

Nex Metals Explorations Limited

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2009

Interim Financial report for the half-year ended 31 December 2009

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Corporate Directory

DIRECTORS

Thomas F Percy
Ken Allen
Horst Prumm
Kasit Phisitkul

COMPANY SECRETARY

Ken Allen

PRINCIPAL OFFICE

Unit 2, 42 Terrace Road
EAST PERTH WA 6004

REGISTERED OFFICE

Unit 2, 42 Terrace Road
EAST PERTH WA 6004

AUDITORS

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

STOCK EXCHANGE LISTING

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

Directors' report

The directors of Nex Metals Explorations Ltd submit herewith the financial report for the period to 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name

Thomas F Percy
Kenneth M Allen
Horst Prumm
Kasit Phisitkul

Operating Results

The operating loss of the company for the period after providing for income tax amounted to \$2,332,487 (Loss of \$1,209,906).

Review of operations

Phase 1 - Swift Low Cost Gold Production

- Initial Gold Mineral Resource Estimate of the Phase 1 Orient Well Laterite
- Interim Metallurgical Results

Phase 2 - Optimisation of previously mined shallow open pits.

- Mineral Resource Estimate for Phase 2 of the Kookynie Gold Project - 17.24Mt @ 1.0g/t for 574,000 Gold Ounces.
- Nex Metals Targets 100,000 ounce p/a gold production Kookynie Gold Project

Phase 3 - Development of an Underground Goldmine with Longevity of ore supply.

- Diamond drilling beneath the historical Cosmopolitan Goldmine Kookynie has intersected visible gold.

General

- Nex Metals Purchases Additional Leases in the Kookynie Goldfield
- Euro Tenement Sale.

Phase 1 - Swift Low Cost Gold Production

- **Initial Gold Mineral Resource Estimate of Phase 1 Orient Well Laterite Gold Project (OWL) Kookynie Gold Project (100% Nex).**

Nex Metals completed initial drilling at the OWL Hellman and Schoefield (H&S), Resource Consultants of Perth, were commissioned to provide an independent Mineral Resource estimation consistent with Joint Ore Reserve Committee (JORC) of the OWL resource.

The Orient Well Laterite Gold Project is Phase 1 of Nex's 100% owned Kookynie Gold Project.
The results are as follows;

OWL - Resource Estimate - using a lower grade cut off of 0.25g/t Au

| Material type | Indicated | | | Inferred | | | Total | | |
|---------------|----------------|-------------|---------------|------------------|-------------|---------------|------------------|-------------|---------------|
| | Tonnes | Au g/t | Ounces | Tonnes | Au g/t | Ounces | Tonnes | Au g/t | Ounces |
| Laterite | 665,714 | 0.53 | 11,267 | 1,171,953 | 0.41 | 15,347 | 1,837,666 | 0.45 | 26,614 |
| Total | 665,714 | 0.53 | 11,267 | 1,171,953 | 0.41 | 15,347 | 1,837,666 | 0.45 | 26,614 |

- Assumed bulk density values laterite =2.25
- Assumed recovery and no supportive QAQC
- No top cut of grades
- Density of drilling is sporadic and zoned
- Assumed geological continuity
- Resource category contingent on all of above mentioned points assumed to be of highest industry standards
- H&S are competent persons for the resource estimation only, all references to data, data quality and integrity (inclusive but not limited to the above mentioned points) are the competency of Nex Metals Explorations representatives.

Nex Metals are fast tracking gold production from its wholly owned Kookynie Gold Project. The recent successful metallurgical test work combined with this H&S resource assessment shows that Phase 1 is taking shape as a viable gold mining opportunity that can be exploited very quickly.

The scoping study is completed and mining proposals have been lodged with both the Department of Minerals and Petroleum (DMP) and the Department of Environment and Conservation (DEC).

Figure 1 Layout plan showing the grade control drilling OWL.

