NEMEX RESOURCES LIMITED

ACN 146 243 843

# ANNUAL REPORT 2018

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|---|---|---|
| **Directors** | Hui Zhang<br>Tao Ding<br>Yongjin Li | Executive Chairman<br>Non-Executive Director<br>Non-Executive Director |
| **Company Secretary** | Paul Jurman | |
| **Registered and Administrative Office** | Level 2, Suite 9<br>389 Oxford Street<br>Mt Hawthorn Western Australia 6016 | |
| | Telephone:<br>Facsimile: | (61 8) 9388 2277<br>(61 8) 9380 6761 |
| **Auditors** | HLB Mann Judd<br>Level 4, 130 Stirling Street<br>Perth Western Australia 6000 | |
| **Share Registry** | Advanced Share Registry Services<br>110 Stirling Highway<br>Nedlands Western Australia 6009<br>Telephone:<br>Facsimile: | <br><br><br>(61 8) 9389 8033<br>(61 8) 9262 3723 |

Website: www.nemexres.com.au

Securities Exchange Listing:
Australian Securities Exchange – NXR

**INVESTMENT IN SECURITY BIOMETRIC TECHNOLOGY**

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

During the year ending 30 June 2018, Nemex joined with several Wavefront shareholders, seeking to change and restructure the Wavefront board. A general meeting of Shareholders of Wavefront was held on 20th September 2017 under section 249F of the Corporations Act.

All resolutions considered at the meeting were passed and the Wavefront Board was restructured and comprised Mr Lindsay Stringer, Mr Robert Chambers and Mr Xavier Appleton as directors.

The new management team completed a thorough technical and financial audit of Wavefront and its technology. Some technical issues limiting the ability to capture consistent attributes of the eye were identified and continue to be assessed. Wavefront will review both hardware and software improvement options when re-evaluating the biometric acquisition process, placing a focus on strengthening Wavefront's patented corneal biometric identifier. Extensions of the multi biometric patent have been lodged in India and South Africa.

In April 2018, Wavefront advised that Mr Xavier Appleton and Mr Robert Chambers resigned as directors of Wavefront due to personal commitments and Mr Russell Cowan was appointed a director of Wavefront.

Due to the limited progress by Wavefront in advancing the technology in the 2017/18 year and the significant uncertainty as to whether the technology can be successfully commercialised, the Board have fully impaired the carrying value of the loan of $621,710.

**CORPORATE**

In August 2017, Nemex issued 3.6 million shares at an issue price of 2 cents per share to raise $72,000 for ongoing working capital requirements.

Nemex continues to monitor its investment in Wavefront, and is also reviewing a number of alternative opportunities, in both resource and non-resources related sectors, with a view to seeking reinstatement to trading on ASX.

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 2018 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, 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**<br><br>**Executive Chairman**<br>**(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.<br><br>Mr Zhang holds no other listed company directorships and has held no other listed company directorships in the last 3 years. |
| **Tao Ding**<br><br>**Non-Executive Director**<br>**(Director since 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.<br><br>Mr Ding graduated from the Northwestern Polytechnical University in Shaanxi Province, China with a degree in computer automation system engineering.<br><br>Mr Ding holds no other listed company directorships and has held no other listed company directorships in the last 3 years. |
| **Yongjin Li**<br><br>**Non-Executive Director**<br>**(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).<br><br>Mr. Li has extensive experience working with Chinese State-owned companies and will assist with introducing Wavefront to potential technology development partners in China.<br><br>Mr Li holds no other listed company directorships and has held no other listed company directorships in the last 3 years. |
| **Paul Jurman**<br>**CPA, B Com**<br>**Company Secretary** | 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. |

**PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated Entity during the course of the financial year was monitoring its investment in Wavefront Biometric Technologies Pty Ltd (Wavefront), an emerging security biometric technology company and ongoing assessment and review of new investment opportunities, in both resource and non-resources related sectors with a view to seeking reinstatement to trading on ASX.

**RESULTS AND DIVIDENDS**

The consolidated loss after tax for the year ended 30 June 2018 was $564,363 (2017: $1,603,591). 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 0.23 cents (2017: 0.66 cents).

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

A review of the Group's operations, including information on the investment in Wavefront, financial position and strategies of the Consolidated Entity during the year ended 30 June 2018 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.

The Group has incurred a loss for the year after tax of $564,363 (2017: $1,603,591) and experienced net operating and investing cash outflows of $129,518 (2017: $211,348). As at 30 June 2018, the Group has a net asset deficiency of $187,967, comprising Cash of $55,496, Other receivables of $4,299, Trade and other payables of $227,762 and Share applications received in advance of $20,000. The Group has reached agreement with various parties (including the Directors in respect of amounts due of $139,948) that payment of amounts due totalling $210,436 will be deferred pending completion of future capital raisings. In July 2018, the Company completed a private placement to raise $20,000 from the issue of 1 million shares at $0.02 each.

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

The Group's business strategy for the financial year ahead and in the foreseeable future is to monitor Wavefront and development of its biometric technology and continue to assess new investment opportunities, including potential investments in both resource and non-resources related sectors, with an objective of completing further capital raisings and seeking reinstatement to trading on ASX.

