficial interests.	<b>17,923</b>	34,636
<i>Balances due to Directors and Director Related Entities at year end</i>		
- included in trade creditors and accruals	<b>13,108</b>	34,449

Corporate Consultants Pty Ltd previously held a rental security deposit of \$10,125 which was refunded during the year ended 30 June 2016 (Note 13).

**End of Remuneration Report**

## **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

The Company's Constitution requires it to indemnify Directors and officers of any entity within the Consolidated Entity against liabilities incurred to third parties and against costs and expenses incurred in defending civil or criminal proceedings, except in certain circumstances. An indemnity is also provided to the Company's auditors under the terms of their engagement.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## **ENVIRONMENTAL REGULATIONS**

The Consolidated Entity's exploration activities in Guinea, Côte d'Ivoire and Australia during the year were subject to environmental laws, regulations and permit conditions in these jurisdictions. There have been no known breaches of environmental laws or permit conditions while conducting operations in Guinea, Côte d'Ivoire and Australia during the year.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2015 to 30 June 2016 the Directors have assessed that there are no current reporting requirements.

## **NON - AUDIT SERVICES**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 4 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

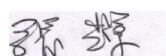
The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

## **AUDITORS' INDEPENDENCE DECLARATION**

The auditor, HLB Mann Judd, has provided the Board of Directors with an Independence Declaration in accordance with section 307C of the Corporations Act 2001.

The Independence Declaration is located on the next page.

Signed in accordance with a resolution of Directors.



H Zhang  
Chairman  
Sydney, 30 September 2016

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Nemex Resources Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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



**Perth, Western Australia  
30 September 2016**

**M R W Ohm  
Partner**

***Nemex Resources Limited***  
***Consolidated Statement of Comprehensive Income***  
***For the financial year ended 30 June 2016***

	Notes	CONSOLIDATED	
		2016 \$	2015 \$
Revenue from continuing operations	2	<b>208,718</b>	103,825
		<b>208,718</b>	103,825
Employee benefits expense		<b>(115,253)</b>	(148,475)
Depreciation expense	3	<b>(4,779)</b>	(60,128)
Impairment of exploration expenditure	3	<b>(41,567)</b>	(2,878,806)
Impairment of investment in associate		<b>(1,291,934)</b>	-
Occupancy expenses		<b>(17,923)</b>	(34,636)
Other expenses		<b>(477,764)</b>	(394,722)
Share / option based payments expense		-	(639,440)
Share of net losses of associate	12	<b>(69,362)</b>	(495,530)
<b>Loss before related income tax</b>		<b>(1,809,864)</b>	(4,547,912)
Income tax benefit	5	-	-
<b>Loss for the year</b>		<b>(1,809,864)</b>	(4,547,912)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gain / (loss) arising on translation of foreign operations		<b>1,554</b>	143,144
Total comprehensive loss attributable to members of Nemex Resources Limited		<b>(1,808,310)</b>	(4,404,768)
Basic and diluted (loss) per share (cents)	6	<b>(0.75)</b>	(2.34)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.



***Nemex Resources Limited***  
***Consolidated Statement of Financial Position***  
***As at 30 June 2016***

	Notes	CONSOLIDATED	
		2016	2015
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	8	309,070	1,013,802
Other receivables	9	1,075,151	619,756
<b>Total Current Assets</b>		<b>1,384,221</b>	<b>1,633,558</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	-	69,255
Deferred exploration and evaluation expenditure	11	-	-
Investments	12	560,134	1,921,430
Other assets	13	-	10,125
<b>Total Non-Current Assets</b>		<b>560,134</b>	<b>2,000,810</b>
<b>Total Assets</b>		<b>1,944,355</b>	<b>3,634,368</b>
<b>Current Liabilities</b>			
Trade and other payables	14	36,368	126,196
<b>Total Liabilities</b>		<b>36,368</b>	<b>126,196</b>
<b>Net Assets</b>		<b>1,907,987</b>	<b>3,508,172</b>
<b>Equity</b>			
Issued capital	15	11,982,428	11,774,303
Reserves	16	1,723,620	1,722,066
Accumulated losses		(11,798,061)	(9,988,197)
<b>Total Equity</b>		<b>1,907,987</b>	<b>3,508,172</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

***Nemex Resources Limited***  
***Consolidated Statement of Changes in Equity***  
***For the financial year ended 30 June 2016***

2015	CONSOLIDATED			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	8,811,971	(5,440,285)	975,482	4,347,168
Loss attributable to members of the parent entity	-	(4,547,912)	-	(4,547,912)
Exchange gain on translation of foreign operations	-	-	143,144	143,144
<b>Total comprehensive loss for the year</b>	-	(4,547,912)	143,144	(4,404,768)
Securities issued during the year (net of costs)	2,962,332	-	-	2,962,332
Fair value of options issued	-	-	603,440	603,440
<b>Balance at 30 June 2015</b>	11,774,303	(9,988,197)	1,722,066	3,508,172
2016	CONSOLIDATED			
	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	11,774,303	(9,988,197)	1,722,066	3,508,172
Loss attributable to members of the parent entity	-	(1,809,864)	-	(1,809,864)
Exchange gain on translation of foreign operations	-	-	1,554	1,554
<b>Total comprehensive loss for the year</b>	-	(1,809,864)	1,554	(1,808,310)
Securities issued during the year (net of costs)	208,125	-	-	208,125
<b>Balance at 30 June 2016</b>	11,982,428	(11,798,061)	1,723,620	1,907,987

The above statement of changes in equity should be read in conjunction with the accompanying notes.

***Nemex Resources Limited***  
***Consolidated Statement of Cash Flows***  
***For the financial year ended 30 June 2016***

	Notes	CONSOLIDATED	
		2016 \$	2015 \$
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees		(668,680)	(570,713)
Other revenue		4,000	5,219
Interest received		4,162	8,942
<b>Net Cash outflows from Operating Activities</b>	20	<b>(660,518)</b>	<b>(556,552)</b>
<b>Cash Flows from Investing Activities</b>			
Loans to Wavefront Biometric Technologies Pty Ltd		(350,000)	(600,000)
Payments for exploration and evaluation expenditure		(48,449)	(94,160)
Payments for investment in Wavefront Biometric Technologies Pty Ltd		-	(1,625,000)
Proceeds from disposal of exploration properties		-	200,000
Proceeds from disposal of property, plant and equipment		143,308	-
Credit card security deposit returned		10,125	-
<b>Net Cash outflows from Investing Activities</b>		<b>(245,016)</b>	<b>(2,119,160)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from share and option issues		208,125	2,969,396
Share issue expenses		-	(43,064)
<b>Net Cash inflows from Financing Activities</b>		<b>208,125</b>	<b>2,926,332</b>
<b>Net increase in Cash and Cash Equivalents</b>		<b>(697,409)</b>	<b>250,620</b>
Cash and cash equivalents at the beginning of the period		1,013,802	759,413
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(7,323)	3,769
<b>Cash and Cash Equivalents at 30 June</b>	8	<b>309,070</b>	<b>1,013,802</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the periods presented unless otherwise stated. The financial statements are for the Consolidated Entity consisting of Nemex Resources Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for-sale financial assets that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Company is a listed public company, incorporated in Australia and operating in Australia and Guinea. The entity's principal activities are mineral exploration and an investment in WBT, an emerging security biometric technology company.

