

7 February, 2017

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

Attention: Dawn James

Dear Dawn,

Further to your email dated 2 February 2017 and entitled Appendix 5B Query we respond as follows in numerical sequence to your questions and as Nex or the Company.

- 1 No, the Company has received in January 2017 Research and Development rebate of \$305,000. Estimated cashflows as disclosed in the appendix 5b is gross, whereas the net amount after income will be \$80,000 for the quarter. Balance of the sale of the Kookynie project is now expected by our legal advisers to be imminent in the March 2017 Quarter. Income from the management of the Kookynie project is on an ongoing basis and nets off against most the expenses of the Company.
- 2 The Company believes that with cash as expected it is sufficient to meet ongoing expenditure.
- 3.1 This is a revolving amount and is received monthly in various amounts.
- 3.2 The amount of \$1,067,000 plus interest is expected in the month of February 2017
- 4 Yes, the Company has continued its exploration activities and has undertaking agreements which minimises direct expenditure to the Company. Mining activities are expected to begin on the Kookynie tailings subject to DMP approval which we do not see will be withheld after initial discussions with the Department. This project will be operated in conjunction with CSIRO Gold Processing team. The Company has had a few approaches with respect to other mining activities and deals currently held but have not seen these as benefitting Nex shareholders. As disclosed in the quarterly the Company has agreed basic terms of commencing mining at both Cosmopolitan and Champion mines at no cost to the Company.
- 5 None provided
- 6 The Company is in compliance with its continuous disclosure requirements
- 7 The Company confirms its authority to respond to ASX disclosure matters

Yours sincerely



Kenneth M Allen

For personal use only



2 February 2017

Mr Kenneth Allen
Company Secretary
Nex Metals Explorations Ltd
Level 1, 95 Canning Highway
South Perth WA 6151

By email

Dear Mr Allen

Nex Metals Explorations Ltd (“NME”): Appendix 5B Query

ASX refers to NME’s Appendix 5B quarterly report for the period ended 31 December 2016 lodged with ASX Market Announcements Platform on 1 February 2017 (the “Appendix 5B”).

ASX notes that NME has reported:

- negative net operating cash flows for the quarter of \$80,000;
- cash at the end of the quarter of \$150,000;
- estimated cash outflows for the next quarter of \$230,000.

It is possible to conclude, based on the information in the Appendix 5B that if NME were to continue to expend cash at the rate indicated by the Appendix 5B, NME may not have sufficient cash to continue funding its operations. In view of that, ASX asks NME to respond separately to each of the following questions and requests for information:

1. Does NME expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has NME taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. ASX notes the following statement in NME’s quarterly activities report:
“The Company has funds due from outstanding debtors of \$220,000 and balance of the sale of the Kookynie project of \$1,067,000 (plus interest).”
 - 3.1. When does NME expect to receive the funds due from outstanding debtors?
 - 3.2. When does NME expect to receive the balance of the sale proceeds of \$1,067,000 for the sale of the Kookynie project?
4. Does NME expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

5. Please provide any other information that NME considers may be relevant to ASX forming an opinion on whether NME is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
6. Please confirm that NME is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
7. Please confirm that NME's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of NME with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.00am WST on Wednesday 8 February 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in NME's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, NME's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at dawn.james@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to NME's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that NME's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in NME's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;

- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Dawn James

Adviser, Listings Compliance (Perth)