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:

- identification of and securing an interest in new investment opportunities;
- development and commercialisation risk associated with Wavefront's technology;
- protection of intellectual property rights;
- 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 other than the matter referred to below:

Subsequent to year-end and to the date of this report, the Company completed a private placement to raise $20,000 from the issue of 1 million shares at $0.02 each.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's objective is to maximise shareholder value through the successful development and commercialisation by Wavefront 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 2018, and the numbers of meetings attended by each Director were:

| | **Full meetings of directors** | |
|---|---|---|
| | **Held** | **Attended** |
| H Zhang | 5 | 5 |
| T Ding | 5 | 5 |
| Y Li | 5 | 5 |

## 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:

| **Director** | **Fully Paid Ordinary Shares** |
|---|---|
| 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 2018 and up to the date of this report.

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

During or since the end of the financial year, no shares were issued on exercise of options.

## 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. The Company does not yet generate operating revenues or earnings and company performance, at this stage, can only be judged by exploration and/or investment success and ultimately shareholder value. Presently, total fixed remuneration for senior executives is determined by reference to market conditions and the Company's financial position.

**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 taking account of the Company's financial position.

*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 2018 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 can consist 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, is competitive in the market and takes account of the Company's financial position.

Fixed remuneration is reviewed annually by the Board. 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 may be 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.

No LTI grants were made during the year ended 30 June 2018 and 30 June 2017. No remuneration consultants were used.

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

**Voting and comments made at the Company's 2017 Annual General Meeting (AGM)** – At the 2017 AGM, 90% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. 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 2018 and 30 June 2017**

| | Short-term employee benefits | | Equity Compensation | Post-employment benefits | | |
|---|---|---|---|---|---|---|
| | Salary and Fees | Bonus and Non Cash Benefits | Value of Incentive Securities | Superannuation Contributions / Termination payments | TOTAL | Performance Related |
| | $ | $ | $ | $ | $ | % |
| **2018 Directors** | | | | | | |
| Hui Zhang | 24,000 | - | - | 2,280 | 26,280 | - |
| Tao Ding | 24,000 | - | - | - | 24,000 | - |
| Yongjin Li | 24,000 | - | - | 2,280 | 26,280 | - |
| **Total** | 72,000 | - | - | 4,560 | 76,560 | |

| | Short-term employee benefits | | Equity Compensation | Post-employment benefits | | |
|---|---|---|---|---|---|---|
| | Salary and Fees | Bonus and Non Cash Benefits | Value of Incentive Securities | Superannuation Contributions / Termination payments | TOTAL | Performance Related |
| | $ | $ | $ | $ | $ | % |
| **2017 Directors** | | | | | | |
| Hui Zhang | 24,000 | - | - | 2,280 | 26,280 | - |
| Tao Ding | 24,000 | - | - | - | 24,000 | - |
| Yongjin Li | 23,015 | - | - | 2,186 | 25,201 | - |
| **Total** | 71,015 | - | - | 4,466 | 75,481 | |

From 1 January 2017, the Board agreed to suspend payment of Directors fees pending an improvement in the Company's funding position. As at 30 June 2018, director fees unpaid totalled $139,948 (30 June 2017: $63,388).

There were no share-based payments granted as compensation to Key Management Personnel during the years ended 30 June 2018 and 30 June 2017.

There were no performance rights granted as compensation to Key Management Personnel during the years ended 30 June 2018 and 30 June 2017.

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 2018 and 30 June 2017.

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

**Table 2: Shareholdings of Key Management Personnel – Year ended 30 June 2018**

| | Balance at 1 July 2017 | Received as Remuneration | Options Exercised / performance rights vested | Other Movements / Disposals | Balance at 30 June 2018 |
|---|---|---|---|---|---|
| *Parent entity directors* | | | | | |
| H Zhang | 15,741,629 | - | - | - | 15,741,629 |
| T Ding | - | - | - | - | - |
| Y Li | 700,000 | - | - | - | 700,000 |

**Option holdings of Key Management Personnel – Year ended 30 June 2018**

No options were held by Key Management Personnel during the year ended 30 June 2018.

**Performance rights holdings of Key Management Personnel – Year ended 30 June 2018**

No performance rights were held by Key Management Personnel during the year ended 30 June 2018

**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.

| | 2018<br>$ | 2017<br>$ |
|---|---|---|
| *Balances due to Directors and Director Related Entities at year end* | | |
| - included in trade creditors and accruals | **139,948** | 63,388 |

**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.

**NON - AUDIT SERVICES**

No non-audit services were provided during the year by the independent auditors of the Company.