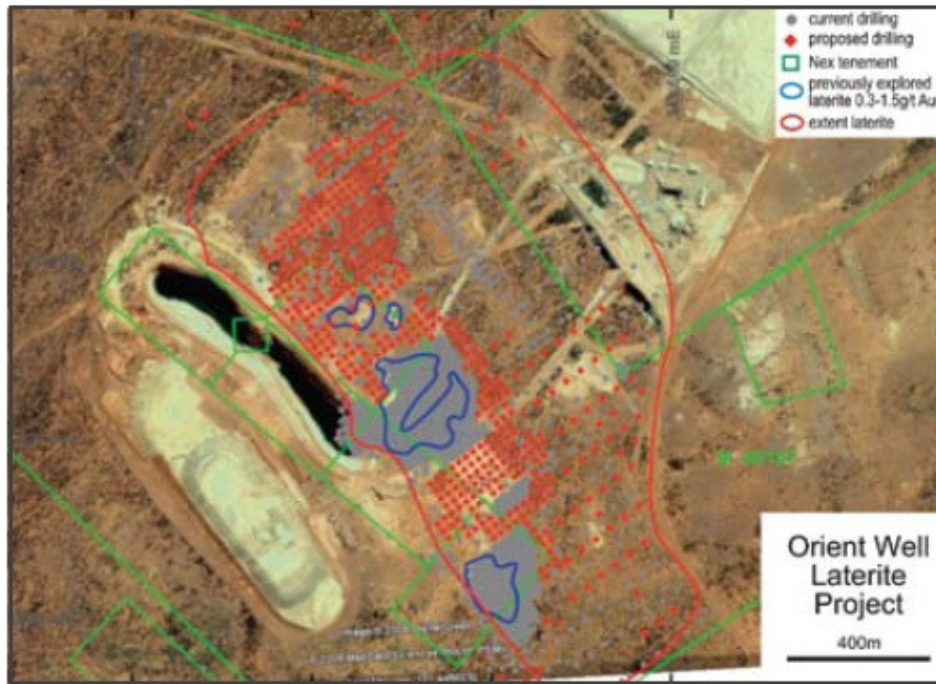
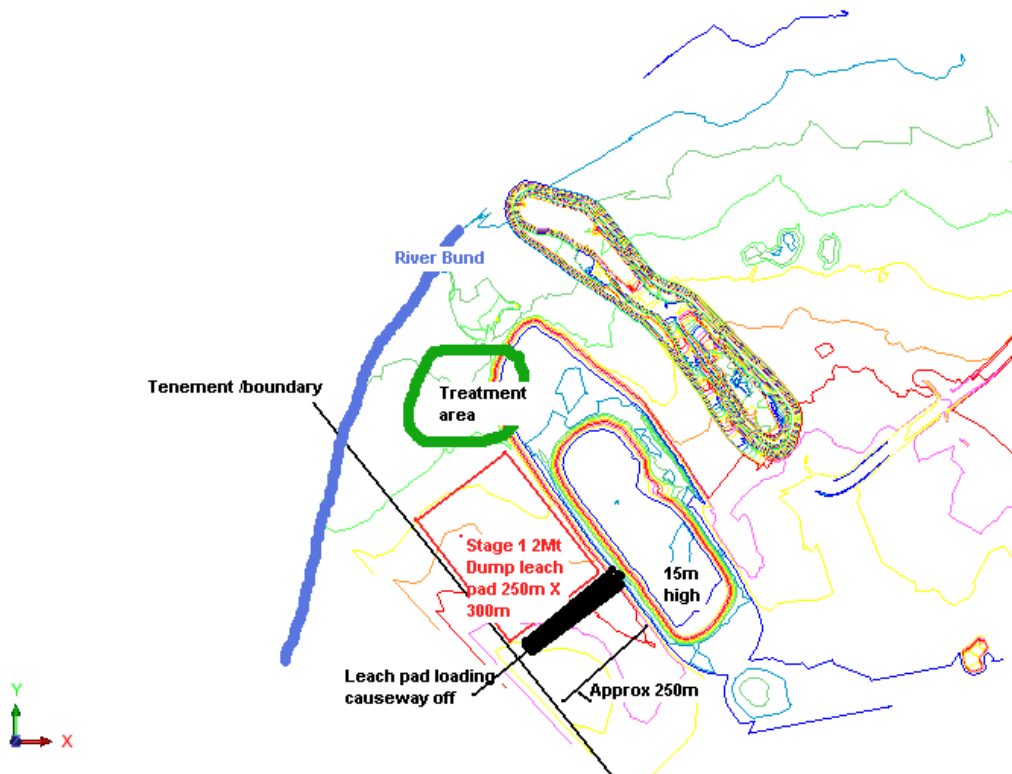


Figure 2 Layout plan showing the treatment footprint OWL.



Phase 1 - Swift Low Cost Gold Production

- **Interim Metallurgical Results – Orient Well Laterite Phase 1 - Swift Low Cost Gold Production, OWL Dump Leach.**

Additional metallurgical testing, a follow up to the preliminary column testing, reported to the ASX October 19 - 2009, has provided excellent gold recovery results at the 75 day mark. Nex has asked the consultants to extend the trial for an additional 15 days to a total of 90 days. This column test is the best indicator of dump performance as a large parcel of ore has been used in a wide column.

Fluid Flow Rates & Slumpage

The laterite dump leach test samples indicated excellent percolation fluid flow rates of leach solution with an insignificant slumpage.

The ore is a typical “Friable Goldfields Iron Laterite” on the surface with no waste to remove prior to mining the ore stripping ratio which will be, once blasted, very cheap to mine.

The percolation test indicates that normal mining activities will lead to a natural dump slumpage of around 5%. This means the dump can be built higher with, less environmental ground disturbance and lower treatment infrastructure costs.

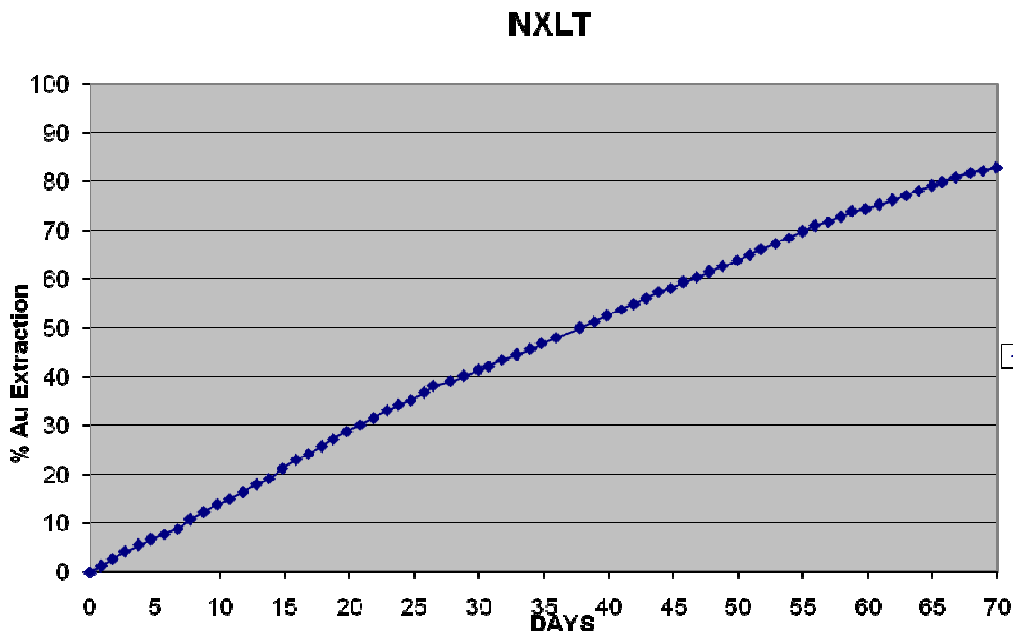
Cyanide Consumption and Base & Transitional Metals

The consumption rate of cyanide averages around 1.2kg per tonne of ore.

