

# **Nex Metals Explorations Ltd**

ABN: 63 124 706 449

Interim Financial Report

for the half-year ended 31 December 2010

# Interim Financial report for the half-year ended 31 December 2010

	Page
Corporate directory	3
Directors' report	4
Auditor's independence declaration	12
Independent auditor's review report	13
Directors' declaration	15
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18
Statement of cash flows	19
Notes to the financial statements	20

# Corporate Directory

## **DIRECTORS**

Thomas F Percy QC  
Ken Allen  
Hock Hoo Chua  
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 2010. 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 - Resigned: 23 January 2011

Kasit Phisitkul

Hock Hoo Chua - Appointed: 13 September 2010

## **Operating Results**

The operating loss of the Company for the period after providing for income tax amounted to \$1,753,115 (December 2009 – \$3,114,987).

## **Review of Operations**

- **Construction initiated on heap leach facility at Orient Well**
- **Resource estimations completed for the Niagara Mining Centre, Gladstone and Leipold deposits comprising 117,000 ounces gold**
- **Total Kookynie Project resources now stand at 749,000 ounces gold**
- **Mining equipment and crushing/screening unit mechanically assessed and ready for mining**
- **Ongoing exploration field work and desktop studies on various project areas**

## ***Resource Update***

Resource estimations for 9 additional deposits were completed during the last half of 2010 adding 117,000 ounces of gold to the Kookynie Project resource inventory. These JORC-compliant resource calculations were conducted by APEX Geoscience Australia Pty Ltd (an independent consultancy). Total Kookynie resources now sit at **22,000,000 tonnes and 749,000 ounces** of gold with most lying within 110 vertical metres of surface (Figure 1 and Table 1).

Table 1: Resource Estimate Summary Total Kookynie Gold Project

**Resource summary at a 0.35g/t cut-off grade**

Phase 1 deposits	Measured			Indicated			Inferred			Total		
	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces
Orient Well Laterite	-	-	-	0.67	0.53	11,000	1.17	0.4	15,000	1.84	0.5	27,000
Double J Laterite	-	-	-	0.17	0.51	3,000	0.67	0.5	10,000	0.84	0.5	13,000
<b>Laterite Resources Subtotal</b>	-	-	-	<b>0.84</b>	<b>0.52</b>	<b>14,000</b>	<b>1.84</b>	<b>0.4</b>	<b>25,000</b>	<b>2.68</b>	<b>0.5</b>	<b>40,000</b>

**Resource summary at a 0.50g/t cut-off grade**

Phase 2 deposits	Measured			Indicated			Inferred			Total		
	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces
Admiral	1.39	1.19	53,000	1.31	1.18	49,000	0.50	1.1	17,000	3.20	1.2	120,000
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
Danluce	-	-	-	0.48	1.01	16,000	0.13	0.9	4,000	0.61	1.0	20,000
<b>Butterfly Project Areas Subtotal</b>	<b>1.39</b>	<b>1.19</b>	<b>53,000</b>	<b>5.95</b>	<b>1.06</b>	<b>202,000</b>	<b>1.97</b>	<b>1.0</b>	<b>63,000</b>	<b>9.31</b>	<b>1.1</b>	<b>319,000</b>
Orient Well Main	-	-	-	4.15	1.03	137,000	0.84	1.0	28,000	4.99	1.0	165,000
Orient Well East	-	-	-	0.26	0.86	7,000	0.15	0.9	4,000	0.41	0.9	11,000
<b>Orient Well Project Areas Subtotal</b>	-	-	-	<b>4.41</b>	<b>1.02</b>	<b>144,000</b>	<b>0.99</b>	<b>1.0</b>	<b>32,000</b>	<b>5.40</b>	<b>1.0</b>	<b>176,000</b>
Puzzle Deeps	-	-	-	1.93	0.93	58,000	0.76	0.9	23,000	2.70	0.9	81,000
<b>Puzzle Deeps Subtotal</b>	-	-	-	<b>1.93</b>	<b>0.93</b>	<b>58,000</b>	<b>0.76</b>	<b>0.9</b>	<b>23,000</b>	<b>2.70</b>	<b>0.9</b>	<b>81,000</b>