**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, 28 September 2018

**HLB Mann Judd**

Accountants | Business and Financial Advisers

## 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 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in 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**
**28 September 2018**

**M R Ohm**
**Partner**

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

Level 4 130 Stirling Street Perth WA 6000 | PO Box 8124 Perth BC WA 6849 | Telephone +61 (08) 9227 7500 | Fax +61 (08) 9227 7533

Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

| | Notes | CONSOLIDATED 2018 $ | 2017 $ |
|---|---|---|---|
| Revenue from continuing operations | 2 | **321,829** | 229,911 |
| | | **321,829** | 229,911 |
| Employee benefits expense | | **(76,560)** | (75,482) |
| Impairment of exploration expenditure | 3 | **-** | (1,673) |
| Impairment of investment in associate | 11 | **-** | (472,388) |
| Impairment of loan to associate | 9 | **(621,710)** | (1,001,004) |
| Other expenses | | **(187,922)** | (195,209) |
| Share of net losses of associate | 11 | **-** | (87,746) |
| **Loss before related income tax** | | **(564,363)** | (1,603,591) |
| Income tax benefit | 5 | **-** | - |
| **Loss for the year** | | **(564,363)** | (1,603,591) |
| Other comprehensive income | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange gain / (loss) arising on translation of foreign operations | | **-** | - |
| Total comprehensive loss attributable to members of the parent entity | | **(564,363)** | (1,603,591) |
| Basic loss per share (cents) | 6 | **(0.23)** | (0.66) |

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 2018*

| | Notes | CONSOLIDATED 2018 $ | 2017 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 8 | **55,496** | 94,371 |
| Other receivables | 9 | **4,299** | 317,595 |
| **Total Current Assets** | | **59,795** | 411,966 |
| **Non-Current Assets** | | | |
| Deferred exploration and evaluation expenditure | 10 | **-** | - |
| Investment in associated entity | 11 | **-** | - |
| **Total Non-Current Assets** | | **-** | - |
| **Total Assets** | | **59,795** | 411,966 |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | **227,762** | 107,570 |
| Share applications received in advance | 13 | **20,000** | - |
| **Total Liabilities** | | **247,762** | 107,570 |
| **Net Assets / (Net Liabilities)** | | **(187,967)** | 304,396 |
| **Equity** | | | |
| Issued capital | 14 | **12,054,428** | 11,982,428 |
| Reserves | 15 | **1,723,620** | 1,723,620 |
| Accumulated losses | | **(13,966,015)** | (13,401,652) |
| **Total Equity / (Deficiency)** | | **(187,967)** | 304,396 |

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

| 2017 | CONSOLIDATED | | | |
|---|---|---|---|---|
| | **Issued Capital** | **Accumulated Losses** | **Reserves** | **Total Equity** |
| | **$** | **$** | **$** | **$** |
| **Balance at 1 July 2016** | **11,982,428** | **(11,798,061)** | **1,723,620** | **1,907,987** |
| Loss attributable to members of the parent entity | **-** | **(1,603,591)** | **-** | **(1,603,591)** |
| **Total comprehensive loss for the year** | **-** | **(1,603,591)** | **-** | **(1,603,591)** |
| Securities issued during the year (net of costs) | **-** | **-** | **-** | **-** |
| **Balance at 30 June 2017** | **11,982,428** | **(13,401,652)** | **1,723,620** | **304,396** |

| 2018 | CONSOLIDATED | | | |
|---|---|---|---|---|
| | **Issued Capital** | **Accumulated Losses** | **Reserves** | **Total Equity** |
| | **$** | **$** | **$** | **$** |
| **Balance at 1 July 2017** | **11,982,428** | **(13,401,652)** | **1,723,620** | **304,396** |
| Loss attributable to members of the parent entity | **-** | **(564,363)** | **-** | **(564,363)** |
| **Total comprehensive loss for the year** | **-** | **(564,363)** | **-** | **(564,363)** |
| Securities issued during the year (net of costs) | **72,000** | **-** | **-** | **72,000** |
| **Balance at 30 June 2018** | **12,054,428** | **(13,966,015)** | **1,723,620** | **(187,967)** |

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 2018***

| | Notes | CONSOLIDATED 2018 $ | 2017 $ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Payments to suppliers and employees | | **(129,637)** | (209,859) |
| Interest received | | **119** | 184 |
| **Net Cash outflows from Operating Activities** | 18 | **(129,518)** | (209,675) |
| **Cash Flows from Investing Activities** | | | |
| Payments for exploration and evaluation expenditure | | **-** | (1,673) |
| **Net Cash outflows from Investing Activities** | | **-** | (1,673) |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from share issues | | **72,000** | - |
| Proceeds from share subscriptions received in advance | 18 | **20,000** | - |
| **Net Cash inflows from Financing Activities** | | **92,000** | - |
| **Net increase in Cash and Cash Equivalents** | | **(37,518)** | (211,348) |
| Cash and cash equivalents at the beginning of the period | | **94,371** | 309,070 |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies | | **(1,357)** | (3,351) |
| **Cash and Cash Equivalents at 30 June** | 8 | **55,496** | 94,371 |

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. The entity’s principal activities comprised monitoring its investment in Wavefront Biometric Technologies Pty Ltd (Wavefront), an emerging security biometric technology company and ongoing assessment and review of new investment opportunities, in both resource and non-resources related sectors with a view to seeking reinstatement to trading on ASX.

