

31 July 2012

Australian Securities Exchange  
2 The Esplanade  
Perth WA 6000

### **Quarterly Report for the Period Ended 30 June 2012**

#### **Highlights:**

- 26,860 t of high-grade ore mined from Butterfly Open Pit
- 31,546 t milled at the Brightstar Mill
- 1,638 ounces of gold produced
- Additional mining proposals and reporting ongoing
- Review of exploration prospectivity of other tenements has been ongoing
- \$7,000,000 standby subscription agreement in place with ongoing discussions on Mill financing.

#### **Mining Butterfly Pit**

Mining of the Butterfly Open Pit continued during the quarter with diminished production owing to mill breakdowns and improvement notices at the Brightstar Mill. A total of 26,860 tonnes of high-grade ore, 19,641 tonnes of low-grade ore, 9,148 tonnes of mineralised waste and 174,950 tonnes of waste were mined during the quarter (Table 1). This brings the overall mining campaign between February 2012 and June 2012 to 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.

A total of 26,860 tonnes of high-grade Butterfly ore was transported to Stone Resources' Brightstar Mill during the quarter bringing the overall campaign shipment to 51,053 tonnes. The Brightstar Mill processed 31,546 tonnes (including 789 tonnes of Champion ore) (Table 2) bringing the total processed for the overall campaign to 49,185 tonnes (including 8,896 tonnes of Champion and Puzzle ore). A parcel of 10,764 tonnes of Butterfly ore was not processed during the quarter due to operational issues at the Brightstar Mill and remains stockpiled. Treatment of Admiral, Champion and Puzzle ore has been undertaken as part of ongoing metallurgical research and development. A total of 1,638 ounces was produced during the quarter.

Removal of ore from the pit involved a hired Hitachi EX1200 excavator and a fleet of Nex-operated Cat 777B dump trucks along with several ancillary support vehicles. The low grade ore and mineralised waste was stockpiled on site for future treatment in the Orient Well CIP/Heap Leach facility.



*Table 1: Month-by-month production figures from Butterfly Open Pit for the June quarter*

| Month        | High Grade Ore t<br>(grade) | Low Grade Ore t<br>(grade) | Min Waste tonnes<br>(grade) | Waste tonnes   | Total tonnes   |
|--------------|-----------------------------|----------------------------|-----------------------------|----------------|----------------|
| April        | 9,821 (2.12)                | 5,184 (1.25)               | 4,493 (1.04)                | 73,498         | 92,995         |
| May          | 7,766 (2.53)                | 12,096 (1.18)              | 1,142 (0.97)                | 49,958         | 70,963         |
| June         | 9,273 (2.64)                | 2,361 (1.21)               | 3,513 (0.86)                | 51,494         | 66,643         |
| <b>Total</b> | <b>26,860</b>               | <b>19,641</b>              | <b>9,148</b>                | <b>174,950</b> | <b>230,601</b> |

*\*grade in g/t*

*Table 2: Month-by-month gold production figures from Butterfly Open Pit for the June quarter*

| Month        | Mill Feed (t) | Recovered Gold (g) | Recovered Gold (oz)* | Weighted Head Grade<br>(g/t) |
|--------------|---------------|--------------------|----------------------|------------------------------|
| April        | 14,706        | 26,061             | 838                  | 1.77                         |
| May          | 12,278        | 18,448             | 593                  | 1.50                         |
| June         | 4,562         | 6,453              | 207                  | 1.41                         |
| <b>Total</b> | <b>31,546</b> | <b>50,962</b>      | <b>1,638</b>         | <b>1.61</b>                  |

## Exploration Activities

A full prospectivity review of Nex Metals' tenement holdings was initiated during the quarter with the intention of prioritising further resource development at the Kookynie Project. This strategic review is ongoing, but initial results suggest there is significant potential for additional resource development in the immediate vicinity of known resources. Structural geology analysis has been undertaken for the Butterfly-Admiral area to elucidate targets of upcoming exploration drilling.

## Financing

In June 2012, Nex Metals 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 \$7,000,000. Nil amounts have been drawn down on this facility in the quarter ended 30 June 2012.

The Company has had ongoing discussions with a Hong Kong based Company with respect to funding and complete Mill construction.