### ***Going Concern***

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

The Group has incurred a loss for the year after tax of \$1,809,864 (2015: \$4,547,912) and experienced net operating and investing cash outflows of \$905,534 (2015: \$2,675,712). As at 30 June 2016, the Group has net current assets of \$1,347,853.

The Directors believe that additional funding may be required to enable the Group to continue as a going concern for a period of at least twelve months from the date of signing this financial report.

Such additional funding is potentially available from a number of sources including:

- further capital raisings; and
- the sale of assets.

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Adoption of new and revised standards**

In the year ended 30 June 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

**Statement of compliance**

These financial statements were authorised for issue on 30 September 2016.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

**Basis of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nemex Resources Limited ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Nemex Resources Limited and its subsidiaries are referred to in this financial report as the Group or the Consolidated Entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

**Parent Entity Financial Information**

The financial information for the parent entity, Nemex Resources Ltd, disclosed in note 22 has been prepared on the same basis as the consolidated financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue is capable of being reliably measured.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments readily convertible to cash.

**Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance account (provision for impairment) is used when collection of the full amount is no longer probable. Bad debts are written off when identified.

**Taxes**

*Income tax*

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each reporting date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

At the reporting date, the Directors have not made a decision to elect to be taxed as a single entity. In accordance with Australian Accounting Interpretations, "Substantive Enactment of Major Tax Bills in Australia", the financial effect of the legislation has therefore not been brought to account in the financial statements for the year ended 30 June 2016, except to the extent that the adoption of the tax consolidation would impair the carrying value of any deferred tax assets.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

*Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Taxes - continued**

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**Investments and other financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

***Loans and receivables***

During the year, the Consolidated Entity has held loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

**Investment in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is an arrangement where the parties have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised on the consolidated statement of financial position and adjusted thereafter to recognised the Groups' share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in associate or joint venture, the Group discontinues to recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associate or joint venture. When necessary, the entire carrying amount if the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Investment in associates and joint ventures - continued**

The Group discontinues the use of the equity method from the date when the investment ceased to be an associate or a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassified the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassified to profit and loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

**Plant and Equipment**

Items of plant and equipment are carried at cost less accumulated depreciation and impairment losses (see accounting policy - impairment testing).

*Plant and equipment*

Plant and equipment acquired is initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

*Depreciation*

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives commencing from the time the asset is held ready for use, as follows:

- Plant and equipment – 2 - 5 years

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. The estimated useful lives used in the calculation of depreciation for plant and equipment for the current and corresponding period are between one and ten years.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to accumulated losses / retained earnings, through other comprehensive income.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Mineral interest acquisition, exploration and evaluation expenditure**

Mineral interest acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to that area of interest are current and either the costs are expected to be recouped through the successful development and commercial exploitation of the area of interest or where exploration activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy), as set out in AASB 6 Exploration for and Evaluation of Mineral Resources.

### **Impairment testing**

The carrying amount of the Consolidated Entity's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Where such an indication exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the statement of comprehensive income.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **Payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

### **Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Employee Benefits**

*Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Contributions are made by the Consolidated Entity to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

*Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Contributed Equity**

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

**Earnings per Share**

Basic earnings per share is determined by dividing the net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is determined by dividing the net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and any expenses associated with dividends and interest of dilutive potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) adjusted for any bonus element.

**Share based payments**

The Group provides compensation benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by a Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Share based payments - continued**

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief decision maker has been identified as the Board of Directors.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas that may have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

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

The Group has a 40% investment in Wavefront which is recorded at its equity accounted carrying value of \$560,134 together with a loan receivable of \$1,071,277. In accordance with relevant accounting standards, the Directors have considered the existence of any indicators of impairment in relation to both the investment and the loan.

On 24 November 2015, the Group announced that Purdue ICBR had completed testing Wavefront's system and was unable to independently validate and report on the performance metrics without further in-depth analysis of the Wavefront software. Wavefront has advised Nemex that it intends to review and amend the system software to ensure it provides data output in a typical format and will then reprocess data from its previous internal and the recent external testing with a view to undertaking further independent validation at Purdue ICBR.

Wavefront have advised that this process is currently underway and are targeting completion of the next phase of this work by September 2016 with a view to undertaking further independent validation at Purdue ICBR and reporting on its results by December 2016. As there is a significant degree of estimation involved in determining the size and timing of cash flows associated with the technology, the Directors have elected to adopt a conservative position and impair the investment in Wavefront to the Company's 40% share in the net assets of Wavefront.

The Directors will continue to monitor progress on the independent Wavefront validation and will continually assess the existence of any indications of impairment. The Directors advise that if the reprocessing of data and generation of data output in a typical format and completion of further independent testing is not successful, it is likely that the investment and the loan will be significantly impaired.

*Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black-Scholes model, using the assumptions detailed in Note 17.

***Nemex Resources Limited***  
***Notes to the Financial Statements***  
***For the financial year ended 30 June 2016***

**CONSOLIDATED**

**2016**                      **2015**  
**\$**                              **\$**

**2. REVENUE**

**Other revenue**

Interest - other parties	<b>125,440</b>	8,942
Profit on disposal of plant and equipment	<b>77,278</b>	19,634
Profit on disposal of exploration tenements	-	64,062
Consulting fee revenue	<b>6,000</b>	7,418
Foreign currency exchange gains	-	3,769
<b>Total revenue from ordinary activities</b>	<b>208,718</b>	103,825

**3. EXPENSES**

Loss includes the following specific expenses:

Depreciation expense	<b>4,779</b>	60,128
Exploration expenditure impaired	<b>41,567</b>	2,878,806
Superannuation	<b>4,958</b>	6,808

**4. AUDITOR'S REMUNERATION**

Amounts paid or payable to auditors of the Company – HLB Mann Judd for:

- audit or review of the financial statements	<b>29,000</b>	30,250
- other services	<b>9,500</b>	-
	<b>38,500</b>	30,250

**5. INCOME TAX EXPENSE**

- (a) The prima facie tax benefit at 30% on loss for the period is reconciled to the income tax provided in the financial statements as follows:

Loss	<b>(1,809,864)</b>	(4,547,912)
Prima facie income tax benefit @ 30%	<b>542,959</b>	1,364,374
Tax effect of permanent differences:		
Due diligence / capital raising costs	<b>(57,495)</b>	(18,098)
Impairment expense	<b>(400,050)</b>	(904,106)
Share of net losses of associates	<b>(20,809)</b>	(148,659)
Tax effect of capitalised share issue costs	<b>21,797</b>	70,987
Exploration expenses	<b>12,470</b>	29,009
Employee option expense / share based payments	-	(191,832)
Other non-deductible items	<b>(7,979)</b>	(13,573)
Income tax benefit adjusted for non-deductible / (taxable) items	<b>90,893</b>	188,102
Deferred tax asset not brought to account	<b>(90,893)</b>	(188,102)
Income tax benefit	-	-

**Nemex Resources Limited**  
**Notes to the Financial Statements**  
**For the financial year ended 30 June 2016**

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**5. INCOME TAX EXPENSE (continued)**

**CONSOLIDATED**  
**2016**                  **2015**  
**\$**                        **\$**

**(b) Deferred tax assets:**

The potential deferred tax asset arising from tax losses and temporary differences has not been recognised as an asset because recovery of tax losses is not yet considered probable.