**Resource summary at a 3.00g/t cut-off grade**

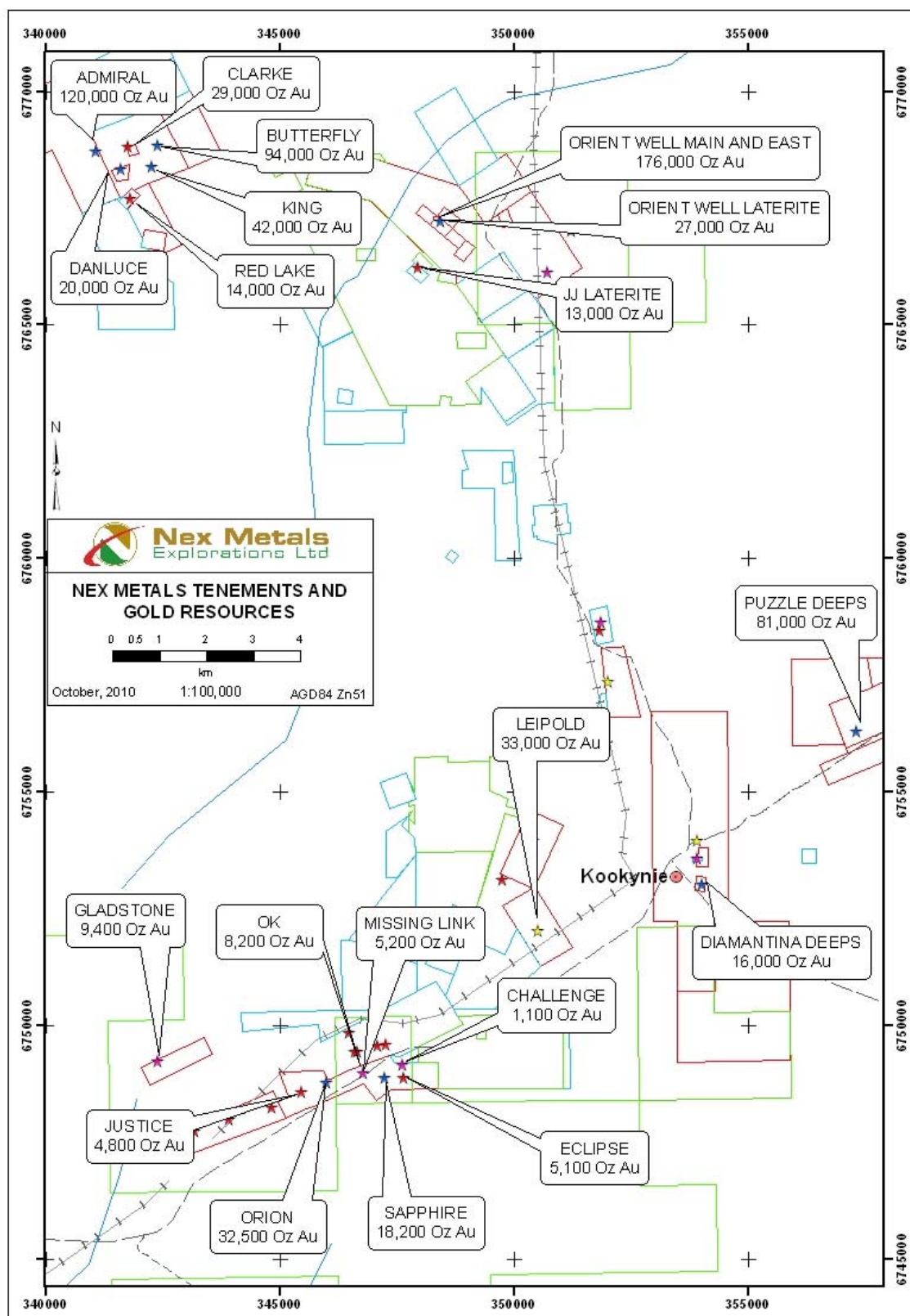
Phase 3 deposits	Measured			Indicated			Inferred			Total		
	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces	Mt	Au g/t	Ounces
Diamantina Deeps	-	-	-	0.04	5.47	8,000	0.05	5.0	8,000	0.10	5.2	16,000
<b>Diamantina Deeps Subtotal</b>	-	-	-	<b>0.04</b>	<b>5.47</b>	<b>8,000</b>	<b>0.05</b>	<b>5.0</b>	<b>8,000</b>	<b>0.10</b>	<b>5.2</b>	<b>16,000</b>