The leach solutions are relatively clean of base and transitional metals with only traces of copper & nickel leaching into solution early in the cycle.

The planned lime additions on the leach pads combined with good quality raw water, indicate that leach solutions should have minimal treatments for scaling through the irrigation and processing pipes. Adsorption onto and the subsequent treatment of carbon should be relatively interference free and treatment costs will be at a minimum.

Diagram 1 Column Leach results from continuing metallurgy test work.



Phase 2 - Optimisation of previously mined shallow open pits.

- **The Mineral Resource Estimate for Phase 2 of the Kookynie Gold Project has increased to 17.24Mt @ 1.0g/t for 574,000 Gold Ounces**

Mineral Resource Estimates on an additional 3 prospects in Phase 2 of the Nex Metals 100% Kookynie Gold Project has been completed by independent consultants Hellman and Schoefield of Perth W.A.

A breakdown of the total resources for Phase 2 of the Nex Metals 3 Phase Plan for Growth are summarised on table 1 below. Note the highlighted resource estimates are those recently completed.

Table 1 The Nex Metals Phase 2 Mineral Resource Inventory as at 02/12/2009

| <i>Resource summary at a 0.5g/t cut-off grade</i> | | | | | | | | | |
|---|--------------|-------------|----------------|-------------|------------|----------------|--------------|------------|----------------|
| Deposit | Indicated | | | Inferred | | | Total | | |
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Admiral | 2.61 | 1.22 | 102,000 | 0.83 | 1.0 | 27,000 | 3.44 | 1.2 | 129,000 |
| Butterfly | 1.85 | 1.12 | 67,000 | 0.86 | 1.0 | 27,000 | 2.71 | 1.1 | 94,000 |
| Clarke | 0.68 | 1.18 | 26,000 | 0.13 | 0.9 | 4,000 | 0.81 | 1.1 | 29,000 |
| Red Lake | 0.15 | 1.33 | 6,000 | 0.20 | 1.2 | 8,000 | 0.35 | 1.2 | 14,000 |
| King | 1.48 | 0.80 | 38,000 | 0.15 | 0.7 | 3,000 | 1.63 | 0.8 | 42,000 |
| Danluc | 0.48 | 1.01 | 16,000 | 0.13 | 0.9 | 4,000 | 0.61 | 1.0 | 20,000 |
| Subtotal | 7.25 | 1.09 | 255,000 | 2.30 | 1.0 | 73,000 | 9.55 | 1.1 | 328,000 |
| Orient Well Main | 4.15 | 1.03 | 137,000 | 0.84 | 1.0 | 28,000 | 4.99 | 1.0 | 165,000 |
| Puzzle Extension | 1.93 | 0.93 | 58,000 | 0.76 | 0.9 | 23,000 | 2.70 | 0.9 | 81,000 |
| Total | 13.33 | 1.05 | 450,000 | 3.90 | 1.0 | 124,000 | 17.24 | 1.0 | 574,000 |

| <i>Resource summary at a 1.0g/t cut-off grade</i> | | | | | | | | | |
|---|-------------|-------------|----------------|-------------|------------|---------------|-------------|------------|----------------|
| Deposit | Indicated | | | Inferred | | | Total | | |
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Admiral | 0.91 | 1.90 | 55,000 | 0.16 | 1.8 | 9,000 | 1.07 | 1.9 | 65,000 |
| Butterfly | 0.61 | 1.81 | 35,000 | 0.24 | 1.5 | 11,000 | 0.85 | 1.7 | 47,000 |
| Clarke | 0.20 | 1.80 | 12,000 | 0.01 | 1.7 | 1,000 | 0.21 | 1.8 | 12,000 |
| Red Lake | 0.06 | 2.12 | 4,000 | 0.07 | 2.0 | 4,000 | 0.13 | 2.1 | 8,000 |
| King | 0.27 | 1.28 | 11,000 | 0.01 | 1.3 | 1,000 | 0.28 | 1.3 | 11,000 |
| Danluc | 0.08 | 1.79 | 5,000 | 0.03 | 1.5 | 1,000 | 0.11 | 1.7 | 6,000 |
| Subtotal | 2.13 | 1.78 | 122,000 | 0.52 | 1.6 | 27,000 | 2.65 | 1.8 | 149,000 |
| Orient Well Main | 1.10 | 1.78 | 63,000 | 0.20 | 1.9 | 12,000 | 1.30 | 1.8 | 75,000 |
| Puzzle Deep | 0.46 | 1.52 | 22,000 | 0.17 | 1.7 | 9,000 | 0.63 | 1.6 | 32,000 |
| Total | 3.69 | 1.75 | 207,000 | 0.89 | 1.7 | 48,000 | 4.58 | 1.7 | 256,000 |

Resource summary at a 1.5g/t cut-off grade

| Deposit | Indicated | | | Inferred | | | Total | | |
|------------------|-------------|-------------|---------------|-------------|------------|---------------|-------------|------------|----------------|
| | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces | Mt | Au g/t | Ounces |
| Admiral | 0.36 | 2.50 | 29,000 | 0.05 | 2.6 | 4,000 | 0.41 | 2.5 | 33,000 |
| Butterfly | 0.21 | 2.58 | 18,000 | 0.06 | 2.1 | 4,000 | 0.27 | 2.5 | 21,000 |
| Clarke | 0.08 | 2.40 | 6,000 | - | 0.0 | - | 0.08 | 2.4 | 6,000 |
| Red Lake | 0.03 | 2.84 | 2,000 | 0.03 | 2.8 | 3,000 | 0.06 | 2.8 | 5,000 |
| King | 0.02 | 1.72 | 1,000 | - | 0.0 | - | 0.02 | 1.7 | 1,000 |
| Danluce | 0.01 | 2.70 | 1,000 | - | 0.0 | - | 0.01 | 2.7 | 1,000 |
| Subtotal | 0.71 | 2.49 | 57,000 | 0.14 | 2.5 | 11,000 | 0.85 | 2.5 | 67,000 |
| Orient Well Main | 0.42 | 2.50 | 33,000 | 0.08 | 2.9 | 7,000 | 0.49 | 2.6 | 40,000 |
| Puzzle Deeps | 0.12 | 2.16 | 8,000 | 0.05 | 2.5 | 4,000 | 0.17 | 2.3 | 13,000 |
| Total | 1.25 | 2.44 | 98,000 | 0.27 | 2.6 | 22,000 | 1.51 | 2.5 | 120,000 |