*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 $564,363 (2017: $1,603,591) and experienced net operating and investing cash outflows of $129,518 (2017: $211,348).  As at 30 June 2018, the Group has a net asset deficiency of $187,967, comprising Cash of $55,496, Other receivables of $4,299, Trade and other payables of $227,762 and Share applications received in advance of $20,000. The Group has reached agreement with various parties (including the Directors in respect of amounts due of $139,948, refer note 19) that payment of amounts due totalling $210,436 will be deferred pending completion of future capital raisings. In July 2018, the Company completed a private placement to raise $20,000 from the issue of 1 million shares at $0.02 each.

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

Such additional funding is potentially available from a number of sources including further capital raisings.

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### Adoption of new and revised standards

In the year ended 30 June 2018, 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 material 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 2018. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

### Statement of compliance

These financial statements were authorised for issue on 28 September 2018.

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 2018 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 21 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 2018, 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. Due to the significant uncertainty as to whether the Wavefront technology can be successfully commercialised and the inability to reliably determine value-in-use or fair value less costs of disposal, the Board have fully impaired the carrying value of the loan of $1,622,714. The Directors will continue to monitor progress on the Wavefront technology.

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |

## 2. REVENUE

| | | |
|---|---|---|
| **Other revenue** | | |
| Interest - other parties | **321,829** | 229,911 |
| **Total revenue from ordinary activities** | **321,829** | 229,911 |

## 3. EXPENSES

Loss includes the following specific expenses:

| | | |
|---|---|---|
| Exploration expenditure impaired | **-** | 1,673 |
| Superannuation | **4,560** | 4,466 |

## 4. AUDITOR'S REMUNERATION

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

| | | |
|---|---|---|
| - audit or review of the financial statements | **24,500** | 26,500 |
| - other services | **-** | - |
| | **24,500** | 26,500 |

## 5. INCOME TAX EXPENSE

(a) The prima facie tax benefit at 27.5% (2017: 27.5%) on loss for the period is reconciled to the income tax provided in the financial statements as follows:

| | | |
|---|---|---|
| Loss | **(564,363)** | (1,603,591) |
| Prima facie income tax benefit @ 27.5% (2017: 27.5%) | **155,200** | 440,988 |
| Tax effect of permanent differences: | | |
| Impairment expense | **-** | (129,907) |
| Impairment of loan to associate | **(170,970)** | (275,276) |
| Share of net losses of associates | **-** | (24,130) |
| Tax effect of capitalised share issue costs | **28,220** | 19,332 |
| Exploration expenses | **-** | 460 |
| Other non-deductible items | **(1,733)** | (5,132) |
| Income tax benefit adjusted for non-deductible / (taxable) items | **10,717** | 26,335 |
| Deferred tax asset not brought to account | **(10,717)** | (26,335) |
| Income tax benefit | **-** | - |

## 5. INCOME TAX EXPENSE (continued)

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| (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 | **2,156,212** | 2,120,200 |
| - Capital raising costs | **9,988** | 26,503 |
| | **2,166,200** | 2,146,703 |

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.

## 6. LOSS PER SHARE

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **Cents** | **Cents** |
| Basic loss per share | **(0.23)** | (0.66) |
| | **$** | **$** |
| Loss used to calculate basic loss per share | **(564,363)** | **(1,603,591)** |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in the calculation of basic loss per share | **244,401,245** | 241,325,421 |

## 7. SEGMENT INFORMATION

Management has determined that the Group has two reportable segments, being mineral exploration in Australia and corporate activities, including its investment in Wavefront. The Group ceased its mineral exploration activities during the year ended 30 June 2017. The Board monitored 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.

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

| | CONSOLIDATED | | |
|---|---|---|---|
| **2018** | **Investment in Wavefront 2018 $** | **Corporate and Investment in Australia 2018 $** | **Total 2018 $** |
| **Revenue** | | | |
| Reportable segment | **321,710** | **-** | **321,710** |
| Unallocated revenue | **-** | **-** | **119** |
| **Total revenue** | **321,710** | **-** | **321,829** |
| **Results** | | | |
| Operating profit / (loss) before income tax | **(300,000)** | **(264,482)** | **(564,482)** |
| Unallocated profit/(loss) | | | **119** |
| Income tax benefit | | | **-** |
| Net loss | | | **(564,363)** |
| **Non-Cash Expenses** | | | |
| Depreciation | **-** | **-** | **-** |
| Impairment of loan to associate | **(621,710)** | **-** | **(621,710)** |
| **Assets** | | | |
| Reportable segment assets | **-** | **59,795** | **59,795** |
| Non-current assets acquired | **-** | **-** | **-** |
| **Liabilities** | | | |
| Reportable segment liabilities | **-** | **247,762** | **247,762** |