**Resource summary at a 3.00g/t cut-off grade****Phase 3 deposits**

Niagara total				0.7	2.40	52,000	0.67	1.3	32,000	1.46	1.8	84,000
West Kookynie (Leipold)				0.35	2.18	24,000	0.18	1.6	9,000	0.53	2.0	33,000
<b>Combined Kookynie Projects Total</b>	<b>1.39</b>	<b>1.19</b>	<b>53,000</b>	<b>14.74</b>	<b>1.06</b>	<b>502,000</b>	<b>6.46</b>	<b>0.9</b>	<b>192,000</b>	<b>22.18</b>	<b>1.1</b>	<b>749,000</b>

Note: Figures above may not sum due to rounding  
Significant figures do not indicate an added level of precision  
Assumed bulk density values ox=1.8, tr=2.1 fr=2.7  
Limited recovery and supportive QAQC  
Well defined geological continuity

**Figure 1.** JORC-Compliant Resource Estimations for Nex Metals' Kookynie Project.



## Niagara Mining Centre and Gladstone

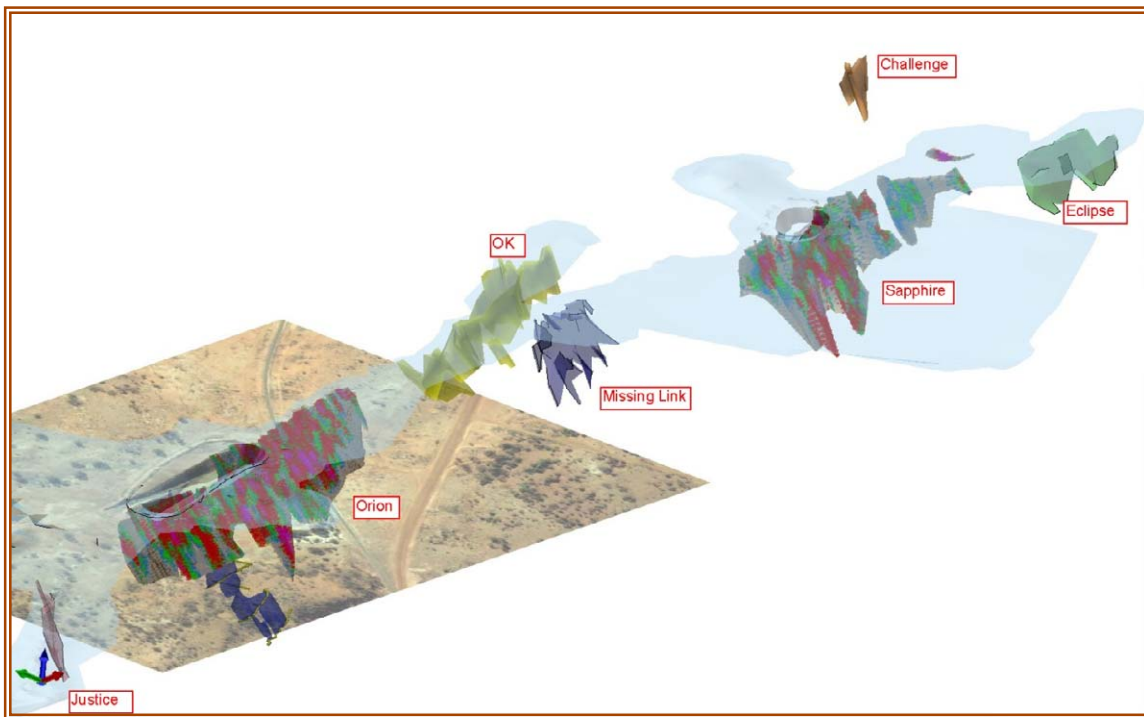
The new resource estimates from the Niagara Mining Centre and the Gladstone deposit total 1,456,000 tonnes averaging 1.8 g Au/t for 84,000 ounces in the indicated and inferred categories. The block-modelling of several deposits indicates that excellent potential exists to expand the resources down-plunge and along strike (Figure 2). The modelling has also uncovered the possibility of previously unrecognized trends in the mineralisation and drill-ready areas to follow-up on historic successes.

