

NEX METALS EXPLORATIONS LTD

2011 CORPORATE GOVERNANCE STATEMENT

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

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

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

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

Explanations for Departures from Best Practice Recommendations

Principle 1: Lay solid foundations for management and oversight

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

Notification of Departure:

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

Explanation for Departure:

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

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

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

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

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

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

Principle 2: Structure of the board to add value

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

This recommendation was satisfied effective 13 September 2011, following the appointment of Mr Hock Hoo Chua to the board.

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

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

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

Mr Kasit Phistikul is a non-executive director and satisfies the tests of independence.

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

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

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

Recommendation 2.2: The chair should be an independent director

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

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

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

Recommendation 2.4: The board should establish a nomination committee

Notification of Departure:

There is no separate Nomination Committee.

Explanation for Departure:

The board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. The board currently serves the role of nomination committee. Terms and conditions of employees are negotiated by the Managing Director for recommendation to the board.

The board deals with any conflicts of interest that may occur when convening in the capacity of nomination committee, ensuring the director with conflicting interest is not party to the relevant discussions.

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

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

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

Skills, experience, expertise and term of office of each director

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

Identification of independent directors and materiality thresholds

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

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

Statement concerning availability of independent professional advice

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

Nomination matters

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

Performance evaluation

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

Selection and (re) appointment of directors

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

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

Principle 3: Promote ethical and responsible decision-making.

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

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

The Company has complied with this recommendation.

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

Recommendation 3.2: Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.

The Company has complied with this recommendation.

A copy of the Company's Securities Trading Policy is available on the Company's website.

Principle 4: Safeguard integrity in the financial reporting

Recommendation 4.1 – 4.4: Audit committee

Notification of Departure:

There is no separate Audit Committee.

Explanation for Departure:

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

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

Principle 5: Make timely and balanced disclosure

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

The Company has complied with this recommendation.

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

Principle 6: Respect the rights of shareholders

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

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

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

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

Principle 7: Recognise and manage risk

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

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

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

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

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

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

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The board should establish a remuneration committee

Notification of Departure:

There is no separate Remuneration Committee.

Explanation for Departure:

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