

NEX METALS EXPLORATIONS LIMITED

ABN: 63 124 706 449

**Financial Report
For the year ended 30 June 2012**

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Nex Metals Explorations Limited
ABN 63 124 706 449

CORPORATE DIRECTORY

DIRECTORS

Thomas F Percy QC
Kenneth Allen
Kasit Phisitkul
Hock Hoo Chua
Raja Mohd Azmi bin Raja Razali (Alternative to Hock Hoo Chua)

COMPANY SECRETARY

Kenneth 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

Nex Metals Explorations Limited

ABN 63 124 706 449

DIRECTORS' REPORT

The directors of Nex Metals Explorations Limited submit herewith the financial report for the financial year ended 30 June 2012.

The names of the directors of the company at any time during or since the end of the financial year are:

Name

Thomas F Percy

Kenneth M Allen

Kasit Phisitkul

Hock Hoo Chua

Raja Mohd Azmi Bin Raja Razali (Alternative to Hock Hoo Chua)

Directors Qualifications and Experience

Thomas Percy QC (Chairman) B.Juris., LL.B.

Tom was born in Kalgoorlie where his family ran the Federal Hotel for over 60 years. Tom attended Kalgoorlie Central Primary School later Scotch College in Perth. After graduating from the University of W.A. in 1977 as Bachelor of Jurisprudence and Bachelor of Laws he completed his Articles in Kalgoorlie; where he practiced for the next 10 years. Tom became a partner in the firm Lalor & Co in 1981, and later practiced on his own as a Barrister. He joined the W.A. Bar Association in 1984 and was appointed Queen's Counsel in December 1997. Tom specialises in criminal trials and appeals and has been involved in many prominent cases over the past 25 years. He also has significant experience in mining litigation and Warden's Court cases.

He was a founding member and former Chairman of the Goldfields Credit Union, is currently a National Director of the Australian Lawyers Alliance and is a Director and Life Member of the East Perth Football Club.

Directorships held in other listed entities during the past 3 years:

Aurium Resources Limited – Non Executive Director – Appointed 2 October 2008, Resigned 25 June 2009.

Kenneth M Allen (Managing Director - Company Secretary) B.Bus (Curtin), PNA, FNTAA, FTIA, FAICD

Ken has been a qualified accountant since 1988 and in his own Public Accounting Practice in Kalgoorlie-Boulder since 1991, and more recently in his Perth Office. He has been involved in mining for over 20 years both directly and via his family's prospecting interests. Ken is a Fellow of the Australian Institute of Company Directors and a Fellow of the Taxation Institute of Australia. Ken brings to the board extensive commercial experience in mining matters as well as a passion for sustainable and balanced environmental issues and practical carbon reductions for the mining industry.

Directorships held in other listed entities during the past 3 years:

Fairstar Resources Limited – Non Executive Director – Appointed 12 February 2006, Resigned 10 March 2008, Reappointed 7 May 2009, Resigned 18 December 2010.

Kasit Phisitkul (Non-Executive Director) (Master of Public and Private Management (MPPM))

Kasit is of engineering background and a dynamic and successful Managing Director of Kenber Group based in Thailand for over 20 years. Kenber specializes in geological investigation, geotechnical engineering, dam construction and foundation treatment, mining and other related works with scope of business primarily covering Southeast Asian countries. He has various professional and civil functions such as Honorary Adviser to the Thai Senate and several government ministers, Executive Director to the Thai-Chinese Culture and Economy Association and Executive Board member of Maejo University Promotion Committee, among others. He has vast knowledge and extensive government and business connections in the region particularly in the field of mining and geotechnical-engineering works.

Directorships held in other listed entities during the past 3 years – None.

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DIRECTORS' REPORT

Hock Hoo Chua (Non-Executive Director)

Mr Chua qualified as a professional accountant from the Chartered Institute of Management Accountants in the 90's, his Master of Business Administration (MBA) from Oklahoma City University, USA in 1995, and currently pursuing his Doctorate in Business Administration (DBA) with University of Malaya. Mr Chua distinguished himself in practice in Malaysia as an auditor, licensed liquidator and tax consultant. He is the co-founder of Cheng & Co, one of the largest local chartered accounting firms in Malaysia, and currently is the Managing Partner of Cheng & Co. He is a member of the Malaysia Institute of Accountants, Institute of Certificate Management Accountants (Australia), a Fellow Member of CPA, Australia, Fellow Member of the Chartered Institute of Management Accountants (UK), Malaysia Institute of Taxation, associate member of the Institute of Internal Auditors Malaysia, and member of Malaysian Institute Director. He was the President of the Persatuan Alumni Oklahoma City University Malaysia. He is also the CFP certification member of Financial Planning Association of Malaysia.

Directorships held in other listed entities during the past 3 years – None.

Raja Mohd Azmi bin Raja Razali (Alternative representing Hock Hoo Chua)

Mr Razali is a former Group Chief Financial Officer of AirAsia and Chief Executive Officer of AirAsia between 2001 and 2007. Currently a director of Malaysia listed company Masterskill Education Group Berhad and Executive Chairman of private property development group Mainstay Holdings Sdn Bhd (owner of Space U8 Shopping Complex).

Directorships held in other listed entities during the past 3 years – None.

Principal Activities

The principal activity of Nex Metals Explorations Limited is exploring for gold, copper and nickel. In February 2012, the company commenced gold mining at the Butterfly Open Pit at its Kookynie mine.

Operating Result

The loss of the company after taxation for the year ended 30 June 2012 was \$9,189,989 (2011 : loss of \$3,376,719)

Dividends Paid or Recommended

No dividends were paid during the year and no recommendation is made as to dividends.

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DIRECTORS' REPORT

Review of Operations for the year ended 30 June 2012

Kookynie

- Grade control drilling and engineering studies were completed on the Butterfly Pit to prepare for mining activities; mining permits and approvals were granted from the Department of Mines and Petroleum. Obtained approvals to remove stockpiled ore from the Champion and Puzzle mine sites.
- Mining from the Kookynie Project began with a 6-month campaign from the Butterfly Pit in which 88,070 tonnes of ore were mined and 53,021 tonnes were treated at Stone Resources Australia Limited's Brightstar Mill - 1,521 ounces of gold produced.
- Established a JORC-compliant gold inventory of 22.38 million tonnes for 769,000 ounces of gold by completing resource estimations for the Champion and McTavish deposits.
- Pit optimisation studies completed on the Butterfly, Admiral, King, Danluce, Clark, Orient Well, Orient Well Laterite, Diamantina, Sapphire, Leipold, Orion, McTavish, and Champion deposits.
- Structural geological studies were commenced to better understand the controls of mineralisation around the Admiral, Clark, King, Danluce and Butterfly deposits.
- Commissioned a report to detail the condition and necessary refurbishment of the Orient Well Carbon-in-Pulp plant.
- Annual Environmental Report submitted to the Department of Mines and Petroleum.
- Mining Proposals, Mine Closure Plans and Water Management Plans completed and submitted to proper authorities. Baseline environmental studies continued over much of the Kookynie Project including ongoing flora and fauna surveys to meet regulatory requirements.
- Field work included Differential Global Positioning System (DGPS) surveying of historic workings, drill holes, infrastructure and topography, sampling of historic drill spoil and sampling of waste dumps and stockpiles. Desktop studies included data entry and clean up of the extensive dataset.
- Issued a \$1,500,000 convertible note to Malayan United Industries Berhad (MUI Global).
- A placement to sophisticated shareholders raised \$1,262,000 for working capital.
- Entered into a standby subscription agreement with Gurney Capital Nominees Pty Limited worth a total value of \$7,000,000; no drawdown taken by 30 June 2012.