## Leipold

Nex has renamed the Lubra Queen deposit to Leipold in recognition of the Leipold family who settled in the Kookynie area in the 1900s and were prominent in the development of the areas early gold production.

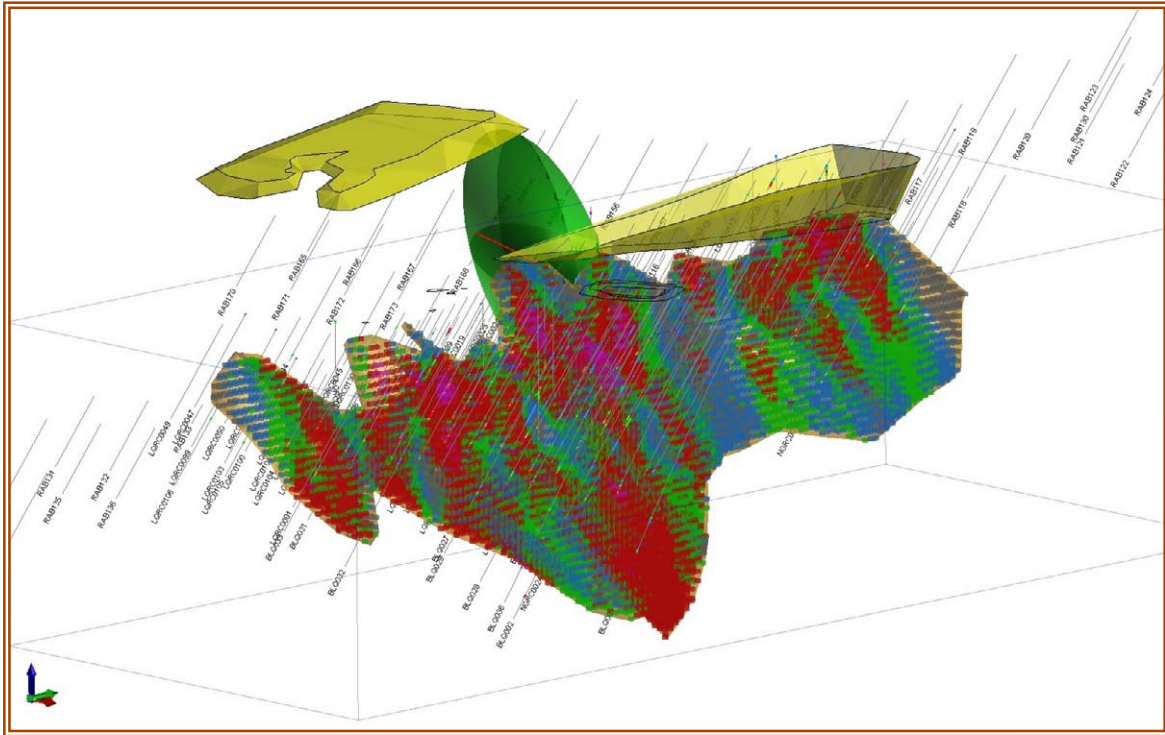
The Leipold resource was calculated at 530,000 tonnes at 2 g Au/t for 33,000 ounces, over 70% of which is in the indicated category. Similar to the Niagara Ming Centre modelling, the Leipold deposit shows excellent potential for expansion of resources down-plunge and along strike (Figure 3).

