

Address:

Level 2, Kings Complex 533 Hay Street, Perth WA 6000, Australia

Postal: PO Box Z5428, St. George's Terrace Perth WA 6831, Australia

Phone: 61 8 9221 6813 Fax: 61 8 9221 3091 Email: admin@nexmetals.com

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Quarterly Report

Second Quarter Period Ending 31st December 2008

Highlights:

Review of the Nex Metals Projects over the last three months has been completed in order to prioritise and clarify drill targets (and commodity focus) within existing tenement holdings.

A number of opportunities to rationalise the current tenement holding has been identified and will allow a focus on those areas considered more prospective for dold mineralisation in known areas of high prospectivity.

The company recognises that potential cost cutting measures in order to preserve shareholders funds is important, while at the same time focussing on good gold assets within the company and maintaining an active review of any opportunities that may be in the market.



Although a time of uncertainty within the financial markets at present, the gold and uranium sectors are showing signs of resilience and the outlook appears positive for these metals.

The Nex review has highlighted the key gold projects within the Nex tenement holdings to comprise the Kalgoorlie West, Tampa Well, Jungle Well and Euro Projects. A summary of the key aspects and previous results returned from these projects is provided within this quarterly.

6. All of these projects are favourably located with respect to infrastructure and known gold mining areas and all contain anomalous gold results and untested targets.



Kalgoorlie West Project

The project comprises 8 granted prospecting licenses and 1 granted exploration license located approximately 8km south west of Kalgoorlie and 9km south east of the Binduli mining centre mined by extensive open pits by Croesus mining during the early to late 90s.

Nex has sampled a number of old RAB holes located within deeply weathered sediment and returned significant results from at least one RAB hole situated at 357694E, 6584122N [MGA] within P26/3121. The hole has not been clearly identified from old reports, but was probably drilled to the west to a depth of at least 60 metres in intensely weathered sediments.

Composite sample TS1006 [20m; 20–40m] returned an Au value of 1119ppb [1.12g/t] and composite sample TS1007 [2m; 40-60m] returned an Au value of 1436ppb [1.44g/t] for a total intersection of 40m at 1.28g/t.

Other anomalous samples include a 20m composite at 0.13ppm Au [Sample TS1002] and a 20m composite at 0.17g/t Au [Sample TS1010].

Kookynie Gold Project (Tampa and Jungle Well)

The Kookynie Gold Project consists of two exploration license and one small prospecting licenses (E31/712, E40/210, P40/1144) adjacent to a number of known gold occurrences. See Figure 1.

Gold mineralisation in the district is typically characterised by erratic quartz veins focused on specific brittle lithologies, such as dolerites and rhyolites, which are interpreted to have been cut by late fault structures. Numerous mineralised structures are present within the tenement areas with the recent rock chip sampling highlighting wide spread gold mineralisation.

Tampa Area

The Tampa project is located approximately 165 kilometres north-northeast of Kalgoorlie and 50 kilometres south-southeast of Leonora.

The Tampa Project consists of exploration licence E40/210 and prospecting licence P40/1144 which covers variably weathered NW-striking and easterly dipping felsic volcanics and pyroclastics and interbedded basalts and dolerites.

Mineralization is hosted by both felsic volcanics and basalt and dolerite. Mineralized structures trend around 120° -140° and dip moderately to steeply southwest. Gold mineralization occurs in thin quartz veins in zones of shearing and brecciation.



The largest gold deposit in the area is Orient Well, immediately to the west of Nex's tenements.

Small gold workings, shafts and pits, occur throughout Nex's tenements. The main zone of workings trends NW-SE, through the central south of E40/210, and is an extension of the Orient Well [Lady Helen-Grafters-Fortuna] trend to the west. Other groups of workings include the Expected Fortune group, next to the railway line in the central north of E40/210 and an unnamed group of workings

Within the area of sheet wash east of the railway line and northeast of the Expected Fortune group.

Sampling of pits and dumps at Tampa returned gold values of up to 14.63g/t. The gold is probably coarse grained as resplits produced variable results. Sample EFR1034 returned an initial value of 2.53 g/t Au; additional analyses returned values of 18.27g/t and 1.08g/t.



Figure 2: Location of Nex tenements, Kookynie Gold Project

Discussion of Results: Tampa

Gold workings in Nex's Tampa tenements indicate the presence of widespread gold mineralization and sampling has returned a large number of highly anomalous gold results over an extended strike length of greater than one kilometre. Higher gold values [greater than 1g/t] indicate two zones of mineralization, a NW-trending zone through the centre of the area [the "Grafters" trend] and a NW-trending zone through the north of the area [the "Expected Fortune" trend]. Economic mineralization may be present with systematic aircore drilling now required to test the zones of workings and recently identified gold anomalous trends.



Sampling of a 400 metre long zone of gold workings in schists near the contact with the eastern granitoid returned anomalous values, of up to 3.11g/t, accompanied by elevated values of arsenic and lead. The zone is open to the north and south.

The west of the licence covers weathered schistose felsic volcanics and minor mafic rocks, basalt and dolerite. The east of the licence is underlain by granitoid of the Cement Granitoid Complex. Small gold workings in felsic and mafic schist extend for approximately 500 metres sub-parallel to the boundary with the eastern granitoid, about 1 kilometre north of the Kookynie –Yerilla road. There are no other known workings in the tenement area.



Figure 3: Tampa Sample Locations and gold results greater than 1.0 g/t Au.