## 7. SEGMENT INFORMATION (continued)

| | CONSOLIDATED | | |
|---|---|---|---|
| **2017** | **Investment in Wavefront** | **Corporate, Mineral Exploration and Investment in Australia** | **Total** |
| | **2017** | **2017** | **2017** |
| | **$** | **$** | **$** |
| **Revenue** | | | |
| Reportable segment | **229,727** | **-** | **229,727** |
| Unallocated revenue | **-** | **-** | **184** |
| **Total revenue** | **229,727** | **-** | **229,911** |
| **Results** | | | |
| Operating profit / (loss) before income tax | **(1,331,411)** | **(272,364)** | **(1,603,775)** |
| Unallocated profit/(loss) | | | **184** |
| Income tax benefit | | | **-** |
| Net loss | | | **(1,603,591)** |
| **Non-Cash Expenses** | | | |
| Depreciation | **-** | **-** | **-** |
| Impairment of exploration expenditure | **-** | **1,673** | **1,673** |
| Impairment of investment in Wavefront | **(472,388)** | **-** | **(472,388)** |
| Impairment of loan to associate | **(1,001,004)** | **-** | **(1,001,004)** |
| **Assets** | | | |
| Reportable segment assets | **300,000** | **111,966** | **411,966** |
| Non-current assets acquired | **-** | **-** | **-** |
| **Liabilities** | | | |
| Reportable segment liabilities | **-** | **107,570** | **107,570** |

## 8. CASH AND CASH EQUIVALENTS

| | CONSOLIDATED 2018 $ | CONSOLIDATED 2017 $ |
|---|---|---|
| Cash at bank and in hand (i) | **55,496** | 94,371 |

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates. Refer note 16 (a) (iii).

## 9. OTHER RECEIVABLES

| | CONSOLIDATED 2018 $ | CONSOLIDATED 2017 $ |
|---|---|---|
| **Current** | | |
| Prepayments and advances | **4,299** | 17,595 |
| Other receivables (Loan to associate) (i) | **1,622,714** | 1,301,004 |
| Provision for loan to associate (ii) | **(1,622,714)** | (1,001,004) |
| | **4,299** | 317,595 |

(i) The loan of $950,000 plus accrued interest of $672,714 (for a total of $1,622,714) was provided to Wavefront 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 $127,286 as at 30 June 2018.

(ii) The recoverability of the loans to Wavefront is dependent on either Nemex exercising its option to increase its shareholding in Wavefront to 51% or Wavefront generating sufficient funds in its own right to repay the loans. Due to the significant uncertainty as to whether the Wavefront technology can be successfully commercialised the Board have recorded an impairment against the carrying value of the loan of $1,622,714 reducing the amount recoverable to $nil.

Refer notes 16 (b) and 16 (c) for information about the Group's exposure to credit and liquidity risk.

## 10. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | CONSOLIDATED 2018 $ | CONSOLIDATED 2017 $ |
|---|---|---|
| Exploration and evaluation costs carried forward in respect of the Exploration and evaluation phase | | |
| Balance at the beginning of the period | - | - |
| Expenditure incurred during the period | - | **1,673** |
| Exploration expenditure impaired during the period (i) | - | **(1,673)** |
| Carrying amount at the end of the period | - | - |

(i) During the year ended 30 June 2017, the Company relinquished its mineral interests in Western Australia.

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | | |
|---|---|---|
| Investment in associate | - | - |

| | | Ownership Interest | | |
|---|---|---|---|---|
| **Name of associated entity** | **Type of Equity** | **2018** | **2017** | **Balance Date** |
| Wavefront Biometric Technologies Pty Ltd | Ordinary shares | **40%** | 40% | 30 June 2018 |

*(a) Principal activities of associated company*

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

The Company has a 40% shareholding in Wavefront. Wavefront 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 Wavefront technology. Due to the significant uncertainty as to whether the Wavefront technology can be successfully commercialised the Board have fully impaired the investment in Wavefront. The Directors will continue to monitor progress on the development of Wavefront's technology.

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| *(b) Carrying amount of investment in associate - WBT* | | |
| Balance at the beginning of the financial year | - | 560,134 |
| Share of associate's net loss for the relevant period | - | (87,746) |
| Impairment of investment in associate | - | (472,388) |
| Carrying amount of investment in associate | - | - |
| *(c) Associate's summarised statement of comprehensive income - Wavefront* | | |
| Revenue | - | - |
| Loss from continuing operations | - | (219,365) |
| Other comprehensive income for the year | - | - |
| Total comprehensive loss for the year | - | (219,365) |
| *(d) Associate's summarised assets and liabilities - Wavefront* | | |
| Current assets | - | 462,301 |
| Non-current assets | - | 2,197,315 |
| Current liabilities | - | (1,478,649) |
| Net assets | - | 1,180,969 |
| *(e) Reconciliation of the above summarised financial information to the carrying amount of the interest in Wavefront recognised in the consolidated financial statements* | | |
| Net assets of the associate | - | 1,180,969 |
| Proportion of the Group's ownership interest in WBT | **40%** | 40% |
| | - | 472,388 |
| Impairment adjustment | - | (472,388) |
| Carrying amount of the Group's ownership interest in WBT | - | - |

## 12. TRADE AND OTHER PAYABLES

| | CONSOLIDATED 2018 $ | 2017 $ |
|---|---|---|
| **Current** | | |
| Trade and other payables | **227,762** | 107,570 |

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.
- Amounts owing to directors for unpaid director remuneration as at 30 June 2018 comprising $139,948 (30 June 2017: $63,388).