Numbers in this table may not sum due to rounding errors

Significant figures do not imply an added level of accuracy

Phase 2 - Optimisation of previously mined shallow open pits.

- **Nex Metals Targets 100,000 ounce p/a gold production Kookynie Gold Project**

As a consequence of the recent JORC Resource Estimate for Phase 2, part of the Nex Metals 3 Phase Plan for Growth (refer above), the directors of Nex Metals have devised a plan whereby gold production can be aggressively and inexpensively expanded to 100,000 ounces of gold per annum.

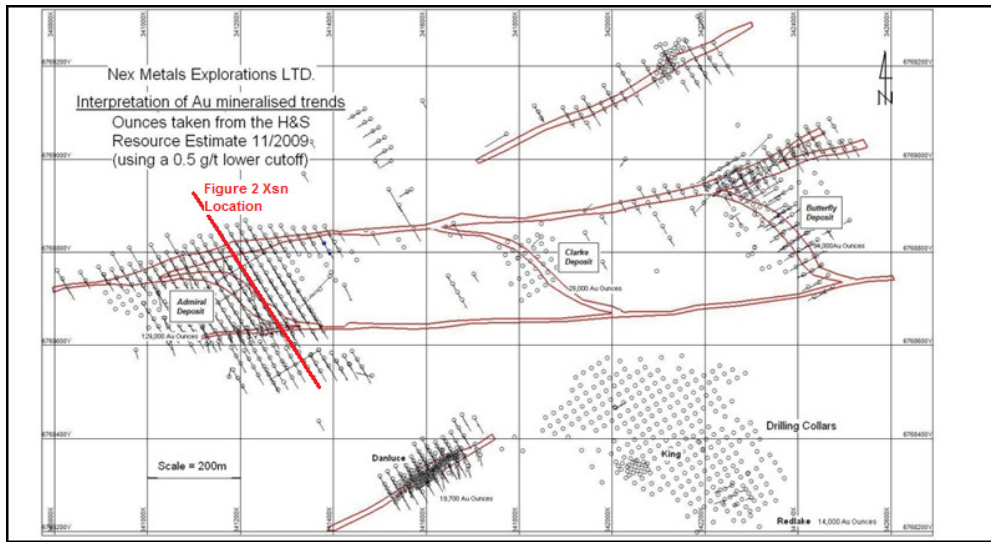
The Phase 1, Orient Well Dump Leach Swift Lowcost Gold Production which will pour approximately 15,000 ounces gold per annum starting from the 2nd half 2010, awaits DMP and DEC approval prior to commissioning early 2010.

The plan to produce 100,000 ounces of gold per annum is now on the drawing board.

This will require successful completion of a detailed scoping study, however once completed, the Nex plan ensures the company can move swiftly and cheaply into the ranks of a mid tier gold producer with costs at the lower end of the production scale.

Nex believe there is potential to increase these resources along strike and down dip. The existing resources have been drilled by close spaced (20m X 20m) reverse circulation (RC) drilling and the resources are from the surface to 120metres depth as a series of horizontally stacked lodes.

Figure 3 Plan of Admiral - Butterfly drilling, note the undrilled areas.



The plan to expand gold production to 100,000 ounces per annum

- Mine 2.25 million tonnes of ore per annum from the Admiral Butterfly area. The tonnage is comprised of 2.0 Mt of lower grade 0.86 which will go on to a heap leach and 250,000 tonnes @ 3.0 g/t (or thereabouts) which will go into a 500,000 tonne per annum CIP / CIL gold treatment plant.
- Mine 2.25 million tonnes of ore per annum from the Orient Well area. The tonnage is comprised of 2.0Mt of lower grade 0.86 which will go on to a heap leach and 250,000 tonnes @ 3.0 g/t (or thereabouts) which will go into a 500,000 tonne per annum CIP / CIL gold treatment plant.
- **Calculations**

A basic assumption is how much of the resource is going to be economical to mine. Independent consultants have been commissioned to calculate this, however Nex will require a minimum 2 year mine life as an initial go ahead point for this project, therefore we use 9 MT @ 1.1g/t.

A ratio proportion exercise $9\text{Mt} @ 1.1 = 8\text{Mt} @ 0.86 \text{ (HL)} + 1\text{Mt} @ 3.0\text{g/t (CIL)}$

An estimate of gold yield potential is as follows;

Heap Leach (HL) per annum

4,000,000 tonnes @ 0.86 g/t with 58% recovery = 64,000 ounces of gold

CIP / CIL (CIL) per annum

500,000 tonnes @ 3.0 g/t with 92% recovery = 44,000

Total = 110,000 ounces of gold production potential.

- **Salient Points**

Existing Additional Phase 2 prospects not included, to be evaluated

Potential for extension to resources reported to the ASX

Initial Preliminary Metallurgical Test Work Positive for Heap Leach

Historical gold produced in the Kookynie district is free milling.

An abundance of quality raw water.

Significant infrastructure already in place.

Central location easy access.