Nex Jungle Well Work

Rock chip, dump and soil samples have been collected from within the tenements and from around the gold workings. Rock chip sample locations are shown on Figure 3 and Figure 4. Rock samples taken from pits and dumps along the gold workings confirmed the presence of mineralization, returning values of up to 3.11g/t from along a strike length of approximately 400 metres.



Figure 4: Jungle Well, E31/712, Outcrop Geology and Target Areas and Sample Locations



Discussion of Results: Jungle Well

The work by Nex has outlined a zone of anomalous Au mineralization over 500 metres long with gold values of up to 3.11g/t, from over 400 metres of strike accompanied by moderately anomalous values of As and Pb. The workings are a clearly identified gold target (See Figure 4) that could be quickly evaluated by RAB drilling. Further rock chip sampling is recommended to better evaluate the base metal potential of the licence.



Figure 5: Detail Location of Jungle Dam Sampling



Euro Project

The Euro Project comprises 6 tenements located approximately 10 kilometres south of Laverton. They cover a sequence of predominantly sedimentary rocks with subordinate BIFs, Cherts and minor ultramafic rocks. A number of major structures are interpreted from the regional mapping data which transect the tenements with minor outcrop over much of the tenement area. The majority of the tenements are situated on the Craggiemore-Euro gold trend, a regional zone of significant gold anomalism.

A total of 48 rock chip samples were collected from the tenement areas with 7 samples returning greater than 1 g/t Au, up to a maximum of 17 g/t Au from adjacent to some old workings.

Within Nex's tenements gold mineralisation is present in several settings: associated with banded iron formation within mafic schist, in quartz veins in mafic schist, particularly near the major regional contact between mafic schists and sediments and along the contact with an intrusive quartz feldspar porphyry. In addition there are large areas of alluvial gold scraping with no obvious gold source.

In summary:

P38/3182-3184

A total of 26 rock chip samples were collected from P38/3182-3184 with a maximum value of 14.55 g/t Au being returned from a sample of mafic schist +/- quartz veining collected from a small group of historic workings in the central north sector of E38/3182.

Eight samples were taken from within an area of old alluvial gold scrapings within P38/3183 where sheared sediments were identified. The samples returned a peak gold value of 0.34 g/t Au and anomalous pathfinders such as arsenic and antimony.

P38/330-3301

A total of 16 rock chip samples were collected from areas adjacent to the historic First Find workings with a maximum value of 17.17 g/t Au being returned from an old mining dump adjacent to old workings. Five samples returned values greater than 1 g/t Au and have highlighted a gold mineralised trend over approximately 100m metres of strike.

P38/3299

A total of 6 samples were collected from P38/3299 of weathered banded iron and mafic schists and all returned weakly anomalous gold values.



Discussion of Euro Results

Rockchip and dump sampling at the Euro licenses has confirmed the presence of gold mineralisation in several locations. Bedrock gold mineralisation was identified within the area of alluvial workings in P38/3183 and represents an untested gold target. High gold values of up to 14.55 g/t Au were returned from samples collected from the workings in the central north of P38/3182. These workings are located along strike from gold mineralisation intersected in RAB drilling by a previous explorer (12m @ 1.23 g/t Au) in the southern sector of P38/3182. The zone between the workings and the previous RAB drilling has not been previously tested and represents a prime gold target. In addition the mineralised zones at depth in the vicinity of the shallow RAB drilling has not been tested and deeper drilling beneath the saprolite and weathered bedrock is a priority.

Within P38/3300 dump samples of mafic schist and quartz veins from the First Find workings returned gold values of up to 17.17 g/t Au. The gold mineralisation is accompanied by slightly elevated values of Mo and Sb and highlights this area as a main target for high grade gold mineralisation. To the north of the outcropping gold mineralisation the target zone is largely soil and alluvial covered with scope to extend the known anomalous zone an additional 200m metres to the north. Systematic soil sampling is this area is now needed to identify the anomalous zones prior to drilling.

A number of plans are presented below to illustrate the results returned.











Figure 7: Detail Euro Rock Chip Results, Gold (g/t Au)





Figure 8: Detail Euro Rock Chip Results, Gold (g/t Au)



Reef Dam (E25/320)

The Reef Dam project is located approximately 55 kilometres east of Kalgoorlie and 12 kilometres north of the Transfind gold mine and consists of one exploration licence E25/320.

The licence covers north-northwest trending banded chert and sediments, felsic volcanics and basalt. Exposure is good through much of the licence except in the north where bedrock is obscured by lake sediments.

Banded cherts form prominent ridges extending along the west of the licence. The banded cherts cap a sequence of felsic volcanics to the west of the licence. The felsic volcanics are poorly exposed west of the cherts. The centre of the licence is dominated by basalt. Weathered sediments are exposed in the southeast of the licence. A thin belt of felsic volcanics, up to 400 metres wide, trends parallels the banded cherts but is bounded to the east and west by basalt.

In the extreme south of the licence basalt is concealed by laterite. Minor isolated knolls of laterite and ironstone are present within the lake in the north of the licence.

Work Completed

Twenty eight [28] rock chip and dump samples were collected from within the tenements during the previous quarter and submitted for multielement analysis. No significant results were returned from the sampling and further work will be carefully considered.

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Tom Percy QC Chairman

The information in this report that relates to Exploration and Geological Work and Concepts is based on information compiled by Simon Coxhell, who is a member of the Australian Institute of Mining and Metallurgy and is a consultant of the Company. Mr Coxhell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Coxhell consents to the inclusion in the report of the matters based on information in the form and context in which it appears.