



Corporate Social Responsibility Report

Every person going home safe & healthy every day.

March 2012



NEVSUN
RESOURCES LTD.

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2011 CORPORATE SOCIAL RESPONSIBILITY REPORT

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Overview

The purpose of this report is to provide a concise account of Nevsun Resources Ltd.'s corporate social responsibility practices for the year ended December 31, 2011, the first full year of operations for our 60%-owned Bisha Mine in Eritrea. This corporate social responsibility report, our first, identifies and discusses issues that are important to our stakeholders, including our Board of Directors, management, shareholders, employees and the people of Eritrea. We welcome comments from its stakeholders with regard to this report. Going forward, we expect to update its corporate social responsibility performance at least annually. The data in this report has been prepared by management and has not been independently verified.

We operate the Bisha Mine as a sustainable development and therefore one of our objectives is to provide tangible benefits to the people of Eritrea. Because the Bisha Mine is the only modern mine in Eritrea, it has a significant impact on the Eritrean economy. Beyond employment, the Bisha Mine provides opportunities for training, community support, supply chain enhancements and improved infrastructure. Financially, the Bisha Mine provides revenue to the State of Eritrea by way of income taxes, royalties, employment taxes and distributions to owners.

We developed the Bisha Mine in conformance with the 2006 International Finance Corporation (IFC) Performance Standards for Social and Environmental Sustainability as applied to non-IFC financed projects in accordance with the Equator Principles. The social and environmental policies adopted for the Bisha Mine reflect global standards.

Our six focus areas for this 2011 report are:

- Safety;
- Human rights;
- Community;
- Environment; and
- Mine closure.

In this report, we have tried to convey the context for each of these focus areas and explain why each is relevant and how it impacts our business and stakeholders. We describe the work that we have undertaken in managing each focus area. We also describe the performance targets that we have set and the progress in meeting these targets. The information in this report reflects the year ended December 31, 2011 unless otherwise stated.

About Nevsun

Headquartered in Vancouver, Canada, Nevsun is a growing high grade, low cost mineral producer focused on its Bisha Mine in Eritrea, East Africa. The Bisha Mine has precious and base metal reserves. It went into commercial production in February 2011 and ranks amongst the highest grade open pit mines in the world. After a successful 2011, producing 379,000 ounces of gold, the copper expansion is under construction. The Bisha Mine will produce gold in 2012 and in 2013 will transition to copper, gold, and silver production.

We operate the Bisha Mine via a 60%-owned, Eritrean registered subsidiary, Bisha Mining Share Company (BMSC). The Eritrean National Mining Corporation (ENAMCO) owns the remaining 40% of BMSC.

Customers and markets

Our current customers are precious metals refineries. The largest end-user markets for gold are India, China, the Middle East and the USA.

Listing details

As at December 31, 2011, we had 200 million common shares issued and outstanding and a market capitalization of \$1.1 billion. Our shares are listed and publicly traded on the NYSE Amex LLC and on the Toronto Stock Exchange.

Ethics and governance

Governance structure

In 2011 we had a five-member Board of Directors with four independent, non-executive Directors, including the Chairman of the Board. We added another independent, non-executive Director in 2012, which increased the size of the Board to six members.

Our independent Directors have a wide experience base and are very familiar with the challenges of mining. None of the independent Directors are full-time employees. Rather, they provide governance guidance as members of the Board. The professional experience base includes a lawyer, an accountant, an investment banker and two former mine operations executives. All of our Board members have experience with business in developing countries.

Board terms of reference

Our Board has the responsibility to oversee the conduct of our business and to supervise the management of our business. The fundamental objectives of the Board are to enhance and preserve long-term shareholder value, to ensure that we operate in a reliable, safe manner and meet our obligations on an ongoing basis. The Board is accountable to and considers the legitimate interests of our shareholders and other stakeholders such as government authorities, employees, contractors, customers, communities and the public. The Board, through our Chief Executive Officer (CEO), sets the standards of conduct for the enterprise, provides direction and oversight, approves strategic plans presented by senior management and evaluates the performance of senior management.

Oversight of corporate social responsibility practices

We have three Board Committees that most regularly review corporate social responsibility performance:

- The Social, Environmental, Health and Safety (SEHS) Committee,
- The Audit Committee, and
- The Human Resources (HR) Committee.

The Committees have clear mandates. The SEHS and HR Committees report annually to the Board; the Audit Committee reports quarterly.

Code of ethics

Ethical conduct is a fundamental value for us. To emphasize and promote the importance of ethical conduct, the Board adopted a Code of Ethics applicable to all employees, officers and Directors of the Company and its subsidiaries to promote honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with applicable governmental rules and regulations. The Code of Ethics was last revised in 2009.