Risk exposure:

Information about the group's risk exposure to foreign exchange risk is provided in note 16.

## 13. SHARE APPLICATIONS RECEIVED IN ADVANCE

| | CONSOLIDATED 2018 $ | 2017 $ |
|---|---|---|
| **Current** | | |
| Share applications received in advance | **20,000** | - |

Share applications of $20,000 were banked during the period ended 30 June 2018 but were subsequently allotted in August 2018.

## 14. ISSUED CAPITAL

| | CONSOLIDATED 2018 | | 2017 | |
|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** |
| **(a) Issued and paid-up share capital** | | | | |
| Ordinary shares, fully paid | **244,925,421** | **12,054,428** | 241,325,421 | 11,982,428 |
| ***Movements in Ordinary Shares:*** | | | | |
| Opening balance | **241,325,421** | **11,982,428** | 241,325,421 | 11,982,428 |
| Issue of shares | **3,600,000** | **72,000** | - | - |
| **Closing balance** | **244,925,421** | **12,054,428** | 241,325,421 | 11,982,428 |

### (b) Share Options

No options to subscribe for ordinary shares in the Company were granted during the current period.

### (c) Performance rights

There were no Performance rights in the Company granted during the year ended 30 June 2018 or 30 June 2017.

### (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.

## 15. RESERVES

| | CONSOLIDATED 2018 $ | 2017 $ |
|---|---|---|
| Equity based compensation reserve (a) | **1,488,751** | 1,488,751 |
| Foreign currency translation reserve (b) | **234,869** | 234,869 |
| | **1,723,620** | 1,723,620 |

***(a) Equity based compensation reserve***

| | | |
|---|---|---|
| Balance at beginning of year | **1,488,751** | 1,488,751 |
| Fair value of options issued to consultants | **-** | - |
| Balance at end of year | **1,488,751** | 1,488,751 |

***(b) Foreign currency translation reserve***

| | | |
|---|---|---|
| Balance at beginning of year | **234,869** | 234,869 |
| Currency translation differences arising during the year | **-** | - |
| Balance at end of year | **234,869** | 234,869 |

***(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.

## 16. 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 operated internationally previously and is exposed to foreign exchange risk arising from currency exposure to the United States dollar.

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 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| | $ | $ | $ | $ |
| United States Dollar | **16,916** | **-** | 61,813 | - |

**(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:

## 16. FINANCIAL INSTRUMENTS (continued)

| | Note | Floating interest rate $ | Fixed interest rate $ | Non-interest bearing $ | Total $ | Weighted average interest rate % |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| ***Financial assets*** | | | | | | |
| Cash and cash equivalents | 8 | **54,940** | **-** | **556** | **55,496** | **0.18** |
| Trade and other receivables | 9 | **-** | **-** | **4,299** | **4,299** | |
| | | **54,940** | **-** | **4,855** | **59,795** | |
| ***Financial liabilities*** | | | | | | |
| Trade and other payables | 12, 13 | **-** | **-** | **247,762** | **247,762** | |
| **2017** | | | | | | |
| ***Financial assets*** | | | | | | |
| Cash and cash equivalents | 8 | 93,815 | - | 556 | 94,371 | 0.20 |
| Trade and other receivables | 9 | - | 300,000 | 17,595 | 317,595 | 20 |
| | | 93,815 | 300,000 | 18,151 | 411,966 | |
| ***Financial liabilities*** | | | | | | |
| Trade and other payables | 12 | - | 13,009 | 94,561 | 107,570 | 8.17 |

**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 $ |
| **30 June 2018** | | | | |
| Variable rate instruments | **645** | **(645)** | **645** | **(645)** |
| Cash flow sensitivity (net) | **645** | **(645)** | **645** | **(645)** |
| **30 June 2017** | | | | |
| Variable rate instruments | 1,799 | (1,799) | 1,799 | (1,799) |
| Cash flow sensitivity (net) | 1,799 | (1,799) | 1,799 | (1,799) |

**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 financial assets and liabilities approximates fair value because of their short-term maturity.

**(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.

## 16. FINANCIAL INSTRUMENTS (continued)

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.

**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 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. Refer Note 1 for further discussion on the Group's current financial position and its ability to continue as a going concern.

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<br>$ | 6 – 12 months<br>$ | Over 1 year<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Group at 30 June 2018** | | | | |
| **Financial Liabilities:** | | | | |
| **Current:** | | | | |
| Trade and other payables | **247,762** | **-** | **-** | **247,762** |
| **Total Financial Liabilities** | **247,762** | **-** | **-** | **247,762** |
| **Group at 30 June 2017** | | | | |
| **Financial Liabilities:** | | | | |
| **Current:** | | | | |
| Trade and other payables | 103,233 | 4,337 | - | 107,570 |
| **Total Financial Liabilities** | 103,233 | 4,337 | - | 107,570 |

## 17. COMMITMENTS AND CONTINGENCIES

**(a) Capital commitments**

There were no capital commitments, not provided for in the financial statements as at 30 June 2018.

