

2 October 2013

ASX Compliance Pty Ltd
Level 8 Exchange Plaza
2 The Esplanade
Perth WA 6000

Attention Jill Hewitt

Dear Jill

Further to your email of 30 September 2013 we advise as follows;

- 1(a) We refer you to Note 2 of the 30 June Financial Statements;
A dispute with a significant creditor, with a recorded payable balance of \$2.3 million at balance date, 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 recognised in these financial statements;
\$328,000 of share application monies, shown as a current liability as at balance date, will be converted to equity;
The Company has received an offer, subject to shareholder approval, for the sale of the majority of tenements forming part of the Kookynie Gold Project, of \$4,000,000 with a non-refundable deposit of \$500,000 received in April 2013.
In addition;
The Company is expecting settlement early October on the sale of tenements,
The R & D application for 2013 is expected to net \$1.1m, this is an extension of that applied for and received for the 2012 year.
- 1(b) with the sale of some tenements from the Kookynie Gold Project and receipt of R & D rebate for the 2013 and that noted in 1(a) above the Company will be in a position of being debt free and have a positive cash position.
- 2 As noted above the settlement of the sale of a number of tenements is expected early October..
- 3 The cash position is split between note 22a and note 7, being cash at bank and term deposit.
- 4 We confirm that we are in compliance with the listing rules and in particular listing rule 3.1

Yours sincerely



Kenneth Allen
Managing Director



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30 September 2013

Mr K Allen
Company Secretary
Nex Metals Exploration Limited
Unit 2, 42 Terrace Road
EAST PERTH WA 6004

Dear Ken

Nex Metals Exploration Limited (“Company”)

We refer to the following;

1. The Company’s statutory financial accounts for the year ended 30 June 2013, released to ASX on 30 September 2013 (the “Financial Accounts”).
2. The Independent Auditor’s Review Report which states the following:

“Basis for Disclaimer of Opinion

Comparatives for the year ended 30 June 2012

The auditor’s report dated 30 September 2012 in relation to the financial statements for the year ended 30 June 2012 contained a disclaimer of opinion in respect of being unable to obtain sufficient appropriate evidence regarding the valuation of plant and equipment, evaluation and exploration expenditure and mine development expenditure as at 30 June 2012.

Going concern

We draw attention to Note 2 in the financial statements, which indicates that the company incurred a net loss of \$3,394,712 for the year ended 30 June 2013. As of that date, the company had net current liabilities and net liabilities of \$4,731,451 and \$4,309,901 respectively. 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 pay its debts as and when they fall due. We have been unable to obtain sufficient appropriate evidence as to whether the company may be able to obtain such funding, and hence remove the significant uncertainty as to its ability to continue as a going concern for 12 months from the date of this auditor’s report.

Unsecured Loan

We also draw your attention to Note 12 in the financial statements in relation to the unsecured loan of \$250,000. We have been unable to obtain sufficient appropriate evidence regarding the value of the loan disclosed in the

statement of financial position as at 30 June 2013. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the Bases 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 the financial report.

Relevant listing rules and guidance

We also refer to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of 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, to immediately tell ASX that information.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity, the accounts may be prepared to other standards agreed by ASX.
- Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

3.1A.1 A reasonable person would not expect the information to be disclosed.

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

3.1A.3 One or more of the following applies.

- *It would be a breach of a law to disclose the information.*
- *The information concerns an incomplete proposal or negotiation.*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
- *The information is generated for the internal management purposes of the entity.*
- *The information is a trade secret."*

Questions for response

In light of the information contained in the Financial Report, and having regard to the listing rules referred to above, please respond to the following questions.

1. Given the material uncertainty regarding continuation as a going concern, what steps does the Company intend to take to
 - (a) Avoid the significant uncertainty leading to an adverse or otherwise qualified audit opinion in future periods; and

(b) Remain a going concern for the next financial period, meeting the requirements of listing rules 12.1, 12.2 and 12.5?

2. Please provide an update to the Company's announcement of 24 July 2013.
3. Please provide an explanation in relation to the Company's reported cash at bank figures in its Appendix 5B released 1 August, 2013 for the June quarter and its cash figure in its Financial Accounts for the year ended 30 June 2013 released on 30 September 2013.
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rules 3.1 and 12.2.

Your response should be sent to me by return e-mail. It should not be sent to the Market Announcements Office.

This letter deals with important matters and you may wish to consult your advisers. If you wish to provide submissions, unless the information is required to be released to the market immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **no later than 3.00 pm WST on Wednesday, 2 October 2013**.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely,

[sent electronically without signature]

Jill Hewitt
Senior Adviser, Listings Compliance (Perth)