- Carry forward revenue losses
- Capital raising costs

<b>2,252,184</b>	2,124,908
<b>51,802</b>	120,102
<b><u>2,303,986</u></b>	<b><u>2,245,010</u></b>

The tax benefits of the above deferred tax assets will only be obtained if:

- the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the Group continues to comply with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the Group in utilising benefits.

**CONSOLIDATED**  
**2016**                  **2015**  
**\$**                        **\$**

**(c) Deferred tax liabilities:**

- Deferred exploration and evaluation expenditure

<b>-</b>	<b>-</b>
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The potential deferred tax liability arising from capitalised exploration expenditure has not been recognised as a liability. This would reduce the potential deferred tax asset noted at (b) above.

**CONSOLIDATED**  
**2016**                  **2015**  
**Cents**                  **Cents**

**6. EARNINGS PER SHARE**

Basic and diluted loss per share

<b><u>(0.75)</u></b>	<b><u>(2.34)</u></b>
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Loss used to calculate basic and diluted loss per share

<b>\$</b>	<b>\$</b>
<b><u>(1,809,864)</u></b>	<b><u>(4,547,912)</u></b>

**Number**                  **Number**

Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share

<b><u>240,993,537</u></b>	<b><u>194,320,481</u></b>
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The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

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**7. SEGMENT INFORMATION**

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

The segment information is prepared in conformity with the accounting policies described in Note 1.

2016	CONSOLIDATED			
	Investment in WBT 2016 \$	Mineral Exploration and Investment in Australia 2016 \$	Mineral Exploration in West Africa 2016 \$	Total 2016 \$
<b>Revenue</b>				
Reportable segment	127,278	-	77,278	204,556
Unallocated revenue	-	-	-	4,162
<b>Total revenue</b>	<b>127,278</b>	<b>-</b>	<b>77,278</b>	<b>208,718</b>
<b>Results</b>				
Operating profit / (loss) before income tax	(1,234,018)	(625,957)	45,949	(1,814,026)
Unallocated profit/(loss)				4,162
Income tax benefit				-
Net loss				(1,809,864)
<b>Non-Cash Expenses</b>				
Depreciation	-	1,443	3,336	4,779
Impairment of exploration expenditure	-	13,539	28,028	41,567
Impairment of investment in Wavefront	1,291,934	-	-	1,291,934
<b>Assets</b>				
Reportable segment assets	1,631,411	312,944	-	1,944,355
Non-current assets acquired	-	-	-	-
<b>Liabilities</b>				
Reportable segment liabilities	-	36,368	-	36,368

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**7. SEGMENT INFORMATION (continued)**

2015	CONSOLIDATED			Total 2015 \$
	Investment in WBT 2015 \$	Mineral Exploration and Investment in Australia 2015 \$	Mineral Exploration in West Africa 2015 \$	
<b>Revenue</b>				
Reportable segment	-	-	91,115	91,115
Unallocated revenue	-	-	-	12,710
<b>Total revenue</b>	-	-	91,115	103,825
<b>Results</b>				
Operating loss before income tax	(495,530)	(1,820,870)	(2,244,222)	(4,560,622)
Unallocated profit/(loss)				12,710
Income tax benefit				-
Net loss				(4,547,912)
<b>Non-Cash Expenses</b>				
Depreciation	-	6,314	53,814	60,128
Impairment of exploration expenditure	-	598,178	2,280,628	2,878,806
<b>Assets</b>				
Reportable segment assets	2,521,430	1,045,160	67,778	3,634,368
Non-current assets acquired	1,625,000	1,569	95,127	1,721,696
<b>Liabilities</b>				
Reportable segment liabilities	-	126,196	-	126,196

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	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>8. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand (i)	<b>309,070</b>	1,013,802

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates. Refer note 18 (a) (iii).

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>9. OTHER RECEIVABLES</b>		
<b>Current</b>		
Prepayments and advances	<b>3,874</b>	19,756
Other receivables (i)	<b>1,071,277</b>	600,000
	<b>1,075,151</b>	619,756

(i) The loan of \$950,000 plus accrued interest of \$121,277 was provided to WBT to fund ongoing development and commercialisation activities. The loans are accruing interest at a rate of 20% per annum.

The Company has an option to increase its shareholding in WBT to 51% pursuant to the subscription agreement through the conversion of the loans to equity and the payment of a further \$678,273 as at 30 June 2016.

The recoverability of these loans is dependent on either Nemex exercising its option to increase its shareholding in WBT to 51% or WBT generating sufficient funds in its own right to repay the loans.

Refer notes 18 (b) and 18 (c) for information about the Group's exposure to credit and liquidity risk.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
<i>Plant and equipment</i>		
At cost	<b>48,047</b>	467,741
Less accumulated depreciation	<b>(48,047)</b>	(398,486)
	<b>-</b>	69,255

**Reconciliation**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial period.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the period	<b>69,255</b>	123,117
Additions	-	-
Disposals	<b>(66,031)</b>	(5,802)
Depreciation expense	<b>(4,779)</b>	(60,128)
Translation differences movement	<b>1,555</b>	12,068
Carrying amount at the end of the period	<b>-</b>	69,255



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	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>11. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE</b>		
Exploration and evaluation costs carried forward in respect of the Exploration and evaluation phase		
Balance at the beginning of the period	-	2,777,481
Expenditure incurred during the period	<b>41,567</b>	96,696
Exploration expenditure impaired during the period (i)	<b>(41,567)</b>	(2,878,806)
Exploration tenements disposed (ii)	-	(134,880)
Translation differences movement	-	139,509
Carrying amount at the end of the period	-	-

The expenditure above relates to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(i) During the year ended 30 June 2015, the Directors considered the carrying value of all carried forward exploration and evaluation expenditure in light of present conditions that exist in financial markets, the spread of the Ebola virus in Guinea and the current intention of the Board to, subject to shareholder approval, consider divesting the Téli-méle DSO Iron Project and Woodley Project and focus on the development and implementation of the biometric technology owned by Wavefront and decided that it was appropriate for a write down of exploration expenditure of \$2,878,806 to be charged to the statement of comprehensive income.