## Reporting

Various reporting and permitting requirements have been conducted during the quarter including a Annual Environmental report, Mining Closure Plan, Annual Water Report and a Mining Proposal for the southern tenements of the Kookynie Project.

### Responsibility Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Rob L'Heureux, who is a Member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (Canada). Mr. L'Heureux M.Sc., P.Geol., who is a full time employee of APEX Geoscience Ltd., has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. L'Heureux consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

## Appendix 5B

### Mining exploration entity quarterly report

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

Name of entity

Nex Metals Explorations Ltd

ABN

63 124 706 449

Quarter ended ("current quarter")

30 June 2012

#### Consolidated statement of cash flows

| Cash flows related to operating activities        |                                                            | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|---------------------------------------------------|------------------------------------------------------------|----------------------------|----------------------------------------|
| 1.1                                               | Receipts from product sales and related debtors            | 1,909                      | 2,286                                  |
| 1.2                                               | Payments for (a) exploration & evaluation                  | (121)                      | (583)                                  |
|                                                   | (b) development                                            | -                          | (3,436)                                |
|                                                   | (c) production                                             | (1,988)                    | (1,988)                                |
|                                                   | (d) administration                                         | (142)                      | (1,032)                                |
| 1.3                                               | Dividends received                                         |                            |                                        |
| 1.4                                               | Interest and other items of a similar nature received      | -                          | 13                                     |
| 1.5                                               | Interest and other costs of finance paid                   | (2)                        | (24)                                   |
| 1.6                                               | Income taxes paid                                          |                            |                                        |
| 1.7                                               | - Other                                                    | -                          | -                                      |
|                                                   | - GST net                                                  | 56                         | 244                                    |
| <b>Net Operating Cash Flows</b>                   |                                                            | <b>(288)</b>               | <b>(4,520)</b>                         |
| <b>Cash flows related to investing activities</b> |                                                            |                            |                                        |
| 1.8                                               | Payment for purchases of: (a) prospects                    | -                          | -                                      |
|                                                   | (b) equity investments                                     |                            |                                        |
|                                                   | (c) other fixed assets                                     | (46)                       | (116)                                  |
| 1.9                                               | Proceeds from sale of: (a) prospects                       |                            |                                        |
|                                                   | (b) equity investments                                     |                            |                                        |
|                                                   | (c) other fixed assets                                     |                            |                                        |
| 1.10                                              | Loans to other entities                                    | (93)                       | (123)                                  |
| 1.11                                              | Loans repaid by other entities                             |                            |                                        |
| 1.12                                              | Other                                                      |                            |                                        |
|                                                   | - Refund of bonds paid                                     | -                          | 253                                    |
| <b>Net investing cash flows</b>                   |                                                            | <b>(139)</b>               | <b>14</b>                              |
| 1.13                                              | Total operating and investing cash flows (carried forward) | <b>(427)</b>               | <b>(4,506)</b>                         |

+ See chapter 19 for defined terms.

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

|      |                                                            |              |              |
|------|------------------------------------------------------------|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (427)        | (4,506)      |
|      | <b>Cash flows related to financing activities</b>          |              |              |
| 1.14 | Proceeds from issues of shares, options, etc.              | -            | 2,153        |
| 1.15 | Proceeds from sale of forfeited shares                     |              |              |
| 1.16 | Proceeds from borrowings                                   |              |              |
| 1.17 | Repayment of borrowings                                    |              |              |
| 1.18 | Dividends paid                                             |              |              |
| 1.19 | Other – Share issue costs                                  | (2)          | (89)         |
|      | Other                                                      | 200          | 598          |
|      | Proceeds from issue of convertible note                    | -            | 1,500        |
|      | <b>Net financing cash flows</b>                            | <b>198</b>   | <b>4,162</b> |
|      | <b>Net increase (decrease) in cash held</b>                | <b>(229)</b> | <b>(344)</b> |
| 1.20 | Cash at beginning of quarter/year to date                  | 244          | 359          |
| 1.21 | Exchange rate adjustments to item 1.20                     |              |              |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>15</b>    | <b>15</b>    |

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

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

|                                                                       | Current quarter<br>\$A'000 |
|-----------------------------------------------------------------------|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 0                          |
| 1.24 Aggregate amount of loans to the parties included in item 1.10   |                            |

1.25 Explanation necessary for an understanding of the transactions

NIL directors fees and salaries paid during the quarter.

