



31 January 2012

## Quarterly Report

### Second Quarter

### Period Ending 31 December 2011

The Directors of Nex Metals Explorations Ltd (Nex or the Company) are pleased to report on the company's activities during the December quarter 2011.

#### Highlights

- Toll treating agreement signed with A1 Minerals Ltd
- Infill grade control drilling completed in the Butterfly Open Pit
- Geotechnical investigation of the Butterfly Open Pit complete
- Additional positive pit optimisations completed
- Various permitting, environmental studies and reporting ongoing
- Annual General Meeting conducted with all resolutions passed

#### Toll Treating

Nex enhanced its ability to toll treat ore by entering into an agreement with A1 Minerals Ltd (A1) for exclusive use of A1's Brightstar Mill south of Laverton for a six month period beginning December 2011. Expected production rates will allow the processing of 1,200 tonnes per 24 hour period with ore feed coming from the Butterfly pit and various stockpiles from the Kookynie Project area.

This new agreement supplements the toll treating agreement established with Navigator (Bronzewing) Pty Ltd whereby Nex can process up to 150,000 tonnes of ore through the Bronzewing Processing Plant.



**Photo 1. Excavator cleaning off berms and cutting batters prior to blast drilling.**



## Grade Control Drilling and Geotechnical Investigation - Butterfly Pit

Nex undertook additional grade control drilling in the Butterfly Open Pit prior to the Christmas break to infill previous grade control drilling completed in 2002. Nex completed a further 77 holes for 1,723 metres to better define and expand ore zones to be mined for toll treating and heap leaching. The toll treatment pit optimisation prior to this latest grade control drilling projected production of 158,281 tonnes averaging 2.67 g/t Au for an approximate recovery of 13,600 ounces.



**Photo 2. Blast Hole Drill Rig in the southern end of the Butterfly Pit on the first shot, water from heavy rain received over 3 days**

MineGeoTech Pty Ltd was engaged to assess the geotechnical attributes of the Butterfly pit and any ramifications of the proposed

pit design put forward by Minecomp Pty Ltd. Several minor issues were identified and the pit design amended accordingly – ongoing monitoring will be conducted during the course of mining.

### Pit Optimisations and Mining Scheduling

Minecomp Pty Ltd has carried out pit optimisations on thirteen additional deposits within the Kookynie Project. This work has used a \$1,600/oz (AUS) gold price defining in excess of 3.5Mt of ore with an average grade of 1.46 g/t Au. This allows Nex to forecast approximately 5 years of production for the planned 700,000 tonne per annum Orient Well Carbon-in-Leach mill.

Exploration planning includes work around the sub-economic resources in an attempt to increase the size and economic potential of these deposits.

### Approvals and Reporting

Nex has successfully applied for the removal of stockpiled ore from the Champion, Puzzle and Orion mine sites to enable progressive rehabilitation to begin in 2012.

Mattiske Consulting Pty Ltd will carry out desktop surveys of the Cosmopolitan, Sapphire/Orion and Leipold mining areas to be followed by full flora and fauna surveys in April in preparation for application to recommence mining. The development of a rehabilitation monitoring program and the mine closure plans are being developed for the Nex suite of mining operations.

Licences granted for the Heap Leach and Crusher-Screener unit by the Department of Environment and Conservation (DEC) have been placed on hold as the company focuses on the Butterfly Pit operations and immediate toll treating; this allows Nex to reactivate them in the near future without reapplying.

Regular water quality monitoring from the licenced borefield is being carried out to comply with Department of Water and Department of Health.



## **Annual General Meeting**

Nex conducted an Annual General Meeting in November outlining the companies path forward to production, exploration planning and targeting and environmental monitoring and permitting processes. All resolutions were passed with unanimous votes.

*For Further details please contact*

**Mr Ken Allen**  
**Managing Director**

### ***Responsibility Statement***

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Rob L'Heureux, who is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (Canada). Mr. L'Heureux M.Sc., P.Geol., who is a full time employee of APEX Geoscience Ltd., has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken 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. L'Heureux consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.*

## Appendix 5B

### Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Nex Metals Explorations Ltd

ABN

63 124 706 449

Quarter ended ("current quarter")

31 December 2011

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(158) (229)  (152)	(220) (936)  (420)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	9	13
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid		
1.7 - Other - GST net	- 97	- 353
<b>Net Operating Cash Flows</b>	<b>(435)</b>	<b>(1,212)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets		
1.10 Loans to other entities	-	(12)
1.11 Loans repaid by other entities		
1.12 Other - Refund of bonds paid	253	253
<b>Net investing cash flows</b>	<b>253</b>	<b>241</b>
1.13 Total operating and investing cash flows (carried forward)	(182)	(971)

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(182)	(971)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	332	891
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other – Share issue costs	(6)	(6)
	Other	50	50
	<b>Net financing cash flows</b>	<b>376</b>	<b>935</b>
	<b>Net increase (decrease) in cash held</b>	<b>194</b>	<b>(36)</b>
1.20	Cash at beginning of quarter/year to date	129	359
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>323</b>	<b>323</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	15
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors fees and salaries in normal course of trading.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

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**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	350
4.3 Production	
4.4 Administration	225
<b>Total</b>	<b>675</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	323	129
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>323</b>	<b>129</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	P40/1131	Tenement Expired	100	0
6.2 Interests in mining tenements acquired or increased	E40/316	New Application - Pending	0	100

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**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	136,941,956	136,941,956		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,083,333 2,307,692	1,083,333 2,307,692	\$0.12 \$0.13	\$0.12 \$0.13
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	3,000,000	-	\$0.25	30/11/2012
	1,500,000	-	\$0.40	30/11/2012
	1,500,000	-	\$0.50	30/11/2012
	3,000,000	-	\$0.60	30/11/2012
	3,000,000	-	\$0.75	30/11/2012
	6,000,000	-	\$1.00	30/11/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				

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7.10	Expired during quarter			<i>Exercise price</i>	<i>Expiry date</i>
		60,726,889	60,726,889	\$0.25	30/11/2011
		5,000,000	-	\$0.25	6/12/2011
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX](#) (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 31/01/2012

Print name: KENNETH ALLEN

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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