(ii) During the year ended 30 June 2015, the Company disposed of its mineral interests in Côte d'Ivoire for cash consideration of A\$200,000.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		

Investment in associate	<b>560,134</b>	1,921,430
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Name of associated entity	Type of Equity	<b>Ownership Interest</b>		Balance Date
		<b>2016</b>	<b>2015</b>	
Wavefront Biometric Technologies Pty Ltd (WBT)	Ordinary shares	<b>40%</b>	40%	30 June 2016

(a) *Principal activities of associated company*

WBT is an unlisted private Australian emerging security biometric technology company.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
(b) <i>Carrying amount of investment in associate - WBT</i>		
Balance at the beginning of the financial year	<b>1,921,430</b>	791,960
Acquisition of shares in WBT	-	1,625,000
Share of associate's net loss for the relevant period	<b>(69,362)</b>	(495,530)
Impairment of investment in associate	<b>(1,291,934)</b>	-
Carrying amount of investment in associate	<b>560,134</b>	1,921,430

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**12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
(c) <i>Associate's summarised statement of comprehensive income - WBT</i>		
Revenue	-	-
Loss from continuing operations	(173,404)	(1,461,581)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(173,404)	(1,461,581)
(d) <i>Associate's summarised assets and liabilities - WBT</i>		
Current assets	448,485	311,459
Non-current assets	2,113,051	2,042,932
Current liabilities	(1,161,200)	(780,651)
Net assets	1,400,336	1,573,740
(e) <i>Reconciliation of the above summarised financial information to the carrying amount of the interest in WBT recognised in the consolidated financial statements</i>		
Net assets of the associate	1,400,336	1,573,740
Proportion of the Group's ownership interest in WBT	40%	40%
Carrying amount of the Group's ownership interest in WBT	560,134	629,496

The Company has a 40% shareholding in WBT. WBT is an unlisted private Australian emerging security biometric technology company. The recoupment of costs carried forward in relation to the investment in WBT is dependent on the successful development and commercialisation of the WBT technology. The Directors will continue to monitor progress on the independent Wavefront validation and will continually assess the existence of any indications of impairment.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>13. OTHER NON-CURRENT ASSETS</b>		
<b>Non-current</b>		
Rental security deposit	-	10,125
	-	10,125

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>14. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade and other payables	36,368	126,196
	36,368	126,196

Terms and conditions relating to the above financial instruments:

- Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

Risk exposure:

Information about the group's risk exposure to foreign exchange risk is provided in note 18.

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**15. ISSUED CAPITAL**

	<b>CONSOLIDATED</b>			
	<b>2016</b>		<b>2015</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
<b>(a) Issued and paid-up share capital</b>				
Ordinary shares, fully paid	<b>241,325,421</b>	<b>11,982,428</b>	237,162,921	11,774,303
<b>Movements in Ordinary Shares:</b>				
Opening balance	<b>237,162,921</b>	<b>11,774,303</b>	157,437,478	8,811,971
Placement issue at an issue price of 2 cents each in September 2014	-	-	10,562,522	211,250
Placement issue at an issue price of 3 cents each in October 2014	-	-	12,000,000	360,000
Placement issue at an issue price of 5 cents each in November 2014	-	-	6,000,000	300,000
Shares issued as part of remuneration of consultant	-	-	1,200,000	36,000
Performance rights vested and converted to ordinary shares at nil consideration	-	-	8,000,000	-
Exercise of options	<b>4,162,500</b>	<b>208,125</b>	41,962,921	2,098,146
Transaction costs arising from issue of securities	-	-	-	(43,064)
<b>Closing balance</b>	<b>241,325,421</b>	<b>11,982,428</b>	237,162,921	11,774,303

**(b) Share Options**

Options to subscribe for ordinary shares in the Company have been granted as follows:

<b>2016</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Opening balance</b>	<b>Options issued</b>	<b>Options exercised/ expired</b>	<b>Balance at end of year</b>
			<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Unlisted options (i)	\$0.05	31-Dec 15	<b>16,575,000</b>	-	<b>(16,575,000)</b>	-
Unlisted options (ii)	\$0.10	30-Jun 16	<b>12,000,000</b>	-	<b>(12,000,000)</b>	-
			<b>28,575,000</b>	-	<b>(28,575,000)</b>	-

(i) 4,162,500 options were exercised raising \$208,125. The balance of 12,412,500 options expired unexercised.

(ii) 12,000,000 options expired unexercised on 30 June 2016.

<b>2015</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Opening balance</b>	<b>Options issued</b>	<b>Options exercised/ expired</b>	<b>Balance at end of year</b>
			<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Listed options(i)	\$0.05	31-Dec-14	<b>59,906,241</b>	-	<b>(59,906,241)</b>	-
Unlisted options (ii)	\$0.05	1-Nov 14	<b>2,000,000</b>	-	<b>(2,000,000)</b>	-
Unlisted options (iii)	\$0.05	31-Dec 15	<b>25,000,000</b>	<b>27,562,522</b>	<b>(35,987,522)</b>	<b>16,575,000</b>
Unlisted options (iv)	\$0.10	30-Jun 16	-	<b>12,000,000</b>	-	<b>12,000,000</b>
			<b>86,906,241</b>	<b>39,562,522</b>	<b>(97,893,763)</b>	<b>28,575,000</b>

(i) 3,975,399 options were exercised raising \$198,769.95. The balance of 55,930,842 options expired unexercised on 31 December 2014.

(ii) 2,000,000 options were exercised raising \$100,000.

(iii) In September 2014, the Company completed a placement issue of 10,562,522 shares at an issue price of 2 cents per share to raise \$211,250 together with 10,562,522 free attaching options exercisable at a price of \$0.05 per option and expiring on 31 December 2015.

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**15. ISSUED CAPITAL (continued)**

In October 2014, the Company completed a placement issue of 12,000,000 shares at an issue price of 3 cents per share to raise \$360,000 together with 6,000,000 free attaching options exercisable at a price of \$0.05 per option and expiring on 31 December 2015.

- (iv) In May 2015, the Company issued 12,000,000 options exercisable at a price of \$0.10 per option and expiring on 30 June 2016 to a group of Asian based professional investors who are assisting with promotion of NXR and introduction of WBT's biometric technology to professional investors and technology companies in mainland China.

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds of liquidation in the event of a winding up.

**(c) Performance rights**

There were no Performance rights in the Company granted during the year ended 30 June 2016:

Performance rights in the Company granted during the year ended 30 June 2015:

Exercise price	Expiry date	Opening balance	Granted during the year	Vested and converted into shares during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at end of the year
		Number	Number	Number	Number	Number	Number
Nil	29-Nov 15	1,000,000	-	-	(1,000,000)	-	-
Nil	15-May 17	8,000,000	-	(8,000,000)	-	-	-
		9,000,000	-	(8,000,000)	(1,000,000)	-	-

**(d) Terms and conditions of contributed equity**

*Ordinary Shares:*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**16. RESERVES**

Equity based compensation reserve (a)

Foreign currency translation reserve (b)

CONSOLIDATED	
2016	2015
\$	\$
1,488,751	1,488,751
234,869	233,315
1,723,620	1,722,066
<hr/>	
(a) <i>Equity based compensation reserve</i>	
Balance at beginning of year	1,488,751
Fair value of options issued to consultants	-
Balance at end of year	1,488,751
<hr/>	
(b) <i>Foreign currency translation reserve</i>	
Balance at beginning of year	233,315
Currency translation differences arising during the year	1,554
Balance at end of year	234,869

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**16. RESERVES – continued**

*(c) Nature and purpose of reserves*

**Equity based compensation reserve:**

The equity based compensation reserve is used to record the fair value of options issued but not exercised, the fair value of performance rights issued, and the fair value of shares issued, in relation to share based payments transactions.