The Code of Ethics is designed to offer general guidelines on how to approach situations, rather than to provide an all-encompassing set of rules on individual behaviour. It covers aspects of the business where ethical considerations are most likely to be raised, including safety, people, environment and community, fraud and corruption, conflict of interest, insider trading and disclosure. The Code of Ethics is available at <http://www.nevsun.com/corporate/governance/code/>.

Non-compliance with the Code of Ethics is unacceptable us. To encourage compliance, several years ago we adopted a Whistleblower Policy. It enables employees and others to raise serious concerns internally without fear of harassment, retaliation or adverse employment consequence. Reports are directed to the Chairman of the Audit Committee or to an independent, externally managed hotline service which has been contracted to handle complaints on a confidential and anonymous basis. The hotline service is available 24/7. Details are outlined in our Whistleblower Policy, available at: <http://www.nevsun.com/corporate/governance/whistleblowing>.

Operational safety performance

Safety is our most important business consideration. Poor safety performance is unacceptable for the business and our long-term goal is to operate injury free.

We use various metrics to measure and track safety practices. We classify reported injuries as return-to-work incidents, lost-time incidents (LTI's) or fatalities. We record all reported incidents for both our employees and contractors. We instruct contracted employees, as part of their site induction training, to report all injuries, incidents and near misses to our personnel. Our health and safety department head oversees safety inductions, injury monitoring, and long-term safety planning. Our motto on the Bisha site is "Every person going home safe and healthy every day". This motto is ever present in all reports, correspondence and signage.

Displayed below are various safety statistics for the period ended December 31, 2011. Consistent with industry practice, we calculate frequency rates by multiplying the variable being measured, e.g. LTI's, by 200,000 and dividing by the number of person hours worked during the period.

All of the statistics displayed include both our employees and direct contractors:

	2011
Number of fatalities	-
Fatal injury frequency rate, per 200,000 person hours	-
Number of LTI's	11
LTI frequency rate, per 200,000 person hours	0.43

We have not experienced a work related fatality of either our employees or of our contractors at the Bisha Mine during construction, development and operations. For 2012, our goal is to continue to be fatality free and reduce the LTI frequency rate to less than 0.39 per 200,000 person hours.

Human rights and employment practices

We comply with country-specific legal and regulatory labour requirements and we have a policy of preferential hiring for local candidates for the Bisha Mine. At December 31, 2011 we directly employed 864 Eritrean nationals, or 92.5% of the directly employed labour force.

All recruitment conforms to our Human Resources and Employment Plan, which mandates that all personnel hired must demonstrate that they have been demobilized from the Eritrean national service. Provision of acceptable physical documentation is a prerequisite for employment.

Compliance with legal and regulatory employment requirements

We use contractors for capital projects at site (e.g. the build phase for the copper expansion). These contractors, whether Eritrean-owned or foreign-owned, must comply with our employment standards. Among other requirements, all Eritreans employed by contractors must provide documentation to us that demonstrates demobilization from the Eritrean national service. Our Human Resources department audits this documentation and reports the audit results to the Bisha General Manager.

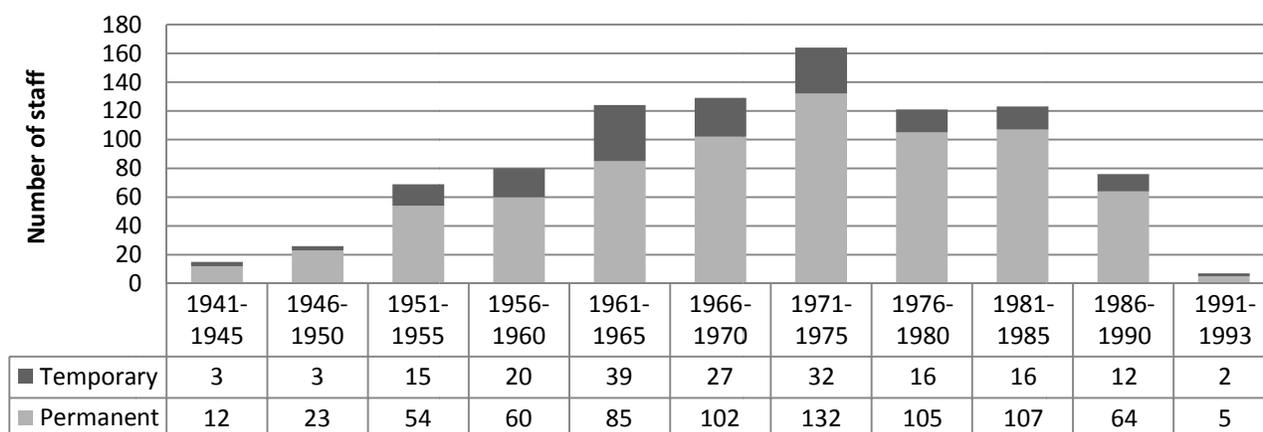
We require that all personnel employed by contractors undergo an extensive project safety and environmental induction program. We will not allow anyone to work on the Bisha Mine property without graduating from the safety and environmental induction program and verifying employment requirements of the Human Resources Plan have been met.