**(b) Contingencies**

There were no contingent liabilities of the Consolidated Entity not provided for in the financial statements at 30 June 2018 (2017: Nil).

## 18. STATEMENT OF CASH FLOWS

| | CONSOLIDATED | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| **(a) Reconciliation of loss after income tax to net cash outflow from operating activities** | | |
| Loss after income tax | **(564,363)** | (1,603,591) |
| Add back / (subtract) non-cash items: | | |
| Impairment of investment in associate | **-** | 472,388 |
| Impairment of loan to associate | **621,710** | 1,001,004 |
| Exploration expenditure impaired | **-** | 1,673 |
| Share of net losses of associates | **-** | 87,746 |
| Net exchange differences | **1,357** | 3,351 |
| Change in assets and liabilities: | | |
| Decrease / (Increase) in receivables | **(308,413)** | (243,448) |
| Increase / (Decrease) in operating payables | **120,191** | 71,202 |
| Net cash outflow from operating activities | **(129,518)** | (209,675) |

| | CONSOLIDATED | |
|---|---|---|
| | **Share Applications Received in Advance** | **Total** |
| | **$** | **$** |
| **(b) Changes in liabilities arising from financing activities** | | |
| Balance as at 1 July 2017 | - | **-** |
| Net cash from financing activities | 20,000 | **20,000** |
| Balance as at 30 June 2018 | 20,000 | **20,000** |

## 19. KEY MANAGEMENT PERSONNEL DISCLOSURES

Mr Zhang, Mr Ding and Mr Li 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:

| | **2018** | **2017** |
|---|---|---|
| | **$** | **$** |
| Short-term employee benefits | **72,000** | 71,015 |
| Post-employment benefits | **4,560** | 4,466 |
| | **76,560** | 75,481 |

## 19. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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.

The Company's ability to raise cash at this time has made the conservation of cash paramount. Accordingly, the Board is carefully assessing options regarding ongoing funding and has agreed to suspend payment of Directors fees effective from 1 January 2017 until the Company's funding position has improved. As at 30 June 2018, director and management fees unpaid comprised $139,948 (30 June 2017: $63,388).

*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.

## 20. EVENTS OCCURRING AFTER THE REPORTING DATE

In July 2018, the Company completed a private placement to raise $20,000 from the issue of 1 million shares at $0.02 each.

Other than the above, there are no matters or circumstances that have arisen since 30 June 2018 that have or may significantly affect the operations, results, or state of affairs of the Consolidated Entity in future financial years.

## 21. PARENT ENTITY DISCLOSURES

***Financial position***

| | **2018 $** | **2017 $** |
|---|---|---|
| **Assets** | | |
| Current assets | **59,795** | 411,966 |
| Total assets | **59,795** | 411,966 |
| **Liabilities** | | |
| Current liabilities | **247,762** | 107,570 |
| Non-current liabilities | **-** | - |
| Total liabilities | **247,762** | 107,570 |
| **Equity** | | |
| Issued capital | **12,054,428** | 11,982,428 |
| Accumulated losses | **(13,731,146)** | (13,166,783) |
| Share-based payments reserve | **1,488,751** | 1,488,751 |
| Total equity | **(187,967)** | 304,396 |
| ***Financial performance*** | | |
| Net loss for the period | **(564,363)** | (1,603,591) |
| Other comprehensive income / (loss) | **-** | - |
| Total comprehensive loss | **(564,363)** | (1,603,591) |

***Contingent liabilities of the parent entity***

The parent entity did not have any contingent liabilities as at 30 June 2018.

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

For details on commitments, see Note 17.

## 22. SUBSIDIARIES

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

| | Place of Incorporation | Group's Interest 2018 | Group's Interest 2017 | Class of Shares |
|---|---|---|---|---|
| **Parent Entity** | | **%** | **%** | |
| Nemex Resources Ltd | Australia | | | |
| **Subsidiaries** | | | | |
| Nemex Ventures Pty Ltd | Australia | **100** | 100 | Ord |
| Nemex Guinea Pty Ltd | Australia | **100** | 100 | Ord |
| ***(i) Subsidiary of Nemex Guinea Pty Ltd*** | | | | |
| Nemex Guinea SARL | Guinea | **100** | 100 | Ord |

The subsidiary companies have not traded during the current and prior financial periods and do not have any assets and liabilities. The carrying value of the investments held by the parent company is $Nil.

### *(b) Risk exposure*

Refer to Note 16 for information on the Group's and parent entity's exposure to credit, foreign exchange and interest rate risk.

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 2018 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

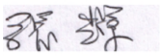
b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 2018.

