

Nemex Resources Limited – Commentary on ASX Release – 17 Aug 2011

Confirmation of Widespread Mineralisation at Coastal Project, Guinea

Price: \$0.20

Market Capitalisation: \$8.5m

Cash: \$4.8m (30/6/11)

- Event** Nemex has announced high grade assay results confirming the presence of widespread haematite iron ore mineralisation near surface at the Company's Coastal Project in Guinea. Results from 17 new samples showed iron grades ranging between 53%-64% (averaging 60.7% Fe) and are consistent with the five ironstone sample results announced in June
- Comment** NXR has identified a promising DSO iron ore opportunity proximal to infrastructure. Sampling at surface has been positive. The next test is to assess depth extensions, with drilling. BGF estimates that it could have up to 120 Mt, but we need to wait for the drilling.
- With a market capitalisation of only \$8.5m, and cash of \$4.8m, NXR is priced at nominal levels. Any positive news flow could lead to significant share price movements.
- Key Points**
- While we recognise it is early days with results taken from rock chip samples, the results to date indicate the potential for a direct shipping ore operation located close to two existing railway lines that connects the project to two deep-water port facilities at Kamsar, and Conakry
 - This comes at an opportune time where China is choosing West Africa as the perfect spot for their Iron Ore grab. China wants to reduce the dependency over the three companies that dominate the iron ore market (BHP Billiton, Rio Tinto and Vale). Many Chinese firms have been signing a number of deals in West Africa recently where they have agreed on a number of joint ventures and are seeking other deals, including a proposal to swallow a whole company. Some of these include Hanlong Mining \$1.4 billion bid for Sundance Resources in Cameroon, Chinalco/RIO Simandou joint venture and \$10 billion commitment in Guinea and Bellzone/China investment off take agreement in the Kalia project in Guinea
 - **Highly prospective landholding.** Previously announced geological mapping has confirmed an ironstone formation at surface over >30km² of the 244 km² Télimélé licence. Further work by the Nemex team indicates that the real extent of this ironstone extends outside this area. As a result, Nemex has recently secured an additional 1,946 km² of licenses, to bring Nemex's total tenure in the area to 2,911 km² increasing its potential to define more mineralization.
 - **Drilling program to provide ongoing news flow.** A maiden drilling program will commence in the fourth quarter of 2011 over the Coastal licenses. Nemex has arranged the purchase of a drill rig capable of both RC and RAB drilling and is scheduled to depart Perth this month. Drilling to expected depths of 50m. Metallurgical test work is planned once drilling is underway
 - **Infrastructure is a major advantage.** Two Government-owned, operational rail lines pass within 35 to 60km of the licenses which is significant if the Coastal Iron DSO Project were to be developed. These rail lines carry bauxite and alumina products from Sangaredi to the deep water port at Kamsar, and from Fria to Conakry.
 - Nemex's exploration activities will now concentrate on its iron projects in Guinea. Recent drill results from its WA projects intercepted low grade iron mineralisation (25-50% Fe).

Location & Exploration History

- Guinea is a former French colony that declared its independence on 2 October 1958. Democratic elections were held in October 2010 and following a run off in November 2010 Alpha Conde was elected President. Guinea has a population of approximately 10 million people and its major exports include bauxite, alumina, gold and diamonds. The Simandou iron ore project is currently being developed by a consortium of major mining companies at a cost of in excess of US\$10 billion.
- The Coastal Project overlies Paleozoic sediments, volcanic and intrusive rocks where the main target of enriched iron deposits are lateritic iron ore mineralisation associated with underlying mafic or ultramafic rocks. Previous exploration in the 1970s identified significant low grade sedimentary and lateritic iron mineralisation at six deposits by a Russian-Guinea geological team working in the area

Sample	Fe	SiO ₂	Al ₂ O ₃	P	S	TiO ₂	LOI
	%	%	%	%	%	%	%
NGX011	62.48	0.97	4.73	0.158	0.010	0.56	3.53
NGX012	62.36	4.13	3.2	0.11	0.023	0.38	2.39
NGX013	62.48	1.06	5.23	0.203	0.012	0.53	2.83
NGX014	63.37	0.67	4	0.191	0.018	0.51	3.33
NGX016	61.03	3.4	5.02	0.247	0.007	0.47	2.69
NGX018	55.94	0.79	10.55	0.251	0.022	0.85	6.55
NGX019	55.75	1.79	7.05	0.273	0.095	1.56	8.45
NGX021	60.17	5.22	4.66	0.351	0.005	0.99	1.23
NGX022	61.33	2.51	4.73	0.249	0.022	0.49	3.49
NGX023	59.51	6.54	4.75	0.238	0.004	0.74	1.64
NGX024	63.96	1.61	4.02	0.218	0.009	0.42	1.6
NGX026	61.25	1.64	5.23	0.24	0.005	0.71	3.79
NGX027	61.6	1.08	5.92	0.256	0.007	0.54	3.28
NGX028	63.14	1.44	4	0.261	0.008	0.45	2.7
NGX032	61	1.16	5.72	0.203	0.024	0.48	4.49
NGX033	53.83	2.48	11.2	0.25	0.020	1.14	7.38
NGX036	62.8	1.03	4.33	0.348	0.012	0.58	2.81
Average	60.71	2.21	5.55	0.24	0.018	0.67	3.66

Figure 1. X-ray fluorescence spectrometry (XRF) analysis for 17 in-situ ironstone samples



Figure 2. Coastal Project Location Map, Guinea

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Disclosure

Interests associated with BGF Equities own shares and options in Nemex Resources Limited. BGF Equities was appointed Lead Manager for Nemex Resources' IPO, and has received fees and options. BGF Equities seeks to do business with the company named in this report, and has not been in receipt of fees for the preparation or publication of this research report.

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