Figure 1. Active mining fleet in the Butterfly Pit marking the inaugural gold production for Nex Metals Explorations Limited.

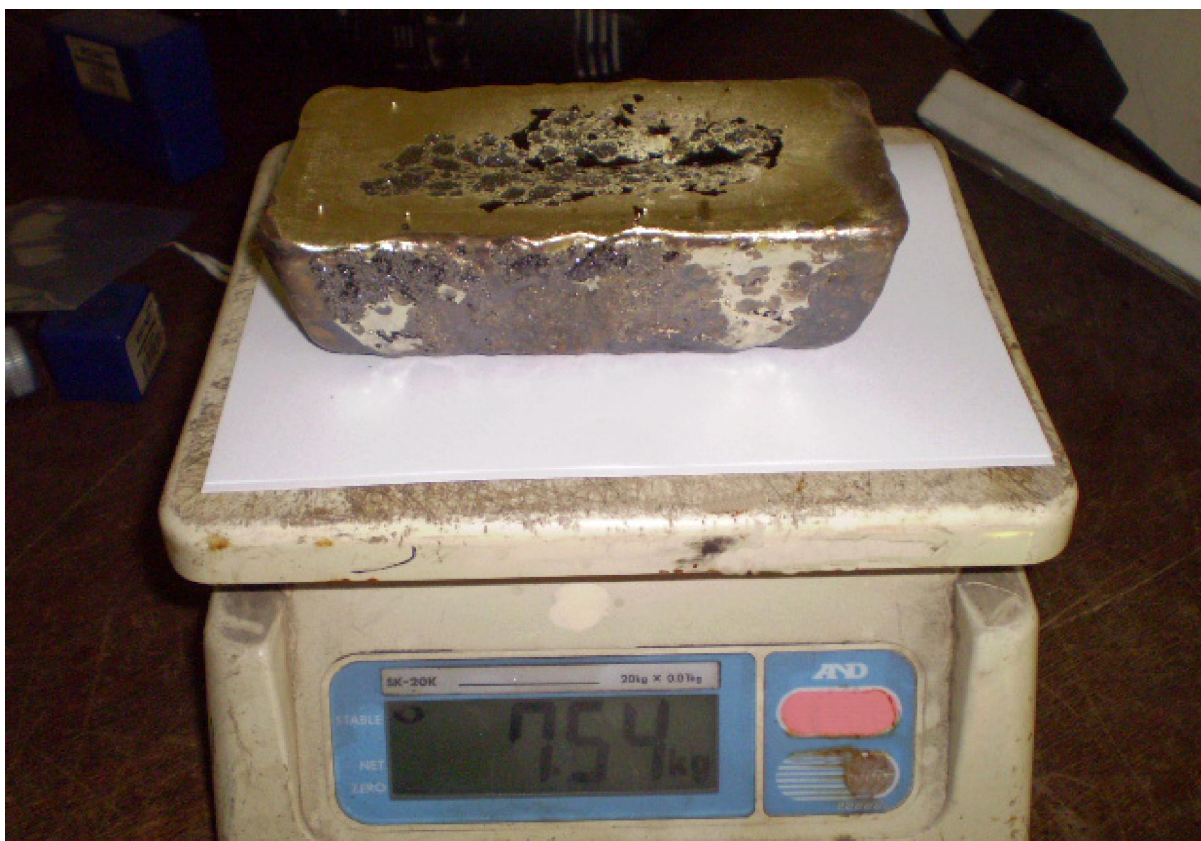


Figure 2. The first gold bar (NEX001) poured from the Butterfly Pit mining.

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DIRECTORS' REPORT

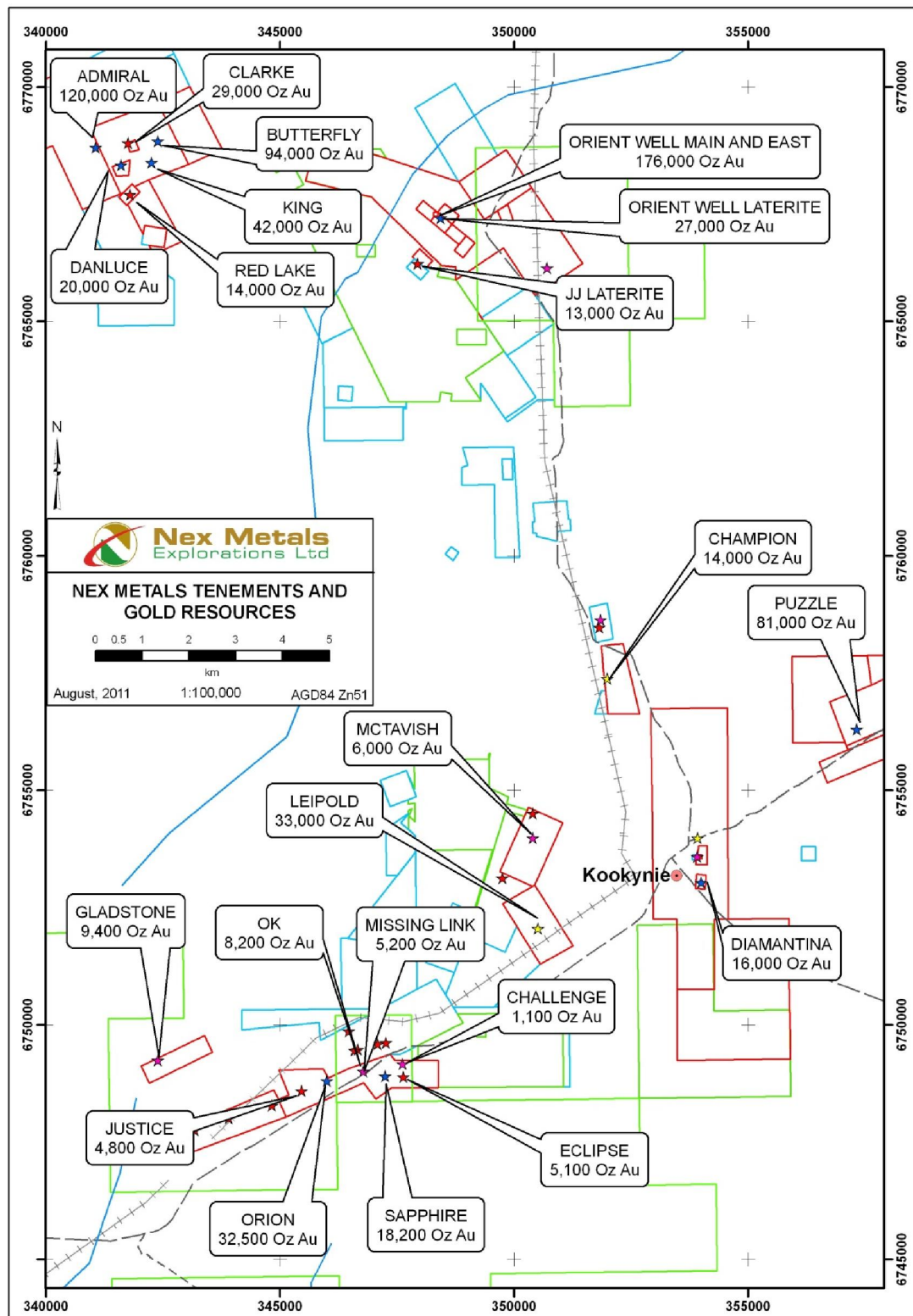


Figure 3. Map of the JORC-compliant gold resources in the Kookynie Project totalling 22.38 million tonnes for 769,000 ounces.