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 28th day of September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

**Independent Auditor's Report to the Members of Nemex Resources Limited**

**REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

## Opinion

We have audited the financial report of Nemex Resources ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for Opinion

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

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

## Material Uncertainty Related To Going Concern

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report**.**

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

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Email: mailbox@hlbwa.com.au | Website: www.hlb.com.au

| Key Audit Matter | How our audit addressed the key audit matter |
| --- | --- |
| **Recoverable amount of investment and loan provided to Wavefront Biometric Technologies (Refer to Notes 9 & 11)** | |
| As at 30 June 2018, the Group has an investment in an associated entity together with a loan receivable.<br><br>During the year, the Group elected to impair in full the carrying value of its loan receivable resulting in an impairment loss of $621,710 for the year ended 30 June 2018. The investment was fully written down in the prior year.<br><br>We considered this a key audit matter due to its importance for the users' understanding of the financial report as a whole. | Our procedures included but were not limited to the following:<br><br>- Reviewing management's assessment of impairment indicators in relation to the loan and investment in its associate;<br>- Consideration of the current financial position and performance of the associated entity;<br>- Determining whether the impairment loss calculated by management was materially correct; and<br>- Reviewing the disclosure in the financial statements to ensure this was in accordance with accounting standards. |

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

**REPORT ON THE REMUNERATION REPORT**
**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Nemex Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

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

**M R Ohm**
**Partner**

**Perth, Western Australia**
**28 September 2018**

**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/.

**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 Executive Chairman. 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 Executive Chairman 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 Executive Chairman'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.

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 (the Company currently has no senior executives other than the directors), it has not been deemed necessary to institute a formal documented performance review program of senior executives. 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 has not yet developed 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 in the Directors' Report. Details of independent directors and length of service of each director are noted below.

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

| Director | Office held | Independent |
|---|---|---|
| Hui Zhang (appointed 21/10/2015) | Executive Chairman – from 15/12/2016 | No |
| Tao Ding (appointed 16/12/15) | Non-executive director | Yes |
| Yongjin Li (appointed 15/07/2016) | Non-executive director | Yes |

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.

Mr Zhang is the Executive Chairman, and therefore the Chairman is not an independent director. The Board considers that each of the directors possesses the skills and experience suitable to building the Company and that the current composition of the Board is adequate for the Company's current size and operations. It is the Board's intention to appoint additional directors (including an independent Chair) at a time when the size of the Group and its activities warrants such a structure.

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 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.

The shareholder information set out below was applicable as at 26 September 2018.

**Substantial shareholders**

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

| ***Shareholder*** | **Number of Shares** |
|---|---|
| Robert Liu | 30,618,756 |
| Zhaoqing Dai | 13,756,580 |
| Huang Menglong | 13,203,893 |

**Distribution of equity security holders**

| **Size of Holding** | **Ordinary Shares NXR** |
|---|---|
| 1 to 1,000 | 29 |
| 1,001 to 5,000 | 32 |
| 5,001 to 10,000 | 110 |
| 10,001 to 100,000 | 512 |
| 100,001 and over | 268 |
| | 951 |

The number of shareholdings comprising less than a marketable parcel was 307.

| | **Twenty Largest Shareholders as at 26 September 2018** | **Number of Shares** | **% Held** |
|---|---|---|---|
| 1 | PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C> | 21,985,639 | 8.940 |
| 2 | ROBERT LIU | 21,742,760 | 8.841 |
| 3 | ZHAOQING DAI | 15,741,629 | 6.401 |
| 4 | BNP PARIBAS NOMS PTY LTD <DRP> | 11,200,612 | 4.554 |
| 5 | JIANWEI WU | 8,685,512 | 3.532 |
| 6 | HUA SHEN | 7,895,912 | 3.211 |
| 7 | FLEUBAIX PTY LTD <SUPERANNUATION FUND A/C> | 7,000,000 | 2.846 |
| 8 | BIGFORD PTY LTD <BIG LIU SUPER FUND A/C> | 4,358,191 | 1.772 |
| 9 | PATRICK JOHN FLINT | 4,150,000 | 1.688 |
| 10 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 4,072,000 | 1.656 |
| 11 | CORAL BROOK PTY LTD | 4,000,000 | 1.627 |
| 12 | YUHUA CAO | 3,405,940 | 1.385 |
| 13 | LEGEND MINING LIMITED | 3,300,000 | 1.342 |
| 14 | GEORGE POLITES | 3,000,000 | 1.220 |
| 15 | VANSONY PTY LTD <THE VANSONY SUPER FUND A/C> | 2,584,060 | 1.051 |
| 16 | GEMMA LOUISE CHENU | 2,500,000 | 1.017 |
| 17 | DELLFIELD HOLDINGS PTY LTD | 2,066,250 | 0.840 |
| 18 | PAUL JURMAN AND ANGELA JURMAN <THE JURMAN SUPER FUND A/C> | 2,000,000 | 0.813 |
| 19 | MR MICHAEL THOMAS MAJOR | 2,000,000 | 0.813 |
| 20 | SUPERLONGIVITY PTY LTD <HELLMUTH SUPER FUND A/C> | 1,732,741 | 0.705 |
| | **TOTAL** | **133,421,246** | **54.254** |

**On-market buy-back**

There is no current on-market buy-back.

**Unquoted equity securities**

There are no unquoted equity securities on issue at 26 September 2018.