**Foreign currency translation reserve:**

The foreign currency translation reserve is used to record exchange differences from the translation of the financial statements of foreign operations.

**17. SHARE BASED PAYMENTS**

*Non plan based payments*

The Company makes share based payments to Directors (subject to shareholder approval), consultants and / or service providers from time to time, not under any specific plan. The expense recognised in relation to share-based payments in the statement of comprehensive income is \$nil (2015: \$639,440).

The following table illustrates the number and weighted average exercise prices of and movements in share options issued as share based payments for the financial year.

	<b>2016 No. of options</b>	<b>2016 Weighted average exercise price</b>	<b>2015 No. of options</b>	<b>2015 Weighted average exercise price</b>
Outstanding at the beginning of the period	<b>17,000,000</b>	<b>\$0.085</b>	2,000,000	\$0.05
Granted during the period	-	-	17,000,000	\$0.085
Forfeited / exercised / expired during the period	<b>(17,000,000)</b>	<b>\$0.085</b>	(2,000,000)	\$0.05
Outstanding at the end of the period	-	-	17,000,000	\$0.085
Exercisable at the end of the period	-	-	17,000,000	

Share based payments, not under any plans, are as follows (with additional information provided in Note 15 and 16 above):

	<b>2016 \$</b>	<b>2015 \$</b>
Options to consultant (i)	-	137,840
Options to consultant (ii)	-	465,600
Shares to consultant (iii)	-	36,000

- (i) 5,000,000 options exercisable at a price of \$0.05 per option and expiring on 31 December 2015 were issued as consideration for investor relation services.
- (ii) 12,000,000 options exercisable at a price of \$0.10 per option and expiring on 30 June 2016 were issued as consideration for investor relation services.
- (iii) 1,200,000 shares were issued to an external consultant as remuneration for services provided.

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black-Scholes model taking into account the terms and conditions upon which the options were granted. The fair value of shares and options issued is calculated by reference to the market value of the shares trading on the Australian Securities Exchange (ASX) on or around the date of grant.

The following table lists the inputs to the model used for the financial year ended 30 June 2016 and the prior financial period ended 30 June 2015:

***Nemex Resources Limited***  
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**17. SHARE BASED PAYMENTS EXPENSE (continued)**

	<b>2016</b>	<b>2015</b>
Volatility	-	100% - 148%
Risk-free interest rate – range	-	1.91% - 2.70%
Expected life of option	-	1 - 2 years
Exercise price	-	\$0.05 - \$0.10
Weighted average share price at grant date	-	\$0.082

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

***Performance Rights Plan (PRP)***

Shareholders approved the Nemex Resources Limited PRP at the Annual General Meeting held on 29 November 2012. The PRP is designed to more closely align rewards for performance with the achievement of the Company's growth and strategic objectives. The plan provides for the issue of performance rights which, upon determination by the Board that the performance conditions attached thereto have been met and subject to the terms of the plan, convert into fully paid ordinary shares. Where the participant is a director of the Company, specific shareholder approval will have to be sought under the ASX Listing Rules prior to the grant of performance rights to such an individual. Please refer to note 15 (c) for the summary of performance rights granted under the PRP.

**Fair value of performance rights granted**

The fair values at grant date are independently determined using the closing share price at the grant date.

No performance rights were granted during the years ended 30 June 2016 and 30 June 2015.

During the year ended 30 June 2015, a total of 8,000,000 Performance Rights were converted to shares, and a further 1,000,000 Performance Rights were forfeited.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses arising from share-based payment transactions</b>		
Shares and options issued to consultants	-	639,440
	-	639,440

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## 18. FINANCIAL INSTRUMENTS

### Overview

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk. Risk management is carried out by the Board of Directors.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and to a lesser extent other currencies.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis as appropriate. The Australian dollar is the reporting currency for the Group and the functional currency for the parent company.

##### (ii) Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2016		30 June 2015	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
United States Dollar	81,773	-	9,141	-
Guinea Franc	-	-	-	-

##### (iii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Note	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$	Weighted average interest rate %
<b>2016</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8	308,514	-	556	309,070	0.20
Trade and other receivables	9	-	1,071,277	3,874	1,075,151	10-20
		308,514	1,071,277	4,430	1,384,221	
<b>Financial liabilities</b>						
Trade and other payables	14	-	-	36,368	36,368	
<b>2015</b>						
<b>Financial assets</b>						
Cash and cash equivalents	8	1,009,102	-	4,700	1,013,802	0.99
Trade and other receivables	9	-	-	619,756	619,756	
		1,009,102	-	624,456	1,633,558	
<b>Financial liabilities</b>						
Trade and other payables	14	-	-	126,196	126,196	

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**18. FINANCIAL INSTRUMENTS (continued)**

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant.

CONSOLIDATED	Profit or (Loss)		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
<b>30 June 2016</b>				
Variable rate instruments	5,334	(5,334)	5,334	(5,334)
Cash flow sensitivity (net)	<u>5,334</u>	<u>(5,334)</u>	<u>5,334</u>	<u>(5,334)</u>
<b>30 June 2015</b>				
Variable rate instruments	8,996	(8,996)	8,996	(8,996)
Cash flow sensitivity (net)	<u>8,996</u>	<u>(8,996)</u>	<u>8,996</u>	<u>(8,996)</u>

**Financial assets**

Trade receivables from other entities are carried at nominal amounts less any allowance for doubtful debts. Other receivables are carried at nominal amounts due. Interest is recorded as income on an accruals basis.

**Financial liabilities**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

**Net fair value of financial assets and liabilities**

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

**(iv) Commodity price risk**

As Nemex has explored for iron ore and gold, it was exposed to the risks of fluctuation in prices for those minerals. The market for iron ore and gold has a history of volatility, moving with the standard forces of supply and demand. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

**(b) Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. The Group does not have significant exposure to any single counterparty or any group of counterparties having similar characteristics, other than its investment in, and loans to, WBT. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

**(i) Trade Receivables**

As the Group operates in the mineral exploration and investment sectors rather than trading, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables. At the reporting date there were no significant concentrations of credit risk in respect of trade receivables.



**Nemex Resources Limited**  
**Notes to the Financial Statements**  
**For the financial year ended 30 June 2016**

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**18. FINANCIAL INSTRUMENTS (continued)**

**Exposure to credit risk**

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Company does not have any material risk exposure to any single debtor or group of debtors, other than its investment in, and loans to, WBT.