- **Existing Additional Prospects to be evaluated**

The recent Resource Estimate for Phase 2 has a calculated 12.3Mt at 1.1 g/t for 432,000 ounces of gold from surface to a maximum depth of 120 metres. In addition to the quoted Resource Estimates are a host of smaller resources, Danluce, King, The Hanging Wall Lode and the East Lode. All are drilled with RC, some are close spaced to 20m X 20m. These resources will also be included when a comprehensive optimisation is completed.

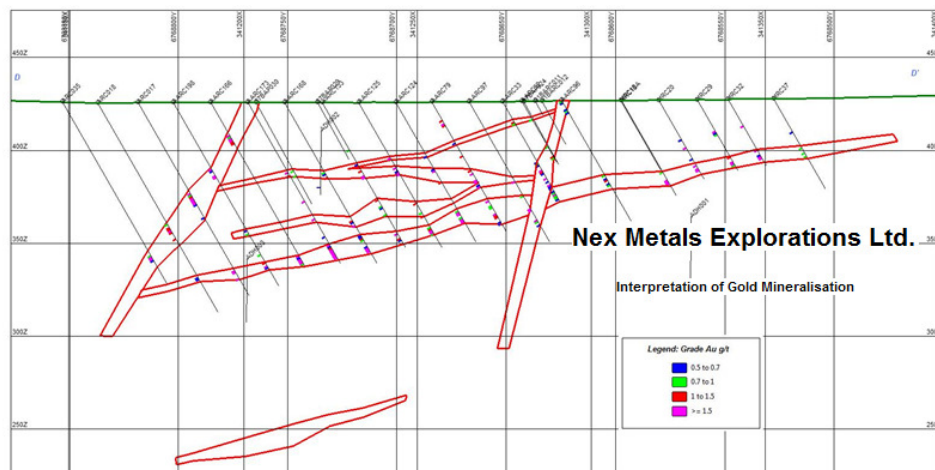
- **Potential for extension to resources reported to the ASX**

The resource estimate is based on existing close spaced RC drilling (20 X 20 refer figure 1). The mineralization occurs as flat dipping $\leq 30^\circ$ lodes in a rhombahedral ladder arrangement.

Horizontal lode repetitions are noted and appear to occur within approximately 30 to 40 vertical metres intervals. They are bounded by peripheral sub vertical mineralised faults (refer figures 1&2). This means increasing depth could have less of a negative impact on stripping ratios and economics. The gold mineralization is open along strike, within the Nex tenements and down dip (refer figures 1&2).

The Kookynie dataset is comprised of roughly 17,000 drill holes with only 120 of these drilled deeper than 100 metres beneath the natural surface.

Figure 4 A cross section on the eastern periphery of the Admiral prospect. Note the close spaced yet quite shallow drilling.



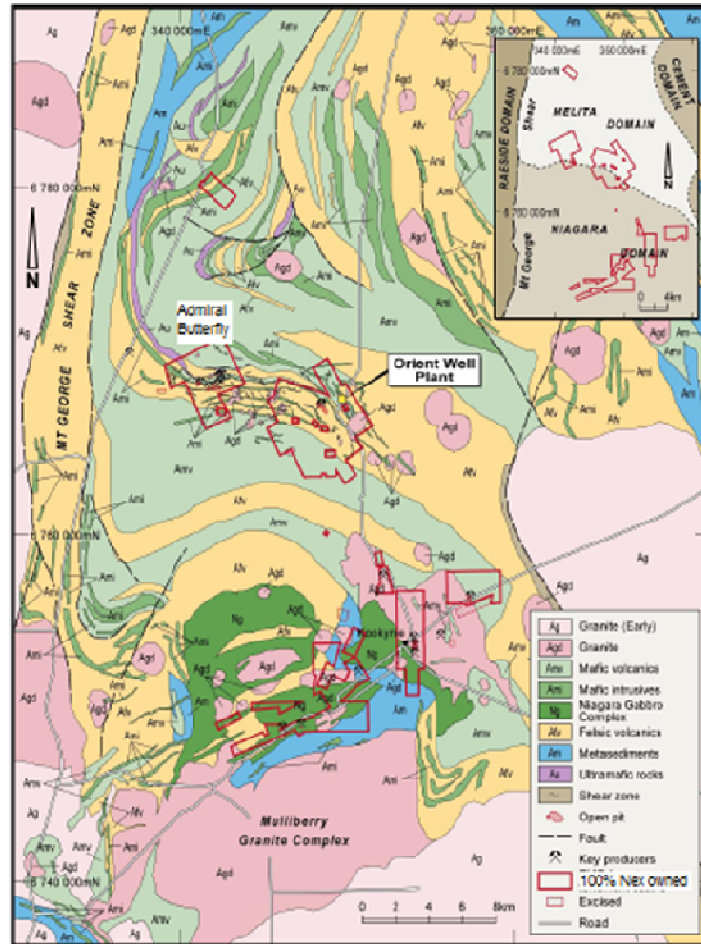
Initial Metallurgical Test Work Positive for Heap Leach

Preliminary metallurgical test work, reported to the ASX July 2009, indicated the mineralised rocks displayed excellent leach characteristics. The results of these 2 tests is 58% and >68% recoveries on 2.4 g/t gold rich rock. The reason for the excellent metallurgical recoveries is the geology and how the gold mineral was deposited.

The geology consists of E-W trending Dolerite dykes in Archaean volcanic rock (refer figure 5). The Dolerite, very similar in chemistry to the Kalgoorlie Dolerites, display brittle deformation whereby the volcanic has a more ductile deformation.

In simple terms when the late stage structures with gold fluids came smashing through the rocks, the harder Dolerites were fractured and opened, like brittle glass, depositing quartz and minerals (gold) in the fracture spaces. The same structures passed through the softer Volcanic rock which smeared and sheared, more like a plasticine, depositing lower grade gold mineralisation.

Figure 5 Location and geology of the Phase 2 Orient Well and Admiral Butterfly.