**Figure 2.** Ore body models for the Niagara Mining Centre. Note the down-plunge mineralisation trends, depicted by the red and purple blocks of >1 g Au/t, at Orion and Sapphire representing excellent resource expansion potential.





**Figure 3.** Block model of the Leipold deposit with the historic trial pit and waste dump. As with the Niagara Mining Centre, obvious trends of high-grade mineralisation represented by red and purple blocks indicate excellent resource expansion potential at depth and along strike.



### ***Mining Preparation***

With approvals and funding in place, construction of the Orient Well Heap Leach Facility began with the clearing of vegetation and topsoil and survey work for the location of heap pads and cyanide works (Figure 4). Areas were cleared to accommodate the cyanide works and the initial heap pads, located between the Orient Well and Double JJ laterite ore bodies which host a combined resource of greater than 40,000 ounces of gold. Engineering and environmental studies have been determining the most suitable, locally-sourced construction materials for the various required earthworks.

Nex appointed Mr. Greg Burke as the new Operations Manager for the Kookynie Project who will oversee the permitting, construction and scheduling of all mining activities. Mr. Burke has worked in the mining industry of Western Australia for 28 years as a surveyor, quarry manager, mines supervisor, mines superintendent and acting manager of mining.

Logistical and infrastructure work continued at the Orient Well camp and the Orient Well mill facility in preparation for forthcoming mining activities. Kitchen and lodging facilities have been expanded with electrical, telephony and internet capabilities being fitted at the camp and mill areas.



**Figure 4.** D-11 bulldozer clearing the site for construction of the heap leach facility.



#### ***Processing Equipment Acquisition – Ready for Production***

A mobile crushing and screening plant capable of processing 1,200,000 tonnes per annum was purchased and moved to site during the spring of 2010 (Figure 5). The plant comprises a three stage crushing circuit, screening and feed sections, conveyor and dust-suppression systems and a large inventory of spare parts. The plant was evaluated and determined to be in excellent working order with only minor repairs and safety modifications required prior to full-scale activity.

Heavy equipment already on site for the Company was assessed and prepared for mining activities during the summer. This included full mechanical and safety evaluations and rectifications of the haul trucks, loader and bull dozer.

#### ***Ongoing Field Work and Desktop Studies***

Field crews have conducted differential GPS surveys of resource areas and topographic surveys of many of the Kookynie tenements. Stockpile sampling at several of the historic pits, including Admiral, Champion and Leipold, continues to assess the viability of this material being treated by heap leach or CIP/CIL processes.

Desktop work comprised data entry into the large digital database with a focus on new geological information and the verification of assay data already in the database. The Company continues exploration of its various project areas including Kookynie and Yundamindera. Nex is encouraged by the significant prospectivity of both areas and sees excellent potential to add to its resource base with ongoing evaluation and exploration.

**Figure 5.** A component of Nex's mobile crushing/screening unit on site at Orient Well.



### **Auditor's independence declaration**

The auditor's independence declaration under section 307C of the Corporation Act 2001 is included within this financial report.

Signed in accordance with a resolution of the Board of Directors.

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

*Ken Allen*  
Managing Director  
*11 March 2011*

RSM Bird Cameron Partners  
8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsmi.com.au

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Nex Metals Explorations Ltd for the half-year ended 31 December 2010, 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.

Perth, WA

Dated: 11 March 2011

*RSM Bird Cameron Partners*  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants

JAMES KOMNINOS  
Partner

RSM Bird Cameron Partners  
8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsmi.com.au

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NEX METALS EXPLORATIONS LTD

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Nex Metals Explorations Ltd which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

### *Directors' Responsibility for the Half-Year Financial Report*

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

### *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 a 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 consolidated entity's financial position as at 31 December 2010 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 Ltd, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nex Metals Explorations Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