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DIRECTORS' REPORT

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 Limited., 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.

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DIRECTORS' REPORT

Significant Changes in the State of Affairs

Except as above and otherwise set out in this report, mining of the butterfly open pit began in January 2012 with a drill and blast contractor starting a 6 month blast-hole drilling program. High grade ore was transported to Stone Resources' Brightstar Mill via triple road train. A total of 51,053 tonnes of high grade ore, 25,632 tonnes of low grade ore, 11,674 tonnes of mineralised waste and 279,638 tonnes of waste were mined during the period February 2012 to June 2012. Unfortunately mill breakdowns and improvement notices at the Brightstar Mill resulted in lower than budgeted production. As a result mining was suspended in early July 2012.

The total value of gold sold for the year ended 30 June 2012 was \$2,286,168.

The Directors are unaware of any significant changes in the state of affairs or principal activities of the company that occurred during the period under review.

After Balance Date Events

No matters or circumstance has arisen since 30 June 2012 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Future Developments

Further information on likely developments in the operations of the company has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the company. As Nex Metals Explorations Limited is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Nex Metals Explorations Limited's securities.

Environmental regulations

The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met. The Directors are not aware of any environmental regulation which has not been complied with.

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 2 board meetings and 3 circular resolutions were passed by Directors.

Directors	Board of directors	
	A	B
Thomas F Percy	5	5
Kenneth Allen	5	5
Kasit Phisitkul	5	5
Hock Hoo Chua	5	5
Raja Mohd Azmi bin Raja Razali	-	-

Notes

A - Number of meetings held during the time the director held office during the period, including circular resolutions.

B - Number of meetings attended.

Being a small executive Board, the Directors are in contact on a regular basis, minimising the requirement for numerous formal meetings throughout the year.

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DIRECTORS' REPORT

Directors' Share and Option holdings

As at the date of this report the interests of the directors in the shares and options of the Company were:

Director	Ordinary Shares	Options over Ordinary Shares
T F Percy	1,000,000	3,000,000
K Allen	7,150,001	3,000,000
K Phisitkul	1,000,000	3,000,000
H H Chua	860,000	-
R Razali	7,600,000	-

Share Options

Unissued ordinary shares of Nex Metals Explorations Limited under option as at the date of this report are as follows:

Date options granted	Expiry date	Exercise price of options	Number under options
1 July 2007	30 November 2012	\$0.25	3,000,000
1 July 2007	30 November 2012	\$0.40	1,500,000
1 July 2007	30 November 2012	\$0.50	1,500,000
1 July 2007	30 November 2012	\$0.60	3,000,000
1 July 2007	30 November 2012	\$0.75	3,000,000
1 July 2007	30 November 2012	\$1.00	6,000,000
			<u>18,000,000</u>

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Remuneration Report (Audited)

The information provided in this remuneration report have been audited as required by Section 308(3C) of the Corporations Act 2001.

(a) Principles used to determine the nature and amount of remuneration

The remuneration policy of Nex Metals Explorations Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The board of Nex Metals Explorations Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

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DIRECTORS' REPORT

The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%. Some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes or Binomial methodologies.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently \$350,000). Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Performance based remuneration

The company has no performance based remuneration component built into director and executive remuneration packages, since the issue of options to Directors on 1 July 2007. These options expire on 30 November 2012.

The following table shows the gross revenue and losses and share price of the Company at the end of the respective financial years.

	30 June 2012	30 June 2011
Revenue	\$2,300,105	\$9,497
Net Loss	(\$9,189,989)	(\$3,376,719)
Share Price	\$0.06	\$0.10

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced.

(b) Compensation of Key Management Personnel

The key management personnel of the Company are the Directors. There are no executives, other than Directors, who have the authority and responsibility for planning, directing and controlling the activities of the Company.

Name of Director

Thomas F Percy	Chairman
Kenneth Allen	Managing Director
Kasit Phisitkul	Non-Executive Director
Hock Hoo Chua	Non-Executive Director
Raja Mohd Azmi bin Raja Razali	Non-Executive Director

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DIRECTORS' REPORT

The emoluments for each director and key management personnel of the Company are as follows:

Year ended 30 June 2012	Short-term		Post	Total *
	Salary & Fees	Non Cash	employment	
	\$	\$	Superannuation \$	
Directors				
T Percy	37,500	2,997	3,375	43,872
K Allen	122,004	2,997	10,980	135,981
K Phisitkul	25,000	2,997	-	27,997
H Chua	25,000	2,997	2,250	30,247
R Razali	-	2,997	-	2,997
	209,504	14,985	16,605	241,094

* Included above are amounts totalling \$154,907 payable to Directors at balance date for services rendered for year ended 30 June 2012.

Year ended 30 June 2011	Short-term		Post	Share-based	Total
	Salary & Fees	Consulting	employment	payments	
	\$	\$	Superannuation \$	Options \$	
Directors					
T Percy	37,500	-	2,997	-	43,872
K Allen	122,004	-	2,997	-	135,981
H Prumm	14,073	74,140	2,997	-	92,477
K Phisitkul	24,996	-	2,997	-	27,993
H Chua	20,000	-	2,997	-	24,797
R Razali	-	-	-	-	-
	218,573	74,140	14,985	-	325,120

(c) *Service agreements*

The agreements related to remuneration are set out below

- (i) The Company has entered into an executive services agreement with Kenneth Malcolm Allen whereby the Company has agreed to employ Kenneth Malcolm Allen as managing director for a period of 4 years commencing on 6 December 2007 on a salary of \$220,000 per annum (exclusive of superannuation) and a fully maintained motor vehicle (up to the value of \$24,000 per year). In October 2008, Mr Allen agreed to reduce his total remuneration by 50% effective October 2008 until further notice. Mr Allen's term of agreement was extended on a monthly basis in November 2011.
- (ii) The Company has entered into a letter agreement with Hock Hoo Chua, whereby the Company has agreed to pay Hock Hoo Chua \$25,000 per annum, plus statutory entitlements, payable monthly in arrears for acting as a Non-Executive Director of the Company.
- (iii) The Company has entered into a letter agreement with Thomas Francis Percy whereby the Company has agreed to pay Thomas Francis Percy director's fees of \$75,000 per annum, plus statutory entitlements, payable monthly in arrears, for acting as the non-executive chairman of the Company. In October 2008 Mr Percy agreed to reduce his base remuneration by 50% effective October 2008 until further notice.
- (iv) The Company has entered into a letter agreement with Kasit Phisitkul whereby the Company has agreed to pay Kasit Phisitkul \$50,000 per annum, plus statutory entitlements, payable monthly in arrears, for acting as a non-executive director of the Company. In October 2008 Mr Phisitkul agreed to reduce his base remuneration by 50% effective October 2008 until further notice.

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DIRECTORS' REPORT

- (v) The Company has entered into a letter agreement with Raja Mohd Azmi Bin Raja Razali, whereby the Company has agreed to pay Raja Mohd Azmi Bin Raja Razali \$25,000 per annum, plus statutory entitlements, when Raja Mohd Azmi Bin Raja Razali stands in as an alternate for Hock Hoo Chua on a pro rata basis. No payments were made to Raja Mohd Azmi Bin Raja Razali during the year ended 30 June 2012.

(d) Use of remuneration consultants

The Company did not employ the services of remuneration consultants during the financial year.

(e) Voting and comments made at the Company's 2011 Annual General Meeting

The approval of the remuneration report was passed as indicated in the results of annual general meeting dated 30 November 2011. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract of insurance insuring the directors and officers of the Company against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

Non-Audit Services

No non-audit services were provided to the company by the company's external auditor during the financial year.