**Non-cash financing and investing activities**

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

NIL

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

NIL

**Financing facilities available**

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

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             |                             |                        |
| 3.2 Credit standby arrangements | 7,000                       | - (a)                  |

+ See chapter 19 for defined terms.

(a) In June 2012, Nex Metals 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 \$7M. Nil amounts have been drawn down on this facility in the quarter ended 30 June 2012.

**Estimated cash outflows for next quarter**

|                                | \$A'000     |
|--------------------------------|-------------|
| 4.1 Exploration and evaluation | 100         |
| 4.2 Development                | 350         |
| 4.3 Production                 | 3000        |
| 4.4 Administration             | 225         |
| <b>Total</b>                   | <b>3675</b> |

**Reconciliation of cash**

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                                                                                                                                | 15                         | 244                         |
| 5.2 Deposits at call                                                                                                                                        |                            |                             |
| 5.3 Bank overdraft                                                                                                                                          |                            |                             |
| 5.4 Other (provide details)                                                                                                                                 |                            |                             |
| <b>Total: cash at end of quarter</b> (item 1.22)                                                                                                            | <b>15</b>                  | <b>244</b>                  |

**Changes in interests in mining tenements**

|                                                                   | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-------------------------------------------------------------------|--------------------|-------------------------------|----------------------------------|----------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | E16/333            |                               | 100                              | 0                          |
| 6.2 Interests in mining tenements acquired or increased           | P40/1300           | Registered Applicant          | 0                                | 100                        |
|                                                                   | P40/1301           | Registered Applicant          | 0                                | 100                        |
|                                                                   | P40/1302           | Registered Applicant          | 0                                | 100                        |
|                                                                   | P40/1303           | Registered Applicant          | 0                                | 100                        |

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

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

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

|     |                                                                                                                            | Total number                                                               | Number quoted              | Issue price per security (see note 3) (cents)                                                          | Amount paid up per security (see note 3) (cents)                                                                                      |
|-----|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| 7.1 | <b>Preference + securities</b><br>(description)                                                                            |                                                                            |                            |                                                                                                        |                                                                                                                                       |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |                                                                            |                            |                                                                                                        |                                                                                                                                       |
| 7.3 | <b>+Ordinary securities</b>                                                                                                | 152,716,956                                                                | 152,716,956                |                                                                                                        |                                                                                                                                       |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |                                                                            |                            |                                                                                                        |                                                                                                                                       |
| 7.5 | <b>+Convertible debt securities</b><br>(description)                                                                       | 1 convertible note (face value of \$1,500,000)                             |                            | Convertible at the lower of \$0.08 per share or the VWAP based on 10 trading days prior to conversion. | Maturity date – February 2014. Conversion price - \$0.08 or VWAP based on 10 trading days prior to conversion. Interest rate – 10%pa. |
| 7.6 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |                                                                            |                            |                                                                                                        |                                                                                                                                       |
| 7.7 | <b>Options</b><br>(description and conversion factor)                                                                      | 3,000,000<br>1,500,000<br>1,500,000<br>3,000,000<br>3,000,000<br>6,000,000 | -<br>-<br>-<br>-<br>-<br>- | Exercise price<br>\$0.25<br>\$0.40<br>\$0.50<br>\$0.60<br>\$0.75<br>\$1.00                             | Expiry date<br>30/11/2012<br>30/11/2012<br>30/11/2012<br>30/11/2012<br>30/11/2012<br>30/11/2012                                       |
| 7.8 | Issued during quarter                                                                                                      |                                                                            |                            |                                                                                                        |                                                                                                                                       |

+ See chapter 19 for defined terms.

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

|      |                                             |  |  |                       |                    |
|------|---------------------------------------------|--|--|-----------------------|--------------------|
| 7.9  | Exercised during quarter                    |  |  |                       |                    |
| 7.10 | Expired during quarter                      |  |  | <i>Exercise price</i> | <i>Expiry date</i> |
| 7.11 | <b>Debentures</b><br><i>(totals only)</i>   |  |  |                       |                    |
| 7.12 | <b>Unsecured notes</b> <i>(totals only)</i> |  |  |                       |                    |

**Compliance statement**

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

Sign here:



(Company secretary)

Date: 31/07/2012

Print name: KENNETH ALLEN

**Notes**

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

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