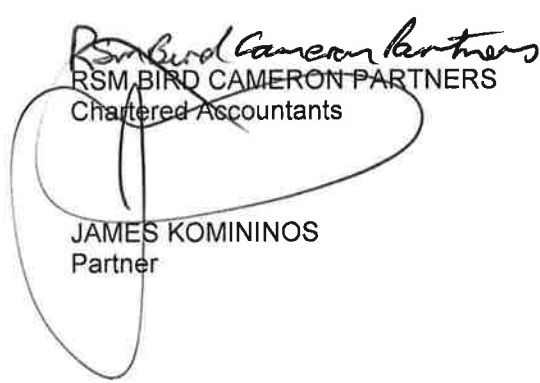
*Conclusion*

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 Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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: 11 March 2011

  
RSM BIRD CAMERON PARTNERS  
Chartered Accountants

JAMES KOMININOS  
Partner

# Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes
  - (a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001; and
  - (b) give a true and fair view of the Company's financial position as at 31 December 2010 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  
MANAGING DIRECTOR  
11 MARCH 2011



# Statement of Comprehensive Income

## For the half-year ended 31 December 2010

	Note	31 December 2010 \$	31 December 2009 \$
Revenue		6,052	7,589
Gain/(Loss) on foreign exchange currency		(1,788)	2,262
Other income		5,890	16,745
Occupancy expenses		(20,000)	(20,476)
Administration expenses		(180,533)	(196,860)
Consultants expenses		(96,119)	(118,397)
Depreciation		(79,363)	(76,363)
Employment and contractor expenses		(222,072)	(387,790)
Travel expenses		(21,627)	(50,975)
Exploration and evaluation expenses		(1,068,555)	(1,403,222)
Tenement acquisition expenses written off		(75,000)	(782,500)
Loss on sale of exploration project		-	(105,000)
<b>Loss from continuing operations before income tax expense</b>		(1,753,115)	(3,114,987)
Income tax expense		-	-
<b>Loss from continuing operations for the period</b>		<u>(1,753,115)</u>	<u>(3,114,987)</u>
<b>Other Comprehensive Income</b>		-	-
<b>Total comprehensive income for the period</b>		<u>(1,753,115)</u>	<u>(3,114,987)</u>
<b>Loss per share:</b>			
Basic (cents per share)		(1.90)	(3.66)
Diluted (cents per share)		(1.90)	(3.66)

The accompanying notes form part of this interim financial report.

# Statement of Financial Position

## As at 31 December 2010

	Note	31 December 2010 \$	30 June 2010 \$
<b>Current assets</b>			
Cash and cash equivalents		3,879,641	443,973
Trade and other receivables		133,167	61,574
Other financial assets		50,275	56,456
<b>Total current assets</b>		<b>4,063,083</b>	<b>562,003</b>
<b>Non-current assets</b>			
Exploration expenditure		2,796,714	2,829,714
Property, plant and equipment		823,126	652,509
<b>Total non-current assets</b>		<b>3,619,840</b>	<b>3,842,223</b>
<b>Total assets</b>		<b>7,682,923</b>	<b>4,044,226</b>
<b>Current liabilities</b>			
Trade and other payables		561,176	530,888
Other – share application monies	5(a)	1,698,750	-
<b>Total current liabilities</b>		<b>2,259,926</b>	<b>530,888</b>
<b>Total liabilities</b>		<b>2,259,926</b>	<b>530,888</b>
<b>Net assets</b>		<b>5,422,997</b>	<b>3,513,338</b>
<b>Equity</b>			
Contributed Equity	2	14,433,981	10,771,207
Reserves		2,234,964	2,234,964
Accumulated losses		(11,245,948)	(9,492,833)
<b>Total equity</b>		<b>5,422,997</b>	<b>3,513,338</b>

The accompanying notes form part of this interim financial report.