Auditor's Independence Declaration

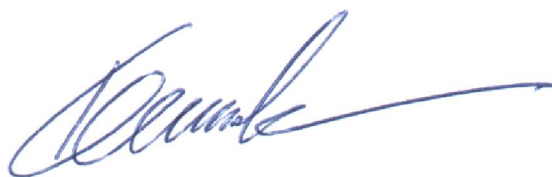
The lead auditor's independence declaration for the year ended 30 June 2012 has been received and is set out within this financial report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

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



Kenneth Allen
Managing Director

Perth, 30th September 2012

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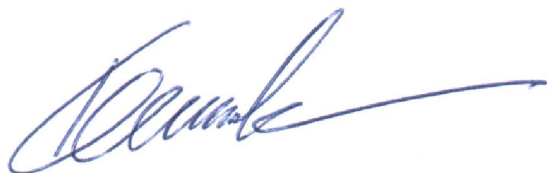
DIRECTORS' DECLARATION

The directors of the company declare that, in the opinion of the directors:

- (a) the financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1;
- (c) the directors have been given the declarations required by s 295A of the Corporations Act 2001; and
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s 295(5) of the Corporations Act 2001.

On behalf of the Directors:



KENNETH ALLEN
Managing Director

Dated at Perth this 30th day of September 2012

Nex Metals Explorations Limited
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012	30 June 2011
		\$	\$
Revenue	3(a)	2,300,105	9,497
Cost of sales		(9,128,559)	-
Gross profit		(6,828,454)	9,497
Other income	3(b)	222,003	81,051
Occupancy expenses		(46,940)	(17,581)
Administration expenses		(485,961)	(447,771)
Consultants expenses		(265,497)	(324,908)
Depreciation expenses	3(c)	(336,441)	(237,874)
Employment and contractor expenses		(716,408)	(529,084)
Other operating expenses		-	(2,351)
Travel expenses		(83,734)	(54,650)
Exploration and evaluation expenses		(665,263)	(1,778,048)
Tenement acquisition expenses written off		(130,105)	(75,000)
Loss before income tax benefit		(9,336,800)	(3,376,719)
Income tax benefit	4	146,811	-
Loss for the year		(9,189,989)	(3,376,719)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(9,189,989)	(3,376,719)
Loss per share:			
Basic and diluted loss (cents per share)	16	(6.49) cents	(3.10) cents

The accompanying notes form part of this financial report

Nex Metals Explorations Limited
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents	21(a)	16,017	626,260
Trade and other receivables	6	376,352	430,185
Other assets	7	17,790	92
Total current assets		<u>410,159</u>	<u>1,056,537</u>
Non-current assets			
Property, plant and equipment	8	1,292,857	1,600,524
Exploration and evaluation expenditure	9	284,664	414,769
Mine development expenditure	10	6,750,575	4,167,700
Total non-current assets		<u>8,328,096</u>	<u>6,182,993</u>
Total assets		<u>8,738,255</u>	<u>7,239,530</u>
Current liabilities			
Trade and other payables	11	7,897,744	736,534
Borrowings	12	250,000	-
Total current liabilities		<u>8,147,744</u>	<u>736,534</u>
Non-current liabilities			
Borrowings	12	1,500,000	-
Total non-current liabilities		<u>1,500,000</u>	<u>-</u>
Total liabilities		<u>9,647,744</u>	<u>736,534</u>
Net liabilities / (Assets)		<u>(909,489)</u>	<u>6,502,996</u>
Equity			
Contributed equity	13(a)	18,889,807	17,112,303
Option reserve	14	2,260,245	2,260,245
Accumulated losses	15	(22,059,541)	(12,869,552)
Total equity		<u>(909,489)</u>	<u>6,502,996</u>

The accompanying notes form part of this financial report.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Attributable to equity holders			
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	10,771,207	2,234,964	(9,492,833)	3,513,338
Loss for the year	-	-	(3,376,719)	(3,376,719)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3,376,719)	(3,376,719)
Transactions with owners in their capacity as owners				
Issue of shares for working capital	6,409,650	-	-	6,409,650
Issue of shares in consideration for services rendered	271,958	-	-	271,958
Issue of options for services rendered	(25,281)	25,281	-	-
Share issue costs	(315,231)	-	-	(315,231)
Total contributions by owners	6,341,096	25,281	-	6,366,377
Balance at 30 June 2011	17,112,303	2,260,245	(12,869,552)	6,502,996
	Attributable to equity holders			
	Ordinary Shares \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	17,112,303	2,260,245	(12,869,552)	6,502,996
Loss for the year	-	-	(9,189,989)	(9,189,989)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(9,189,989)	(9,189,989)
Transactions with owners in their capacity as owners				
Issue of shares for working capital	1,902,000	-	-	1,902,000
Share issue costs	(124,496)	-	-	(124,496)
Total contributions by owners	1,777,504	-	-	1,777,504
Balance at 30 June 2012	18,889,807	2,260,245	(22,059,541)	(909,489)

The accompanying notes form part of this financial report.

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CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
Cash flows from operating activities			
Receipts from customers		2,286,168	-
Payments to suppliers and employees		(5,107,804)	(3,153,908)
Sundry receipts		221,896	81,051
Interest received		12,305	9,497
Net cash used in operating activities	21(b)	(2,587,435)	(3,063,360)
Cash flows from investing activities			
Payments for acquisition of mineral interests		-	(86,849)
Payments for plant and equipment		(28,774)	(1,045,721)
Payments for mine development		(1,849,645)	(1,740,905)
Loan – Other		-	27,054
Net cash used in investing activities		(1,878,419)	(2,846,421)
Cash flows from financing activities			
Proceeds from issues of equity securities		2,230,000	6,409,650
Payment for share issue costs		(124,496)	(315,231)
Proceeds from convertible notes		1,500,000	-
Proceeds from unsecured loans		250,000	-
Net cash provided by financing activities		3,855,504	6,094,419
Net (decrease) / increase in cash and cash equivalents		(610,350)	184,638
Effects of exchange rate on cash and cash equivalents		107	(2,351)
Cash and cash equivalents at the beginning of the financial year		626,260	443,973
Cash and cash equivalents at the end of the financial year	21(a)	16,017	626,260

The accompanying notes form part of this financial report.

Nex Metals Explorations Limited

ABN 63 124 706 449

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. Corporate Information

The financial report of Nex Metals Explorations Limited (the Company) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 30 September 2012.

Nex Metals Explorations Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

In the year ended 30 June 2012, the Company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Going concern

As disclosed in the financial statements, the Company recorded a loss of \$9,189,989 (2011: \$3,376,719) and net cash outflows from operating activities of \$2,587,435 (2011: \$3,063,360) and for mine development activities of \$1,849,645 (2011: \$1,740,905) for the year ended 30 June 2012. The Company at balance date had a net current liabilities of \$7,737,585 (2011: net current assets of \$320,003). These financial conditions indicate significant uncertainty whether the Company will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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:

- In June 2012, the Company secured a \$7 million standby subscription agreement with Gurney Capital Nominees Pty Ltd. No amounts have been drawn down on this facility at the date of this report;
- As at the date of this report a foreign unrelated entity had contracted to funding of \$3 million but has been unable to effect such transfer at this point. The same party via another entity has commenced contract discussions with respect to refurbishment and operation of the Company's Orient Well mill facility at their cost;
- The Company submitted a return to the Australian Taxation Office, claiming a net tax credit under the Research and Development regime of \$5.1 million.. Interim funding from a Financial Institution is being negotiated on the basis of the success of this claim;
- A dispute with a significant creditor exists relating to satisfactory delivery of goods, which the Company expects to commence litigation about, for breach of contract, with any judgment in the Company's favor being offset against the liability presently recognized in these financial statements;
- \$328,000 of share application monies will be converted to equity once placement ability has been approved by shareholder at a General Meeting on 5 October 2012; and

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of Significant Accounting Policies (continued)

- 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 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.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company does not continue as a going concern.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employs may satisfy vesting requirements. Those cash flows are discounted using market yields on national government with terms to maturity that match the expected timing of cash flows.