**(c) Liquidity and Capital Risk**

The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Company's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt / equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

Due to the nature of the Group's activities and the present lack of operating revenue, the Company has to raise additional capital from time to time in order to fund its exploration and investment activities. The decision on how and when the Company will raise future capital will depend on market conditions existing at that time and the level of forecast activity and expenditure.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least twelve months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table details the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date on which the Group can be required to pay.

CONSOLIDATED	Less than 6 months \$	6 – 12 months \$	Over 1 year \$	Total \$
<b>Group at 30 June 2016</b>				
<b>Financial Liabilities:</b>				
<b>Current:</b>				
Trade and other payables	36,368	-	-	36,368
<b>Total Financial Liabilities</b>	<b>36,368</b>	<b>-</b>	<b>-</b>	<b>36,368</b>
<b>Group at 30 June 2015</b>				
<b>Financial Liabilities:</b>				
<b>Current:</b>				
Trade and other payables	126,196	-	-	126,196
<b>Total Financial Liabilities</b>	<b>126,196</b>	<b>-</b>	<b>-</b>	<b>126,196</b>

***Nemex Resources Limited***  
***Notes to the Financial Statements***  
***For the financial year ended 30 June 2016***

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**19. COMMITMENTS AND CONTINGENCIES**

**(a) Capital commitments**

There were no capital commitments, not provided for in the financial statements as at 30 June 2016.

**(b) Lease commitments: non-cancellable operating lease**

Nemex Resources Limited entered into a lease agreement with Corporate Consultants Pty Ltd, a company in which Mr Flint and Mr Jurman have a beneficial interest, for the use of furnished office space on 7 June 2012. The agreement was effective from 7 June 2012 to its expiry date of 30 September 2015.

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	5,982
One year to five years	-	-
Total	-	5,982

**(c) Contingencies**

There were no contingent liabilities of the Consolidated Entity not provided for in the financial statements at 30 June 2016 (2015: Nil).

	<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>

**20. STATEMENT OF CASH FLOWS**

**Reconciliation of loss after income tax to net cash outflow from operating activities**

Loss after income tax	<b>(1,809,864)</b>	<b>(4,547,912)</b>
Add back / (subtract) non-cash items:		
Depreciation	<b>4,779</b>	60,128
Impairment expense – Wavefront investment	<b>1,291,934</b>	-
Profit on disposal of exploration tenements	-	(64,062)
Profit on disposal of plant and equipment	<b>(77,278)</b>	-
Exploration expenditure impaired	<b>41,567</b>	2,878,806
Share of net losses of associates	<b>69,362</b>	495,530
Share based payments expense	-	639,440
Net exchange differences	<b>7,323</b>	(6,398)
Change in assets and liabilities:		
Decrease / (Increase) in receivables	<b>(105,395)</b>	4,143
Increase / (Decrease) in operating payables	<b>(82,946)</b>	(16,227)
Net cash outflow from operating activities	<b>(660,518)</b>	<b>(556,552)</b>

***Nemex Resources Limited***  
***Notes to the Financial Statements***  
***For the financial year ended 30 June 2016***

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**21. KEY MANAGEMENT PERSONNEL DISCLOSURES**

Dr Turner, Mr Flint, Mr Jurman, Mr Hui and Mr Ding were key management personnel of the Consolidated Entity at any time during the year:

Other than the Directors of the Company disclosed above, there were no other executives who have direct responsibility for the strategic direction and operational management of the Consolidated Entity.

The key management personnel compensation is as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>110,295</b>	141,667
Post-employment benefits	<b>4,957</b>	6,808
	<b>115,252</b>	148,475

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

*Loans to key management personnel and their related parties*

There were no loans outstanding at the reporting date to key management personnel and their related parties.

**Other transactions with key management personnel**

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Accounting, secretarial and corporate service fees paid or payable to Corporate Consultants Pty Ltd, a company in which Mr Flint and Mr Jurman are directors and have beneficial interests.	<b>108,000</b>	143,000
Rent and variable outgoings for the sub-lease of furnished office space paid or payable to Corporate Consultants Pty Ltd, a company in which Mr Flint and Mr Jurman are directors and have beneficial interests.	<b>17,923</b>	34,636

*Balances due to Directors and Director Related Entities at year end*

- included in trade creditors and accruals	<b>13,108</b>	34,449
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Corporate Consultants Pty Ltd previously held a rental security deposit of \$10,125, which was refunded during the year ended 30 June 2016 - (Note 13).

**Nemex Resources Limited**  
**Notes to the Financial Statements**  
**For the financial year ended 30 June 2016**

**EVENTS OCCURRING AFTER THE REPORTING DATE**

There are no matters or circumstances that have arisen since 30 June 2016 that have or may significantly affect the operations, results, or state of affairs of the Consolidated Entity in future financial years.

**22. PARENT ENTITY DISCLOSURES**

**Financial position**

	2016 \$	2015 \$
<b>Assets</b>		
Current assets	312,944	1,033,592
Non-current assets	1,631,411	2,532,998
Total assets	1,944,355	3,566,590
<b>Liabilities</b>		
Current liabilities	36,368	126,196
Non-current liabilities	-	-
Total liabilities	36,368	126,196
<b>Equity</b>		
Issued capital	11,982,428	11,774,303
Accumulated losses	(11,563,192)	(9,822,660)
Share-based payments reserve	1,488,751	1,488,751
Total equity	1,907,987	3,440,394
<b>Financial performance</b>		
Net loss for the period	(1,740,532)	(4,472,545)
Other comprehensive income / (loss)	-	-
Total comprehensive loss	(1,740,532)	(4,472,545)

**Contingent liabilities of the parent entity**

The parent entity did not have any contingent liabilities as at 30 June 2016.

**Commitments for the acquisition of property, plant and equipment by the parent entity**

For details on commitments, see Note 19.

**23. SUBSIDIARIES**

**(a) Particulars in relation to subsidiaries**

	Place of Incorporation	Group's Interest 2016 %	Group's Interest 2015 %	Class of Shares
<b>Parent Entity</b>				
Nemex Resources Ltd	Australia			
<b>Subsidiaries</b>				
Nemex Ventures Pty Ltd	Australia	100	100	Ord
Nemex Guinea Pty Ltd	Australia	100	100	Ord
<b>(i) Subsidiary of Nemex Guinea Pty Ltd</b>				
Nemex Guinea SARL (a)	Guinea	100	100	Ord

**(b) Terms and conditions of loans to related parties**

Loan advances have been made to subsidiaries noted in the table above. The loans are interest free, unsecured and repayable only when the borrower's cash flow permits. The recoverability of these loans is dependent upon the successful development and exploitation of the areas of interest currently being explored by the parent's subsidiary entities.

**(c) Risk exposure**

Refer to Note 18 for information on the Group's and parent entity's exposure to credit, foreign exchange and interest rate risk.