# Statement of Changes in Equity

## For the half-year ended 31 December 2010

	Attributable to equity holders			Total Equity \$
	Contributed Equity \$	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)
<b>Total comprehensive income for the period</b>	-	-	(3,114,987)	(3,114,987)
Issue shares in consideration for tenement acquisition	100,050	-	-	100,050
Balance at 31 December 2009	9,954,207	2,234,964	(7,802,650)	4,386,521

	Attributable to equity holders			Total Equity \$
	Contributed Equity \$	Option Reserve \$	Accumulated Losses \$	
Balance at 1 July 2010	10,771,207	2,234,964	(9,492,833)	3,513,338
Loss for the period	-	-	(1,753,115)	(1,753,115)
<b>Total comprehensive income for the period</b>	-	-	(1,753,115)	(1,753,115)
Issue of shares for working capital	3,883,435	-	-	3,883,435
Share issue costs	(220,661)	-	-	(220,661)
Balance at 31 December 2010	14,433,981	2,234,964	(11,245,948)	5,422,997

# Statement of Cash Flows

## For the half-year ended 31 December 2010

	31 December 2010 \$	31 December 2009 \$
<b>Cash flows from operating activities</b>		
Receipts of sundry income	11,263	1,890
Payments to suppliers and employees	(1,633,473)	(1,982,012)
Interest received	679	7,589
Net cash used in operating activities	(1,621,531)	(1,972,533)
<b>Cash flows from investing activities</b>		
Proceeds from sale of exploration rights	-	36,000
Payment for acquisition of exploration rights	(42,000)	(35,000)
Proceeds from sale of property, plant and equipment	-	15,454
Payments for property, plant and equipment	(249,980)	(890,375)
Loan – other	67,444	-
Net cash used in investing activities	(224,536)	(873,921)
<b>Cash flows from financing activities</b>		
Proceeds from the issue of equity securities (net of costs)	3,584,773	-
Deposits from shareholders (note5(a))	1,698,750	-
Net cash provided by financing activities	5,283,523	-
<b>Net increase in cash and cash equivalents</b>	3,437,456	(2,846,454)
<b>Effects of exchange rate on cash and cash equivalents</b>	(1,788)	2,262
<b>Cash and cash equivalents at the beginning of the period</b>	443,973	3,194,256
<b>Cash and cash equivalents at the end of the period</b>	3,879,641	350,064

The accompanying notes form part of this interim financial report.

# Notes to the interim financial statements

## For the half-year ended 31 December 2010

### 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 the requirements of AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report.

It is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2010 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.

The same accounting policies and methods of computations have been followed in this half year financial report as were applied in the most recent annual financial report.

# Notes to the interim financial statements

## For the half-year ended 31 December 2010 (cont)

### 2. Contributed Equity

(a) Movements in share capital during the half-year ended 31 December 2010 were as follows:

		No. of Shares	Issue Price	\$
01 July 2010	Opening Balance	89,293,292		10,771,207
27 August 2010	Shares issued for working capital	390,000	0.20	78,000
27 August 2010	Shares issued for working capital	1,260,000	0.175	220,500
16 December 2010	Shares issued for working capital	19,183,717	0.1575	3,021,435
16 December 2010	Shares issued for working capital	3,220,000	0.175	563,500
	Share issue costs	-		(220,661)
	Closing Balance	<u>113,347,009</u>		<u>14,433,981</u>

(b) Movements in Options on Issue during the half-year ended 31 December 2010 were as follows:

	No. of Options	Issue Price	\$
Opening Balance	64,656,646		2,234,964
Options issued for nil consideration as part of share issues, exercisable at \$0.25 on or before 30 November 2011	12,221,852	-	-
Closing Balance	<u>76,878,498</u>		<u>2,234,964</u>

### 3. 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.

### 4. Contingent Liabilities

During the half year ended 31 December 2010, the company's banker issued bank guarantees totalling \$253,000 in favour of the Minister Responsible for the Mining Act 1978 in relation to certain mining tenements.

Other than the above, there were no other contingent liabilities as at 31 December 2010.

### 5. Subsequent events

Subsequent to balance date, amounts of \$1,698,750 received in December 2010 for share applications were converted to 8,050,000 and 1,841,269 shares at an issue price of \$0.175 and \$0.1575 respectively.

The company issued 4,945,634 free attaching options with the above share issue. The options have an exercise price of \$0.25, exercisable on or before 30 November 2011.

Except for the above, there are no other matters or circumstances that have arisen since 31 December 2010 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.