(c) Financial assets

Financial instruments, incorporation financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention,

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and their fair value of consideration paid, including the transfer of non cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designed as such to avoid an accounting mismatch or enable performance evaluation where a group or financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of Significant Accounting Policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest method. Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting periods. All other investments are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial statements that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Fair value is determined based on the current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment of Assets

At the end of each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

(d) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST;

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of Significant Accounting Policies (continued)

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At the end of each reporting year, the Company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movement in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognized outside profit or loss

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a largely enforceable right of set-off exists and it is intended that net settlement or simultaneous realization and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realization and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of Significant Accounting Policies (continued)

(h) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in an area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

The Company performs impairment testing when facts and circumstances suggest the carrying amount has been impaired. If it was determined that the asset was impaired it would be immediately written off to the income statement.

Expenditure is not carried forward in respect of any area of interest unless the Company's right of tenure to that area of interest is current. Expenditures incurred before the Company has obtained legal rights to explore a specific area is expensed as incurred. Amortisation is not charged on areas under development, pending commencement of production.

(i) Mine Development

Development expenditure incurred by or on behalf of the company is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine, the related infrastructure and capitalised exploration and evaluation expenditure transferred from capitalised exploration and evaluation expenditure account.

Amortisation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

Mine properties are tested for impairment in accordance with the policy in note 1(f).

Costs of site restoration are provided for over the life of the facility from when exploration commences and are included in the costs from that stage. Site restoration costs include obligations relating to dismantling and removing mining plant, reclamation, waste dump rehabilitation and other costs associated with restoration and rehabilitation of the site. Such costs have been determined using estimates of the future costs and current legal requirements and technology, discounted to present value. Any changes in the estimates for the costs are accounted for on a prospective basis.

(j) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of Significant Accounting Policies (continued)

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Plant and office equipment	6.67% to 100%
Motor Vehicle	13.33% to 30%

(l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events for which it is probable that an outflow of economic benefits will result in that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting year.

(m) Revenue recognition

Gold sales

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods based on management's best estimate, the price is fixed and generally title has passed.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(n) Equity based compensation

The Company expenses equity based compensation such as share and option issues after ascribing a fair value to the shares and/or options issued. If options vest at date of grant, the expense is taken up at date of grant and a corresponding Option Reserve is credited.

(o) Contributed equity

Contributed equity is recognised at the fair value of the consideration received by the Company. Any transaction costs on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that it transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2. Summary of Significant Accounting Policies (continued)

(q) Earnings per share

Basic earnings per share is calculated as a net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Trade and other receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(s) Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with AIFRS required the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

Exploration and evaluation expenditure

The board of directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(t) New accounting standards applicable for the future

At the date of this financial report the following accounting standards, which may impact the Company in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013 (likely to be extended to 2015 by ED 215)
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair	1 January 2013

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

		value measurement.	
AASB 119	<i>Employee Benefits</i>	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013
IFRIC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	This Interpretation clarifies the requirements for accounting for stripping costs in the production phase of a surface mine, such as when such costs can be recognised as an asset and how that asset should be measured, both initially and subsequently.	1 January 2013

The company has decided not to early adopt any of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

(u) Comparative Figure

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	30 June 2012 \$	30 June 2011 \$
3. Loss before income tax		
(a) Revenue		
Gold sales	2,286,168	-
Interest revenue	13,937	9,497
	<u>2,300,105</u>	<u>9,497</u>
(b) Other Income		
Sundry income	107	13,034
Fuel tax credits	221,896	68,017
	<u>222,003</u>	<u>81,051</u>
(c) Expenses		
Depreciation of plant and equipment	336,441	237,874
4. Income tax		
(a) No Income tax is payable by the company as it has incurred losses for income tax purposes for the year.		
(b) The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(9,189,989)	(3,376,719)
Income tax benefit calculated at 30%	(2,756,997)	(1,013,016)
Permanent differences		
Capital raising costs allowable	(50,921)	(43,452)
Non-deductible expenses	7,725	13,253
	(2,800,193)	(1,043,215)
Movements in unrecognised temporary differences	89,966	5,501
Unused tax loss not recognised as a deferred tax asset	2,710,227	1,037,714
R&D cash rebate claimed (see note 4(d))	146,811	-
Income tax benefit	<u>146,811</u>	<u>-</u>

(c) Unrecognised deferred tax balances

The directors estimate that the potential deferred tax benefits (at 30%) not brought to account attributable to tax losses carried forward at balance date is approximately \$6,374,064 (2011: \$3,663,837). They will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company is able to meet the continuity of ownership and/or continuity of business tests.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

4. Income tax (continued)

(d) During the year ended 30 June 2012, the Company applied for and received in July 2012 a rebate from the Australian Taxation Office of \$146,811, representing the tax value of research and development costs for the year ended 30 June 2011. This amount is shown as an income tax benefit in the Statement of Comprehensive Income for the year ended 30 June 2012. The Company intends claiming the same rebate in respect of expenditure for the year ended 30 June 2012. The rebate applied for is estimated at \$5.1 million. If this is successful, the refund will be shown as an income tax benefit for the year ended 30 June 2013.

	30 June 2012 \$	30 June 2011 \$
5. Remuneration of auditors		
Audit and review of the financial report	37,000	34,000
6. Trade and other receivables		
Taxation refund (Note 4(d))	146,811	-
Sundry receivables	229,541	430,185
	<u>376,352</u>	<u>430,185</u>
7. Other assets		
Prepayments	17,790	92

8. Property, plant and equipment

	Motor Vehicles \$	Plant and Office Equipment \$	Total \$
Year ended 30 June 2012			
Opening net book value	317,061	1,283,463	1,600,524
Additions	-	134,946	134,946
Disposals	(1,526)	(104,546)	(106,072)
Depreciation charge for the year	(71,387)	(265,154)	(336,541)
Closing net book value	<u>244,148</u>	<u>1,048,709</u>	<u>1,292,857</u>
At 30 June 2012			
Cost or fair value	418,105	1,616,674	2,034,779
Accumulated depreciation	(174,957)	(567,965)	(741,922)
Net book value	<u>244,148</u>	<u>1,048,709</u>	<u>1,292,857</u>
	Motor Vehicles \$	Plant and Office Equipment \$	Total \$
Year ended 30 June 2011			
Opening net book value	187,205	465,304	652,509
Additions	187,902	997,987	1,185,889
Depreciation charge for the year	(58,046)	(179,828)	(237,874)
Closing net book value	<u>317,061</u>	<u>1,283,463</u>	<u>1,600,524</u>
At 30 June 2011			
Cost or fair value	419,732	1,586,274	2,006,006
Accumulated depreciation	(102,671)	(302,811)	(405,482)
Net book value	<u>317,061</u>	<u>1,283,463</u>	<u>1,600,524</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
9. Exploration expenditure			
Opening Balance		414,769	2,829,714
Costs of acquisition of interests during the financial year		-	86,849
Writedown of acquired exploration assets		(130,105)	(75,000)
Transfer to mine development expenditure		-	(2,426,794)
Current year expenditure		665,263	1,646,258
Current year expenditure written off		(665,263)	(1,646,258)
Closing balance		<u>284,664</u>	<u>414,769</u>
10. Mine Development expenditure			
Opening balance		4,167,700	-
Transfer from exploration expenditure		-	2,426,794
Capitalisation of costs		2,582,875	1,740,906
Amortisation (refer Note 10 (a))		-	-
Closing balance		<u>6,750,575</u>	<u>4,167,700</u>
(a) Amortisation of mine development expenditure will commence once mining reaches a commercial level of production.			
11. Trade and other payables			
Current			
Trade payables and accruals (i)		7,423,050	672,977
Employee entitlements		91,259	63,557
Accrued interest	12(a)	55,435	-
Share application monies		328,000	-
		<u>7,897,744</u>	<u>736,534</u>
(i) Trade payables are non-interest bearing and are normally settled on 30-60 day terms. The amount of payables at balance date exceeding normal trading terms is estimated at \$3,139,546.			
12. Borrowings			
Current			
Unsecured Loans – unrelated party	12(b)	250,000	-
		<u>250,000</u>	<u>-</u>
Non-current			
Convertible note	12(a)	1,500,000	-
		<u>1,500,000</u>	<u>-</u>