***Nemex Resources Limited***  
***Directors' Declaration***  
***For the financial year ended 30 June 2016***

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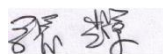
In the opinion of the Directors:

- a) The financial statements and the notes and the additional disclosures included in the directors' report designated as audited of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) Complying with Accounting Standards (including Australian Accounting Standards) and Corporations Regulations 2001; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) The financial statements and notes thereto include an explicit and unreserved statement of compliance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

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

On behalf of the Board



H Zhang  
Chairman

Dated at Sydney on the 30th day of September 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of Nemex Resources Limited

### Report on the Financial Report

We have audited the accompanying financial report of Nemex Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 gives a true and fair view and 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*, the consolidated 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. Those 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 consolidated entity's preparation of the financial report that gives a true and fair view 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 company's and its controlled entities' 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

**Auditor's opinion**

In our opinion:

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

**Emphasis of matter**

Without modifying our opinion, we draw attention to Note 1 to the financial report which indicates that the Group has incurred a loss for the year after tax of \$1,809,864 and experienced net operating and investing cash outflows of \$905,534. As at 30 June 2016, the Group has net current assets of \$1,347,853. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

**Report on the Remuneration Report**

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

**Auditor's opinion**

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



**HLB Mann Judd**  
Chartered Accountants



**M R W Ohm**  
Partner

**Perth, Western Australia**  
**30 September 2016**

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. 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 applicable, commensurate with the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the Recommendations.

The Company's main corporate governance policies and practices and departures from the Recommendations as at the date of this Prospectus are outlined below and further details on the Company's corporate governance procedures, policies and practices can be obtained from the Company website at [www.nemexres.com.au/](http://www.nemexres.com.au/).

### **Principle 1: Lay solid foundations for management and oversight**

#### **Recommendation 1.1:**

*Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.*

The Board of Directors is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The monitoring and ultimate control of the business of the Company is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The specific responsibilities of the Board include:

- Determining the vision and objectives of the Company;
- Overseeing and fostering an appropriate culture for the Company that is directly aligned to its values, strategies and objectives;
- Reviewing and approving the Company's financial position, systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Identifying all areas where written board policy is required, detailing the policies, and overseeing the implementation and monitoring of compliance;
- Formulating short term and long term strategies to enable the Company to achieve its objectives, and ensuring adequate resources are available to meet strategic objectives;
- Approving and monitoring the progress of major expenditure and acquisitions and divestments;
- Approving the annual budgets, and ensuring these are aligned with the Company's strategic objectives;
- Being responsible for the Company's senior management and personnel including appointing and, where appropriate, removing the Chairman;
- Ratifying the appointment, and where appropriate, the removal of the Executive Directors and the Company Secretary;
- Evaluating the performance of the senior management team and determining their remuneration;
- Delegating appropriate powers to senior management to ensure the effective day-to-day management of the business and monitoring the exercise of these powers;
- Ensuring that policies and procedures are in place consistent with the Company's objectives, and that the Company and its officers act legally, ethically and responsibly in all matters; and



## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

- Ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy.

The responsibility for the day-to-day operation and administration of the Company was delegated by the Board to the Managing Director. The Board ensures that the management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the directors.

The Managing Director is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board.

The Managing Director's specific responsibilities include:

- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Establish and maintain effective and positive relationships with Board members, shareholders, the investment community and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place;
- Select and appoint staff.

In December 2015 Mr Flint resigned from the position of the Company's Executive Chairman having assumed that role in January 2015, following the resignation of former Managing Director, Dr Turner. Mr Zhang assumed the role of Executive Chairman in December 2015.

### **Recommendation 1.2:**

*Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information about any candidate to enable an informed decision to be made on whether or not to elect or re-elect a director.

### **Recommendation 1.3:**

*Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.*

The directors have letters of appointment including a director's interest agreement with respect to disclosure of security interests.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

### **Recommendation 1.4:**

*The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.*

The Company Secretary has a direct reporting line to the Board, through the Chair.

### **Recommendation 1.5:**

*The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.*

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

The Company currently has three staff (comprising the three directors), none of which is a woman. There are no women in senior executive positions or on the board.

### **Recommendation 1.6:**

*The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman has conducted informal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The Board considers that at this stage of the Company's development an informal process is appropriate.

### **Recommendation 1.7:**

*The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Chairman conducts an informal review process whereby he discusses with senior executives their performance and approach toward meeting the short and long term objectives of the Company. The board considers that at this stage of the Company's development an informal process is appropriate.

## **Principle 2: Structure the board to add value**

### **Recommendation 2.1:**

*The Board should establish a Nomination Committee which the majority should be independent directors (including the Chair).*

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of leadership, governance, strategy, financial acumen, health and safety, technical and industry skills. Casual appointments must stand for election at the next annual general meeting of the Company.

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. All Directors, with the exception of the Managing Director (if appointed), serve for a period of three years before they are requested to retire and if eligible offer themselves for re-election.

### **Recommendation 2.2:**

*The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.*

The Company is developing an appropriate board skills matrix. The skills, experience and expertise relevant to the position of each director who is in office at the date of the Annual Report is detailed in the director's report.

### **Recommendations 2.3, 2.4 and 2.5:**

*The Company should disclose the names of the directors considered to be independent directors and length of service of each director.*

*A majority of the Board of the Company should be independent directors.*

*The Chair of the Board should be an independent director, and should not be the CEO of the Company.*

The names, experience and responsibilities of current Directors and Proposed Directors of the Company are set out in the Directors' Report. Details of independent directors and length of service of each director are noted below.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

<b>Director</b>	<b>Office held</b>	<b>Independent</b>
Hui Zhang (appointed 21/10/2015)	Executive Chairman – from 15/12/2016	No
Tao Ding	Non-executive director	Yes
Yongjin Li (appointed 15/07/2016)	Non-executive director	Yes
Jonathan Murray (appointed 15/12/2015, resigned 16/12/2015)	Non-executive director	Yes
Patrick Flint (appointed 08/09/2010, resigned 16/12/2015)	Chairman	No
Paul Jurman (appointed 31/10/2012, resigned 16/12/2015)	Non-executive director / Company Secretary	No
Peter Turner (appointed 01/02/2011, resigned 21/10/2015)	MD / CEO / Non-executive director	No

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that currently two of the Company's three Directors, namely Mr Ding and Mr Li are independent and therefore the Company does currently have a majority of independent directors.

In July 2014 Dr Peter Turner resigned from the position of the Company's Managing Director and remained on the Board as a Non-Executive Director until his resignation in October 2015. As Dr Turner was previously employed in an executive capacity he was not considered independent. Mr Jurman has been Company Secretary since incorporation of the Company and has been actively involved in the management of the Company and therefore was not considered independent up until his resignation in December 2015. From January 2015 (and following the resignation of Dr Turner as Managing Director) Mr Flint took on additional executive responsibilities and therefore was not considered independent up until his resignation in December 2015.

It is the Board's intention to review its composition on a continual basis as the Company's expands its activities and greater demands and skills amongst Directors become necessary.

**Recommendation 2.6:**

*The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The Board Charter provides for induction and professional development for the Board.