Historical gold produced in the Kookynie district is free milling.

All metallurgical test work to date has confirmed that the Admiral Butterfly and Orient Well gold is free milling.

An abundance of quality raw water.

In addition to an established bore field which previously supplied the Orient Well mill @ 1.2Mt p/a there is a large source of almost potable (9,000 tds, 8.7ph) water remaining in the bottom of the current open pits.

Significant infrastructure already in place.

Much of the required infrastructure is already in place. This will significantly reduce start up capital requirements.

The Kookynie Gold Project currently has;

- a 40 man camp, on a site which previously hosted a 120 man camp
- established network of haul roads in excellent condition
- an operational bore field with all plumbing
- office facilities with telephone and internet

Central location, easy access.

The project is located in the Menzies Shire approximately 200km north of Kalgoorlie on the bitumised goldfields highway. The Phase 2 areas are located within 9km to the east of the highway on an all weather access.

The board of Nex Metals Explorations Ltd believe this ambitious, aggressive and realistic approach to exploitation of an underrated asset will provide long term dividends to Nex shareholders.

Phase 3 - Development of an Underground Goldmine with Longevity of ore supply.

- **Diamond drilling beneath the historical Cosmopolitan Goldmine Kookynie intersects visible gold.**

The Cosmopolitan Goldmine produced approximately 320,000 ounces of gold at an average grade of 16g/t prior to 1912 and, with the onset of “the great war” production declined and the mine was closed.

Nex Metals Explorations Ltd is the first company to drill beneath the historical workings. The diamond drilling program was started in September 2009.

The visible gold was intersected at 340 metres depth in the third and deepest of the 3 diamond drill holes completed to date. The hole was programmed and achieved an intersection on the lode approximately 75 metres south of the periphery of the historical workings.

The diamond drill hole intersected one metre of mylonitised quartz veined intermediate volcanic sediments followed by 3 metres of quartz reef.

The core is being lithologically and structurally logged then it will be cut and assayed.

Drilling is planned to intersect targets both above and below this strongly mineralised intercept. Assay results for this and other intersections should become available in approximately 2 to 3 weeks.

Nex Metals has purchased an additional 4 Mining Leases and 8 Prospecting Leases in the Kookynie Goldfield.

Most of the tenements in the package have historical production and, although only small in scale the grade was sometimes a bonanza, refer Homeward Bound 205 tonnes treated for 674 ounces produced.

Table Of Historical Production from newly acquired leases

| Lease Name | Tons Produced | Ounces Produced |
|-------------------|---------------|-----------------|
| Britannia | 15,951 | 13,839 |
| Homeward Bound | 205 | 674 |
| Star | 147 | 60 |
| Eldorado | 110 | 105 |
| Pride of Kookynie | 18 | 12 |
| Birmingham | 25 | 9 |
| Pearly Button | 314 | 86 |

- **Euro Tenement Sale**

The Euro Project, a Nex tenement package consisting of 6 non contiguous prospecting leases, has been sold to Crescent Gold for the consideration of \$120,000. This is the latest step in the process of rationalising the tenement package which started with the onset of Global Financial Crisis.

Nex Metals is focused on developing the Kookynie and Yundamindera Gold Projects to a producing status ASAP and as such will continue to rationalise its non-core assets.

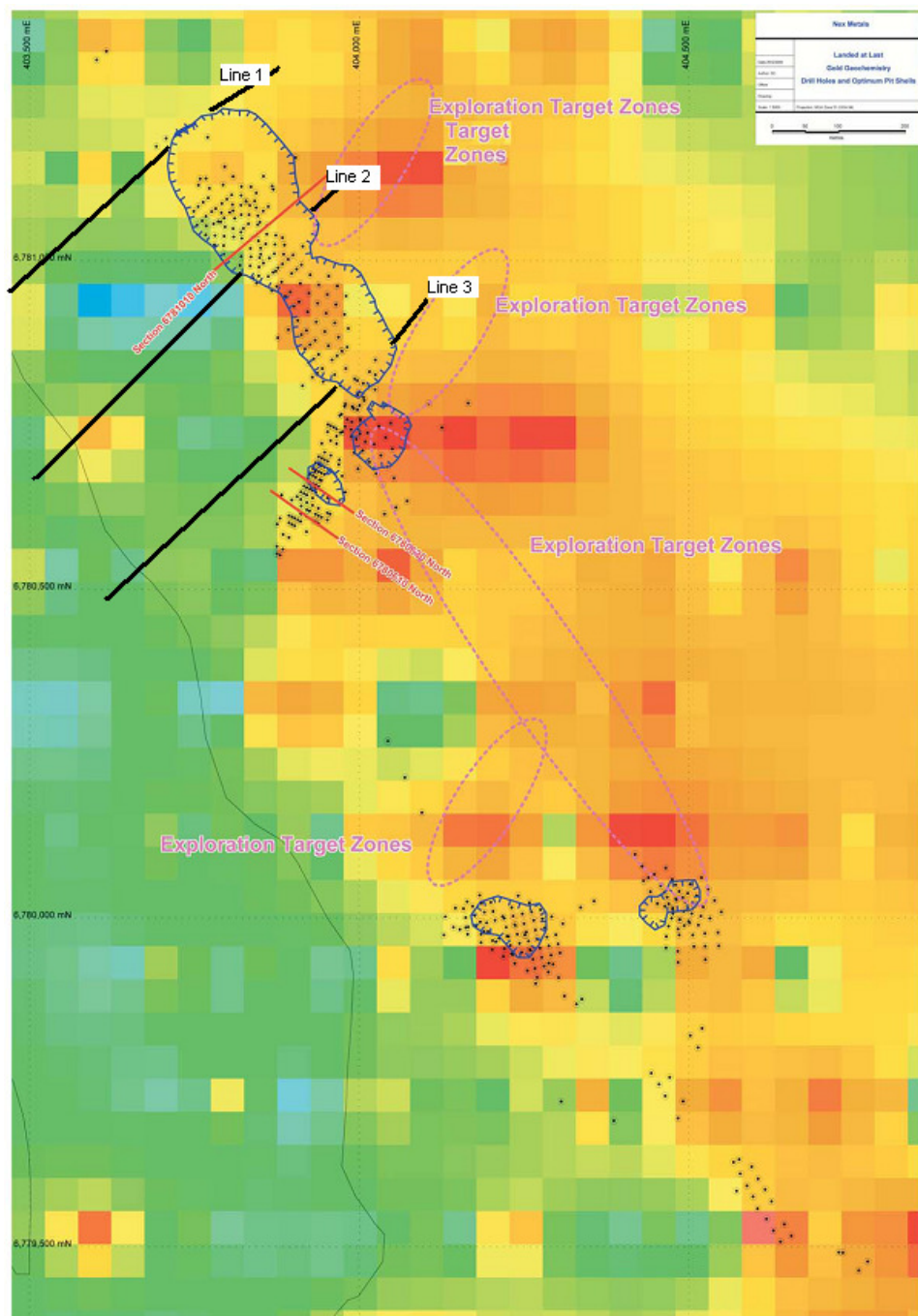
Yundamindera Gold Project – Nex Earning 70%