(a) During the period January – March 2012, the company issued unsecured convertible notes with a face value of \$1,500,000. The notes are repayable on 12 February 2014, unless the noteholder elects to convert to ordinary share at the lower of \$0.08 per share or the 10 trading day volume weighted average price of shares traded on the ASX. Interest is payable at 10% per annum. Total interest accrued during the year ended 30 June 2012 was \$55,435.

(b) The unsecured loans represent loans from unrelated entities. During the year, the Company entered into a loan agreement for the amount of \$250,000. Interest is payable at 12% per annum. Total interest paid during the year ended 30 June 2012 on this loan was \$20,000. There is no fixed repayment date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 Number	2011 Number
13. Contributed equity		
152,716,956 fully paid ordinary shares (2011 :131,550,931)	<u>18,889,807</u>	<u>17,112,303</u>

(a) Movements in contributed equity:

Year ended 30 June 2011

	No of Shares	Issue Price	\$
Balance at 1 July 2010	89,293,292		10,771,207
Shares issued for working capital	390,000	0.20	78,000
Shares issued for working capital	12,530,000	0.175	2,192,750
Shares issued for working capital	21,154,922	0.1575	3,331,900
Shares issued for working capital	6,456,000	0.125	807,000
Shares issued for services rendered	1,726,717	0.1575	271,958
Share issue costs	-		(315,231)
Share issue costs satisfied by issue of options	-		(25,281)
Balance at 30 June 2011	<u>131,550,931</u>		<u>17,112,303</u>

Year ended 30 June 2012

	No of Shares	Issue Price	\$
Balance at 1 July 2011	131,550,931		17,112,303
Shares issued for working capital	15,775,000	0.08	1,262,000
Shares issued for working capital	2,000,000	0.105	210,000
Shares issued for working capital	1,083,333	0.12	130,000
Shares issued for working capital	2,307,692	0.13	300,000
Share issue costs	-		(124,496)
Balance at 30 June 2012	<u>152,716,956</u>		<u>18,889,807</u>

(b) Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(c) Movements in Options on Issue

Opening balance	83,726,889	64,656,646
Options issued for nil consideration to satisfy share issue costs	-	1,203,837
Options issued for nil consideration as part of share placement	-	17,866,406
Options expired during the year	(65,726,889)	-
Closing Balance	<u>18,000,000</u>	<u>83,726,889</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

14. Reserves	30 June 2012 \$	30 June 2011 \$
Option reserve	2,260,245	2,260,245
Option reserve		
Balance at beginning of financial year	2,260,245	2,234,964
Issue of options	-	25,281
Balance at end of financial year	2,260,245	2,260,245
This option issue reserve is used to recognise both the fair value or issue price of options issued.		
	30 June 2012 \$	30 June 2011 \$
15. Accumulated losses		
Balance at beginning of financial year	(12,869,552)	(9,492,833)
Loss attributable to members	(9,189,989)	(3,376,719)
Balance at end of financial year	(22,059,541)	(12,869,552)
	2012 Cents Per Share	2011 Cents Per Share
16. Loss per share		
Basic and diluted loss per share:	(6.49)	(3.10)
The loss for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:		
	30 June 2012 \$	30 June 2011 \$
Loss for the year after income tax	(9,189,989)	(3,376,719)
Weighted average number of ordinary shares for the purposes of basic earnings per share	141,563,527	108,986,946
17. Commitments for expenditure		
(a) <u>Operating lease commitments</u>		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Not later than 1 year	37,500	38,125
Later than 1 year and not later than 2 years	37,500	41,340
Later than 2 years and not later than 5 years	62,466	28,938
	137,466	108,403
(b) <u>Exploration commitments</u>		
The company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
Not later than 1 year	1,498,355	1,564,385
Later than 1 year and not later than 2 years	1,271,997	1,416,004
Later than 2 years and not later than 5 years	3,219,224	3,394,197
	5,989,576	6,374,586

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

17. Commitments for expenditure (continued)

(c) Royalty Commitments

- (i) The Company has royalty obligations to Mr RW Allen pursuant to mining tenement acquisition agreements.

The royalty under the agreements are as follows:

- (a) \$1.00 per tonne for any gold bearing ore extracted from the tenements;
 - (b) for uranium, 5% of the sale price if the market price is up to USD50.00 per pound, 7.5% of the sale price if the market price ranges between USD50.01 to USD99.99 per pound, and 10% of the sale price if the market price is USD100.00 or above per pound, less selling costs in all cases; and
 - (c) 1% of gross sales of extracted metals for any other mineral
- (ii) The Company has royalty obligations to Prumm Corporation Pty Ltd pursuant to a mining tenement acquisition agreement. The royalty under the agreement is as follows:
- (a) for gold, at the rate of \$1.00 per tonne for any gold bearing ore extracted from the tenements;
 - (b) for uranium, at the rate of 5% of the sale price if the market price is up to USD50.00 per pound, 7.5% of the sale price if the market price ranges between USD50.01 to USD99.99 per pound, and 10% of the sale price if the market price is USD100.00 or above per pound, less selling costs in all cases;
 - (c) for gypsum, at the rate of 5% of the sale price per tonne less selling costs; and
 - (d) for nickel or any other base metal, at the rate of 5% of the gross production of the processed nickel or other base metal less selling costs.
- (iii) The Company has various royalty commitments in relation to tenements acquired in the Kookynie area during the year ended 30 June 2010. These commitments vary. Based on average grades and the budgeted areas to be mined, the Directors consider that royalties payable for the next 2-3 years will be immaterial.

18. Contingent liabilities

During the year ended 30 June 2012, there is a bank guarantee facility of \$260,000 provided by National Australia Bank (2011: \$260,000) which remains unused as at 30 June 2012 (2011: \$253,000 was utilised).

There is also an indemnity guarantee facility of \$203,000 (2011: \$203,000) provided by Macquarie Bank during the year which remains unused as at 30 June 2012 (2011: unused). Other than the above, there were no other contingent liabilities as at 30 June 2012.

Nex Metals Explorations Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19. Related party disclosures

(a) Other transactions with director related entities

Transactions with director related entities are on commercial terms no more favourable than those available to other persons unless otherwise stated.