**Principle 3: Act ethically and responsibly**

**Recommendation 3.1:**

*Companies should have a Code of Conduct for its directors, senior executives and employees.*

The Company has developed a Code of Conduct (the Code) which has been endorsed by the Board and applies to all employees, Directors and officers. The Code may be amended from time to time as necessary to ensure it reflects the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders. The Code outlines the responsibility and accountability of Company personnel to report and investigate reports of unethical practices.

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the Managing Director). The policy generally provides that written notification to the Chairman (or in the case of the Chairman, the Managing Director) must be satisfied prior to trading.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

### **Principle 4: Safeguard Integrity in Financial reporting**

#### **Recommendation 4.1**

*The Board should have an Audit Committee.*

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is HLB Mann Judd's policy to rotate audit engagement partners on listed companies at least every 5 years.

#### **Recommendation 4.2**

*The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

The Board ensures it receives the required declarations in writing to the Board that the Company's financial statements present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards, that this is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively. This representation is prior to the Director's approval of the release of the annual and half yearly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

#### **Recommendation 4.3**

*The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.*

The Company invites the auditor or representative of the auditor to the AGM.

### **Principle 5 – Make timely and balanced disclosure**

#### **Recommendation 5.1:**

*Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.*

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at a senior executive level for that compliance. All ASX announcements are to be posted to the Company's website as soon as possible after confirmation of receipt is received from ASX, including all financial reports.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

**Principle 6 – Respect the rights of security holders**

**Recommendation 6.1:**

*Companies should provide information about itself and its governance to investors via its website.*

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by the ASX, the following are posted to the Company's website:

- relevant announcements made to the market via the ASX;
- notices of meetings;
- investment updates;
- company presentations and media releases;
- copies of press releases and announcements for (at least) the preceding three years; and
- copies of annual, half-yearly and quarterly reports including financial statements for (at least) the preceding three years.

**Recommendations 6.2 and 6.3:**

*Companies should design and implement an investor relations program to facilitate two-way communication with investors.*

*Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Executive Directors make themselves available to meet shareholders and regularly respond to enquiries made via telephone or email. Periodic investor presentations to facilitate engagement with investors and other financial market participants are also undertaken.

The Board encourages full participation of shareholders at the Annual General Meeting. In preparing for general meetings of the Company, the Company drafts the notice of meeting and related explanatory information so that shareholders are provided with all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. The Company allows shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting. The external auditor of the Company is asked to attend each annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Important issues are presented to the shareholders as single resolutions. The shareholders are also responsible for voting on the appointment of Directors.

**Recommendation 6.4:**

*Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

Information about the Company is regularly emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses and on submitting information requests with the Company is available on the Company's website. Shareholders can receive communications from, and send communications to, the Company's security registry electronically.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

### **Principle 7 – Recognise and manage risk**

#### **Recommendation 7.1:**

*The Board should have a committee or committees to oversee risk.*

The Company is not currently of a size to require the formation of committees to oversee risk. The full Board has the responsibility for the risk management, compliance and internal controls systems of the Company.

To date the Board has been responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business. The Company adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

#### **Recommendation 7.2:**

*The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.*

The Board considers risks and discusses risk management at each Board meeting. Review of the risk management framework is an on-going process rather than an annual formal review.

#### **Recommendation 7.3:**

*The Company should disclose if it has an internal audit function.*

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole regularly evaluates and improves the effectiveness of its risk management (refer above) and internal control processes.

#### **Recommendation 7.4:**

*The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. The Company does not currently have material exposure to environmental and social sustainability risks.

### **Principle 8 – Remunerate fairly and responsibly**

#### **Recommendation 8.1:**

*The Board should have a Remuneration Committee.*

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)**

**Recommendation 8.2:**

*Companies should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The total maximum remuneration of Non-Executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Company provides disclosure of its policies and practices regarding the remuneration and all Directors and executives remuneration in its annual report.

**Recommendation 8.3:**

*A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.*

The Company does not have an equity based remuneration scheme which is affected by this recommendation. Recipients of equity-based remuneration (eg. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.



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**Shareholder Information**

The shareholder information set out below was applicable as at 21 September 2016.

**Substantial shareholders**

An extract of the Company's register of substantial shareholders is set out below:

<b>Shareholder</b>	<b>Number of Shares</b>
Robert Liu	30,618,756
Zhaoqing Dai	13,756,580
Huang Menglong	13,203,893

**Distribution of equity security holders**

<b>Size of Holding</b>	<b>Ordinary Shares NXR</b>
1 to 1,000	29
1,001 to 5,000	32
5,001 to 10,000	110
10,001 to 100,000	521
100,001 and over	266
	<u>958</u>

The number of shareholdings comprising less than a marketable parcel was 311.

<b>Twenty Largest Shareholders as at 21 September 2016</b>		<b>Number of Shares</b>	<b>% Held</b>
1	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	21,985,639	9.110
2	ROBERT LIU	18,142,760	7.518
3	ZHAOQING DAI	15,741,629	6.523
4	JIANWEI WU	8,685,512	3.599
5	HUA SHEN	7,895,912	3.272
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,566,000	3.135
7	ABN AMRO CLEARING SYDNEYVNOMINEES PTY LTD <CUSTODIAN A/C>	7,050,756	2.922
8	FLEUBAIX PTY LTD <SUPERANNUATION FUND A/C>	7,000,000	2.901
9	BIGFORD PTY LTD <BIG LIU SUPER FUND A/C>	4,358,191	1.806
10	PATRICK JOHN FLINT	4,150,000	1.720
11	ANGELA JURMAN <THE PJAG INVESTMENT A/C>	4,000,000	1.658
12	YUHUA CAO	3,405,940	1.411
13	LEGEND MINING LIMITED	3,300,000	1.367
14	GEORGE POLITES	3,000,000	1.243
15	VANSONY PTY LTD <THE VANSONY SUPER FUND A/C>	2,584,060	1.071
16	GEMMA LOUISE CHENU	2,500,000	1.036
17	DELLFIELD HOLDINGS PTY LTD	2,066,250	0.856
18	PAUL JURMAN AND ANGELA JURMAN <THE JURMAN SUPER FUND A/C>	2,000,000	0.829
19	MR MICHAEL THOMAS MAJOR	2,000,000	0.829
20	SUPERLONGIVITY PTY LTD <HELLMUTH SUPER FUND A/C>	1,732,741	0.718
<b>TOTAL</b>		<b>129,165,390</b>	<b>53.524</b>

**On-market buy-back**

There is no current on-market buy-back.

**Unquoted equity securities**

There are no unquoted equity securities on issue at 21 September 2016

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**Mineral Interests held at 21 September 2016 are as follows: -**

<i>Location</i>	<i>Concession name and type</i>	<i>Registered Holder</i>	<i>File Number</i>	<i>Nemex's current equity interest</i>	<i>Maximum equity interest capable of being earned</i>	<i>Notes</i>
Australia	Woodley Project Exploration Licences	Nemex Resources Limited	E57/632	100%	100%	