Rotary Air Blast (RAB) drilling Landed at Last West

A program of RAB drilling was completed during the quarter at the Yundamindera Gold Project.

The drilling lines of drilling @ 400 X 25m spacing covered approximately 800 metres of strike to the west of the Landed at Last pit (refer diagram below)

Figure 7 Geochemical Plan of the Landed At Last Area of the Yundamindera Gold Project



The drilling was also designed to test for the following

- Mineralization on a Granite – Mafic lithological contact, at surface and at the water table.
- Hanging wall and footwall lodes associated with the Landed at Last gold prospect.
- Minor gold anomalies found in previous geochemical sampling to the west, and, up hill from the Landed at Last Gold Prospect.

The holes were drilled to a targeted depth of 40m.

Weakly anomalous mineralisation was encountered in approximately 4 holes. These holes were close to and within the Landed at Last prospect.

Nex Metals believes that although this drilling encountered no gold mineralisation the drilling has provided excellent sterilisation of an area with enough size to host a potential heap leach pad and waste dump location.

Auditor's independence declaration

The auditor's independence declaration is included on page 19 of the half-year financial report

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Ken Allen', with a long horizontal flourish extending to the right.

Ken Allen
Managing Director
16 March 2010

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsml.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nex Metals Explorations Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

J A KOMNINOS
J A KOMNINOS
Partner

Perth, WA
Dated: 16 March 2010

RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

NEX METALS EXPLORATIONS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nex Metals Explorations Limited ("the company") which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Nex Metals Explorations Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence


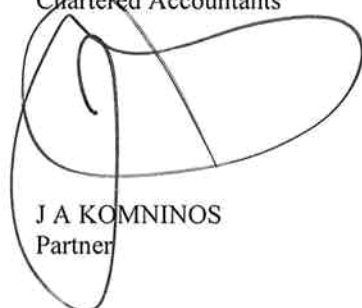
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nex Metals Explorations Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Perth, WA
Dated: 16 March 2010


RSM BIRD CAMERON PARTNERS
Chartered Accountants

J A KOMNINOS
Partner

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 23 to 28 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Ken Allen
Director

Date: 16 March 2010

Statement of Comprehensive Income For the half-year ended 31 December 2009

| | Note | 31 December 2009 \$ | 31 December 2008 \$ |
|--|------|---------------------------|---------------------------|
| Revenue | | 7,589 | 89,862 |
| Gain on foreign exchange currency | | 2,262 | 48,153 |
| Other income | | 16,745 | - |
| Occupancy expenses | | (20,476) | (5,335) |
| Administration expenses | | (196,860) | (88,635) |
| Consultants expenses | | (118,397) | (71,921) |
| Depreciation | | (76,363) | (7,898) |
| Employment and contractor expenses | | (387,790) | (229,578) |
| Travel expenses | | (50,975) | (44,536) |
| Exploration and evaluation expenses | | (1,403,222) | (191,014) |
| Impairment of exploration asset | | (782,500) | (709,004) |
| Loss on sale of exploration project | | (105,000) | - |
| Loss from continuing operations before income tax expense | | (3,114,987) | (1,209,906) |
| Income tax expense | | - | - |
| Loss from continuing operations for the period | | (3,114,987) | (1,209,906) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | (3,114,987) | (1,209,906) |
| Loss per share: | | | |
| Basic (cents per share) | | (3.66) | (1.57) |
| Diluted (cents per share) | | (3.66) | (1.57) |

The accompanying notes form part of this interim financial report.

Statement of Financial Position

As at 31 December 2009

| | Note | 31 December 2009 \$ | 30 June 2009 \$ |
|----------------------------------|------|---------------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | | 350,064 | 3,194,256 |
| Trade and other receivables | | 714,285 | 190,091 |
| Other financial assets | | 69,442 | 55,018 |
| Total current assets | | 1,133,791 | 3,439,365 |
| Non-current assets | | | |
| Exploration expenditure | | 3,069,714 | 3,942,164 |
| Property, plant and equipment | | 580,160 | 296,748 |
| Total non-current assets | | 3,649,874 | 4,238,912 |
| Total assets | | 4,783,665 | 7,678,277 |
| Current liabilities | | | |
| Trade and other payables | | 397,144 | 276,819 |
| Total current liabilities | | 397,144 | 276,819 |
| Total liabilities | | 397,144 | 276,819 |
| Net assets | | 4,386,521 | 7,401,458 |
| Equity | | | |
| Issued capital | 2 | 9,954,207 | 9,854,157 |
| Reserves | | 2,234,964 | 2,234,964 |
| Accumulated losses | | (7,802,650) | (4,687,663) |
| Total equity | | 4,386,521 | 7,401,458 |

The accompanying notes form part of this interim financial report.