	30 June 2012 \$	30 June 2011 \$
(i) Accounting, administration, rent & labour hire fees paid to Allens Business Group Pty Ltd , a related company of Kenneth Allen	108,316	57,698
(ii) Exploration consulting services paid to Mobile Gold Mining Pty Ltd and Prumm Corporation Pty Ltd , related companies of Horst Prumm *	-	74,140
(iii) Tenement administration fees paid to Absolute Tenement Services, related entity of Horst Prumm	-	23,100
(iv) Administration fees paid on behalf of International Mining Logistics Pty Ltd, a related entity of Kenneth Allen	76,610	1,385

* These amounts are included in Key Management Personnel remuneration totals in Note 20, and in the remuneration report in the Director's Report

(b) Directors loans

No loans existed during the year and as at balance date between the company and its directors.

20. Key Management Personnel Disclosures

(a) Compensation of Key Management Personnel

	30 June 2012 \$	30 June 2011 \$
Short term employee benefits	224,489	307,698
Post employment benefits	16,605	17,422
	241,094	325,120

(b) Option holdings of Key Management Personnel

	Balance at 01/07/11	Balance held at appointment	Options Expired	Other Changes during the year	Balance at 30/06/12
2012	No.	No.	No.	No.	No.
Directors					
T F Percy	3,500,000	-	(500,000)	-	3,000,000
K Allen	5,850,000	-	(2,850,000)	-	3,000,000
K Phisitkul	3,500,000	-	(500,000)	-	3,000,000
H H Chua	430,000	-	(430,000)	-	-
R Razali +	3,800,000	-	(3,800,000)	-	-
	17,080,000	-	(8,080,000)	-	9,000,000

Nex Metals Explorations Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

20. Key Management Personnel Disclosures (continued)

(b) Option holdings of Key Management Personnel (continued)

	Balance at 01/07/10	Balance held at appointment	Exercise of Options	Balance held at resignation	Balance at 30/06/11
2011	No.	No.	No.	No.	No.
Directors					
T F Percy	3,500,000	-	-	-	3,500,000
K Allen	5,850,000	-	-	-	5,850,000
H Prumm	4,040,000	-	-	* (4,040,000)	-
K Phisitkul	3,500,000	-	-	-	3,500,000
H H Chua	-	430,000	-	-	430,000
R Razali +	-	3,800,000	-	-	3,800,000
	16,890,000	4,230,000	-	(4,040,000)	17,080,000

* Represents balance held at date of resignation.

+ Indirect Interests.

(c) Shareholdings of Key Management Personnel

	Balance at 01/07/11	Balance held at appointment	Exercise of Options	Other changes during the year	Correction of discrepancy	Balance at 30/6/12
2012	No.		No.	No.	No.	No.
Directors						
T F Percy	1,000,000	-	-	-	-	1,000,000
K Allen	7,150,001	-	-	-	-	7,150,001
K Phisitkul	1,000,000	-	-	-	-	1,000,000
H H Chua	860,000	-	-	-	-	860,000
R Razali +	7,600,000	-	-	-	-	7,600,000
	17,610,001	-	-	-	-	17,610,001

	Balance at 01/07/10	Balance held at appointment	Exercise of Options	Other changes during the year	Correction of discrepancy	Balance at 30/6/11
2011	No.		No.	No.	No.	No.
Directors						
T F Percy	1,000,000	-	-	-	-	1,000,000
K Allen	7,030,001	-	-	120,000	-	7,150,001
H Prumm	2,080,000	-	-	* (2,080,000)	-	-
K Phisitkul	1,000,000	-	-	-	-	1,000,000
H H Chua	-	860,000	-	-	-	860,000
R Razali +	-	7,600,000	-	-	-	7,600,000
	11,110,001	8,460,000	-	(1,960,000)	-	17,610,001

* Represents balance held at date of resignation.

+ Indirect interests

Nex Metals Explorations Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

20. Key Management Personnel Disclosures (continued)

(d) Other transactions with Key Management Personnel

Other transactions with Key Management Personnel are included in Note 19.

	30 June 2012	30 June 2011
	\$	\$
21. Notes to the cash flow statement		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash and cash at bank	16,017	626,260
	<u>16,017</u>	<u>626,260</u>
(b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(9,189,989)	(3,376,719)
Depreciation	336,441	237,874
Share based payment	-	131,790
Capitalised exploration written off	130,105	75,000
(Gain) / Loss on foreign exchange currency	(107)	2,351
Changes in assets and liabilities		
Trade and other receivables	109,267	(384,743)
Prepayments	(17,694)	56,362
Trade and other payables	6,044,542	194,725
Net cash (used) in operating activities	<u>(2,587,435)</u>	<u>(3,063,360)</u>
(c) Non cash financing and investing activities		
Consideration for the acquisition of plant and equipment partly satisfied by the issue of shares	<u>-</u>	<u>140,168</u>

22. Financial risk management and policies

Nex Metals Explorations Limited's exploration activities are being funded by equity and are not exposed to significant financial risks. There are no speculative or financial derivative instruments. Funds are invested for various short term periods to match forecast cash flow requirements.

The Company holds the following financial instruments:

Financial assets

Cash and cash equivalents	16,017	626,260
Trade and other receivables	376,352	430,185
	<u>392,369</u>	<u>1,056,445</u>

Financial liabilities

Trade and other payables	7,897,744	736,534
	<u>7,897,744</u>	<u>736,534</u>

Nex Metals Explorations Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22. Financial risk management and policies (continued)

The Company's principal financial instruments comprise cash and short-term deposits. The Company does not have any borrowings.

The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company are foreign currency risk, capital risk, credit risk, liquidity risk, and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign Currency

Nex Metals Explorations Limited operates internationally and is exposed to foreign exchange risk arising from currency exposure to the US Dollar. Exposure is limited to maintaining sufficient funds in the particular countries to meet expenditure commitments.

Management does not actively manage foreign exchange risk.

The Company's exposure to foreign currency risk at the reporting date was limited to an amount of \$2,680 (2011: \$2,578) held in a bank account denominated in US Dollars.

The carrying amount of the Company's financial assets and liabilities are denominated in Australian dollars.

The foreign currency risk is immaterial in terms of the possible impact on profit or loss or total equity. No sensitivity analysis has therefore been disclosed in these financial statements.

None of the foreign denominated balances are accounted for as hedges in accordance with AASB 139 therefore all foreign exchange movements would be recognised within the current period statement of comprehensive income and within equity.

(b) Credit risk

Management does not actively manage credit risk.

Nex Metals Explorations Limited has no significant exposure to credit risk from external parties at year end. The maximum exposure to credit risk at the reporting date is equal to the carrying value of financial assets at 30 June 2012.

Cash at bank is held with internationally regulated banks.

Other receivables are of a low value and all amounts are current. There are no trade receivables.

(c) Capital risk

Nex Metals Explorations Limited's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2012, Nex Metals Explorations Limited's strategy was to keep borrowings to a minimum. The company's equity management is determined by funds required to undertake exploration activities and meet its corporate and other costs.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22. Financial risk management and policies (continued)

(d) Liquidity risk

Maturity profile of financial instruments

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Company does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash-burn rate of the Company on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date, the Company had a shortfall of working capital of \$7,737,585. In June 2012, the Company entered into a standby subscription agreement with Gurney Capital Nominees Pty Ltd. The total facility, of which drawdowns can be made subject to certain terms and conditions, is \$7 million. Nil amounts have been drawn down on this facility as at the date of this report.

The financial liabilities the Company had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were generally due within the normal 30-60 days terms of creditor payments. As at 30 June 2012 it is estimated an amount of \$3.1 million in payables exceeding their normal trading terms.

The following table sets out the carrying amount, by maturity, of the financial instruments including exposure to interest rate risk:

As at 30 June 2012	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	16,017	-	-	16,017	4.34
Receivables & other	376,352	-	-	376,352	-
	<u>392,369</u>	<u>-</u>	<u>-</u>	<u>392,369</u>	
Financial Liabilities:					
Trade payables and advance deposits	7,897,744	-	-	7,897,744	-
Borrowings – Unsecured loan	250,000	-	-	250,000	12.0
Borrowings – Convertible note	-	1,500,000	-	1,500,000	10.0
	<u>8,147,744</u>	<u>1,500,000</u>	<u>-</u>	<u>9,647,744</u>	

Nex Metals Explorations Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22. Financial risk management and policies (continued)

As at 30 June 2011	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	626,260	-	-	626,260	4.0
Receivables & other	430,185	-	-	430,185	-
	1,056,445	-	-	1,056,445	
Financial Liabilities:					
Trade payables and advance deposits	736,534	-	-	736,534	-
	736,534	-	-	736,534	

Sensitivity analysis – interest rates

The effect on profit and equity as a result of changes in interest rates on a net financial assets is immaterial.

(e) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The Company's principal financial instruments consist of cash and deposits with banks, accounts receivable and trade payables. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

23. Share based payments

(a) (i) Directors Options

There were no directors options issued in the year ended 30 June 2012 (2011: Nil).

(ii) Directors Options Outstanding

During the year ended 30 June 2008, 18,000,000 options were granted to Directors of the Company. All options expire on 30 November 2012. Details of the options that were granted as compensation during the reporting period ended 30 June 2008 are as follows:

	No. of options	Value per option (cents)	Total \$
Directors options exercisable at 25 cents each	3,000,000	13.01	390,159
Directors options exercisable at 40 cents each	1,500,000	9.67	145,040
Directors options exercisable at 50 cents each	1,500,000	8.13	122,013
Directors options exercisable at 60 cents each	3,000,000	6.95	208,352
Directors options exercisable at 75 cents each	3,000,000	5.60	168,020
Directors options exercisable at \$1.00 each	6,000,000	4.09	245,316
	18,000,000		1,278,900

The fair value of these options has been recognised as an expense in the statement of comprehensive income during the year ended 30 June 2008 as they were fully vested.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

23. Share based payments (continued)

The weighted average remaining contractual life of share options outstanding at 30 June 2012 was 0.4 years (2011: 1.4 years).

The weighted average exercise price is 34.5 cents.

No director options were exercised during years ended 30 June 2008 to 2012 and 18,000,000 director options remain on issue at the date of this report.

(b) Shares and options issued in consideration of assets and services

Year ended 30 June 2012

No shares or options were issued in consideration for the acquisition of assets or services rendered for the year ended 30 June 2012.

Year ended 30 June 2011

On 12 January 2011, 836,762 shares valued at \$131,790 were issued to vendors as part consideration for services rendered, and 889,955 shares valued at \$140,168 were issued to vendors as part consideration for acquisition of plant and equipment.

No shares were issued during the year for acquisition of mineral tenements.

In January 2011, 1,203,837 options valued at \$25,281 were issued for nil consideration to vendors as part consideration for services rendered. These options are due to expire on 30 November 2011 and have an exercise price of \$0.25.

24. Segment Reporting

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company operates predominantly in one business segment which is mineral mining and exploration and predominantly in one geographical area which is Western Australia.

The Company is domiciled in Australia. All revenue from external parties is generated from Australia only. All the assets are located predominantly in Australia. Segment assets are allocated to countries based on where the assets are located.

25. Subsequent Events

There are no matters or circumstances which have arisen since the end of the financial year that have significantly affected the operations of the Company or the results of those operations or the state of affairs of the Company, nor are there any such matters or circumstances or likely developments which may significantly affect the future operations or the results of those operations or the state of affairs of the Company, in subsequent financial years.

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ABN 63 124 706 449

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

26. Company Details

The registered office of the Company is:

Nex Metals Explorations Limited
Level 1
95 Canning Highway
South Perth WA 6151

The principal place of business is:

Nex Metals Explorations Limited
Level 1
95 Canning Highway
South Perth WA 6151

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
NEX METALS EXPLORATIONS LIMITED

Report on the Financial Report

We were engaged to audit the accompanying financial report of Nex Metals Explorations Limited, which comprises the statement of financial position as at 30 June 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on conducting the audit in accordance with Australian Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independence

In conducting our audit, 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 Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Basis for Disclaimer of Opinion***Going concern**

As disclosed in Note 2 to the financial statements, the company incurred a loss of \$9,189,989 and had net cash outflows from operating activities and investing activities of \$2,587,435 and \$1,878,419 respectively for the year ended 30 June 2012. As at that date, the company had net current liabilities of \$7,737,585. The ability of the company to continue as a going concern is contingent on a number of future events, the most significant of which is the ability of the company to obtain additional funding to continue mining its exploration and mine assets. There is significant uncertainty regarding the ability of the company to raise sufficient capital and hence the probability of successfully mining its exploration and mine assets. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Recoverability of assets

In addition, the company has a number of assets where the ability to realise the carrying value of those assets is directly related to the ability of the company to raise sufficient funds to enable the successful mining of its exploration and mine related assets. These assets are:

Plant and Equipment

Disclosed at Note 8 is property, plant and equipment carried at a value of \$1,292,857. We have been unable to perform audit procedures in respect of any requirement for impairment of these assets due to an inability to test cash flows generated by these assets, because without sufficient funds being raised the company will not be able to continue its mining activities.

Exploration and evaluation expenditure

Disclosed at Note 9 is exploration and evaluation expenditure carried at a value of \$284,664 which was recognised as a result of its mineral exploration activities. If the company does not raise sufficient funds to continue its mineral exploration and mining activities, it will not be able to realise the carrying value of this asset.

Mine Development Expenditure

Disclosed at Note 10 is mine development expenditure carried at a value of \$6,750,575 which was recognised as a result of its mining activities. If the company does not raise sufficient funds to continue its mining activities, it will not be able to realise the carrying value of this asset.

The ability of the company to realise the carrying value of these assets is directly related to the ability of the company to raise sufficient funds to continue its mining activities. There is significant uncertainty regarding the ability of the company to raise sufficient capital and therefore the ability to continue its mineral exploration and mining activities.

As a result of the uncertainties relating to the adoption of the going concern basis of accounting, future capital raising and the continuation of its mineral exploration and mining activities, we have been unable to obtain sufficient appropriate audit evidence regarding the valuation of property, plant and equipment, evaluation and exploration expenditure and mine development expenditure, carried at values of \$1,292,857, \$284,664 and \$6,750,575 respectively. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on whether:

- (a) the financial report of Nex Metals Explorations Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

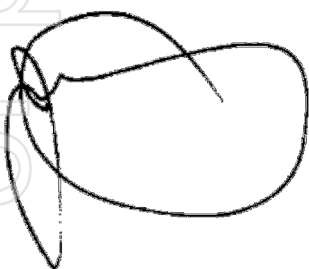
We have audited the Remuneration Report included in pages 10 to 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Nex Metals Explorations Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 30 September 2012

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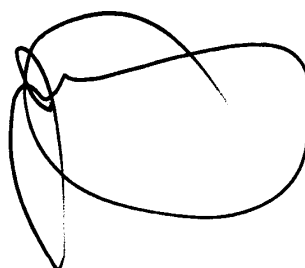
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Nex Metals Explorations Limited for the year ended 30 June 2012, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



J A KOMNINOS
Partner

Perth, WA
Dated: 30 September 2012