Statement of Changes in Equity

For the half-year ended 31 December 2009

| | Attributable to equity holders | | | Total Equity \$ |
|--|--------------------------------|-------------------------|-----------------------------|--------------------|
| | Ordinary Shares \$ | Option Reserve \$ | Accumulated Losses \$ | |
| Balance at 1 July 2008 | 7,901,657 | 2,237,719 | (2,709,890) | 7,429,486 |
| Loss for the period | - | - | (1,209,906) | (1,209,906) |
| Total comprehensive income for the period | - | | (1,209,906) | (1,209,906) |
| Conversion of options | 2,500 | (255) | - | 2,245 |
| Balance at 31 December 2008 | 7,904,157 | 2,237,464 | (3,919,796) | 6,221,825 |

| | Attributable to equity holders | | | Total Equity \$ |
|--|--------------------------------|-------------------------|-----------------------------|--------------------|
| | Ordinary Shares \$ | Option Reserve \$ | Accumulated Losses \$ | |
| Balance at 1 July 2009 | 9,854,157 | 2,234,964 | (4,687,663) | 7,401,458 |
| Loss for the period | - | - | (3,114,987) | (3,114,987) |
| Total comprehensive income for the period | - | - | (3,114,987) | (3,114,987) |
| Issue of options – Adjustment to balance | 100,050 | - | - | 100,050 |
| Balance at 31 December 2009 | 9,954,207 | 2,234,964 | (7,802,650) | 4,386,521 |

Statement of Cash Flows

For the half-year ended 31 December 2009

| | 31 December 2009 \$ | 31 December 2008 \$ |
|---|---------------------------|---------------------------|
| Cash flows from operating activities | | |
| Receipts of sundry income | 1,890 | - |
| Payments to suppliers and employees | (1,982,012) | (600,807) |
| Interest received | 7,589 | 89,862 |
| Net cash used in operating activities | (1,972,533) | (510,945) |
| Cash flows from investing activities | | |
| Proceeds from sale of exploration rights | 36,000 | - |
| Payment for acquisition exploration rights | (35,000) | (54,430) |
| Payments for available for sale investments | - | (500) |
| Proceeds from sale of property, plant and equipment | 15,454 | - |
| Payments for property, plant and equipment | (890,375) | (15,200) |
| Net cash used in investing activities | (873,921) | (70,130) |
| Cash flows from financing activities | | |
| Proceeds from the issue of options | - | 16,605 |
| Net cash provided by financing activities | - | 16,605 |
| Net increase in cash and cash equivalents | (2,846,454) | (564,470) |
| Effects of exchange rate on cash and cash equivalents | 2,262 | 48,153 |
| Cash and cash equivalents at the beginning of the period | 3,194,256 | 4,893,840 |
| Cash and cash equivalents at the end of the period | 350,064 | 4,377,523 |

The accompanying notes form part of this interim financial report..

Notes to the interim financial statements

For the half-year ended 31 December 2009

1. Basis of preparation of half-year report

The half-year financial report is a general purpose financial report that has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Nex Metals Explorations Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

A summary of the material accounting policies adopted by the Company in the preparation of the financial report can be found in the annual financial report for the year ended 30 June 2009. The accounting policies have been consistently applied, unless otherwise stated.

Changes in Accounting Policy

The company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the company are:

- AASB 3 Business Combinations
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

The adoption of AASB 3 and AASB 127 will change the accounting policy of the company for future acquisitions and changes in ownership interests. These standards are applied prospectively and had no material impact on prior combinations.

AASB 8 has replaced AASB 114 Segment Reporting upon its effective date. The company concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. The company does not have more than one segment.

The revised AASB 101 separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the company and related disclosures have been made in the half year financial report.

Notes to the interim financial statements

For the half-year ended 31 December 2009 (cont)

1. Basis of preparation of half-year report (cont.)

Going concern

As disclosed in the financial statements, the company recorded a loss of \$3,114,987 and net cash outflows from operating activities of \$1,972,533 for the half-year ended 31 December 2009. The company at balance date had net current assets of \$736,647. The Directors believe, after taking account of these financial conditions, that the going concern basis of accounting, for the company is appropriate, which has been determined after consideration of the following factors:

- The ability to issue additional capital under the *Corporations Act 2001*,
- The possible exercise of options by related parties, including \$100,000 which was received on 20 January 2009 from the exercise of options;
- The receipt of \$530,000 after balance date representing the proceeds from the sale of certain fixed assets which were recorded in trade and other receivables at balance date;
- Whilst the Directors are confident in securing funds, if sufficient funding is not raised, the Board is able to reduce the Company's ongoing costs and commitments accordingly and, if necessary, will sell or farm out projects as required, to enable it to meet its ongoing commitments.

Accordingly, the Directors believe there is a reasonable expectation that the company will obtain sufficient cash flows to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

2. Contributed Equity

Movements in share capital during the half-year ended 31 December 2009 were as follows:

| | | No of Shares | Issue Price | \$ |
|-------------|--|-------------------|-------------|------------------|
| 01 Jul 2009 | Opening Balance | 84,873,292 | | 9,854,157 |
| 28 Oct 2009 | Shares issued for tenement acquisition | 435,000 | 0.23 | 100,050 |
| | | <u>85,708,292</u> | | <u>9,954,207</u> |

4. Segment Reporting

The directors have considered the requirements of AASB 8 - Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

Throughout the period under review, the Company remained focused on mineral exploration over a number of areas of interest in Western Australia.

5. Contingent Liabilities

There are no known contingent liabilities at balance date.

6. Subsequent events

There are no matters or circumstances that have arisen since 31 December 2009 that have or may significantly affect the operations, results, or state of affairs of the company in future financial periods.