We also require periodic re-inductions at site to enhance safety and environmental performance and reconfirm that all personnel on site meet the standards that we have established. Furthermore, we audit contractors periodically for compliance. We also perform internal audits of our own records to ensure our own compliance with our policies and legal and regulatory requirements.

By policy, we and our contractors only employ persons 18 or over. This complies with the law in Eritrea, which states that a job seeker must be age 18 or over and which defines an underage person as being younger than 18. In Eritrea one can only obtain an identification card upon reaching the age of 18. Having a valid identification document is a pre-requisite for employment at the Bisha Mine.

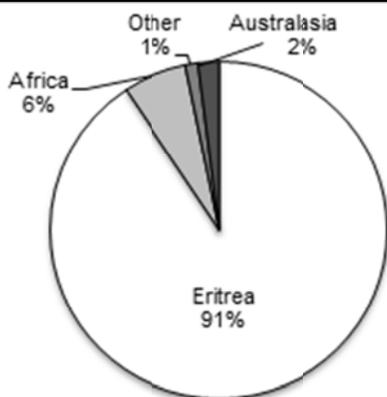
In addition to local legal and regulatory labour requirements, we comply with the guidelines contained in the IFC policy and performance standards on labour practices and working conditions.

Bisha work force break-down by year of birth:



Bisha employment statistics by nationality as at December 31, 2011:

Employee status	Eritrea	United Kingdom	Australia	Ghana	Canada	South Africa	Tanzania	Sweden	Philippines	Mozambique	Zimbabwe	Mauritius	Tajikistan	TOTAL
Permanent	679	4	3	16	4	20	2	1	6	1	6	1	6	749
Temporary	185	-	-	-	-	-	-	-	-	-	-	-	-	185
Total	864	4	3	16	4	20	2	1	6	1	6	1	6	934



Nationality



Permanent Employees by Gender

Bisha breakdown of employee gender by department and employment status as at December 31, 2011:

Department	Permanent Female	Permanent Male	Permanent Total	Temporary Female	Temporary Male	Temporary Total	Total
Administration	152	56	208	7	8	15	223
Operations	22	519	541	4	166	170	711
Total	174	575	749	11	174	185	934

Community

We have embarked on a number of programs with the community and the local, regional and central government to ensure that the benefits of the Bisha Mine are widespread and that the community is fully and properly engaged in development and operations. We are guided by the philosophy of the central government, which wants the entire country to benefit from resource development, with no particular region benefiting disproportionately.

Community assistance plan

As a part of the Bisha Mine's Social and Environmental Assessment, we conducted direct consultations and investigations with the local communities. Through this process we highlighted a range of socio-economic conditions that demonstrate the current needs of local communities. Much of the public and social infrastructure, such as schools and health clinics, consist of rudimentary buildings and equipment. Many of the local villages lack clean water supply and sanitation facilities.

We developed a Community Assistance Plan (CAP) for the Bisha Mine, a program designed to address the development opportunities identified by the community while benefitting the development and operation of the Bisha Mine. The CAP will contribute beyond direct mining activities, and provide the basis for enhancement of social and economic well-being amongst the host communities in which we operate.

The CAP will provide materials and technical expertise for a number of infrastructure projects, including:

- Enhanced local transportation routes
- Improved sanitation facilities
- Increased supply of safe drinking water
- Improved wells, piping, and diversion channels

In addition to the CAP, the Company is co-operating with the following Eritrean organizations:

- National Museum of Eritrea – the identification of graves around Harena which will provide further information as to historical human settlement and movement in the area; and
- Ministry of Agriculture – development of rain fed agricultural project making use of river diversions. For more information about river diversions, see “Biodiversity and habitat management” (page 12).

Public health and safety

We proactively manage the impact of development with four public health and safety programs:

- Providing medical services at the mine site clinic;
- Implementing healthy lifestyles campaigns for workers;
- Providing health checkups and other relevant medical testing; and
- Establishing a community-focused health and safety awareness facility within each of the five key villages in the neighbouring area.

We implemented these programs to help offset potential health conditions of workers and their families from causes such as stress, smoking, alcohol abuse, infectious diseases and work-related hazards. The increase in communicable diseases in mining communities as an effect of project-related migration and the influx of personnel is well established in research. Consequently, we have taken precautionary steps and work closely with the regional health authorities to ensure health considerations are maintained and community awareness programs endure.

The project has resulted in an increase in certain hazards to the public safety from traffic particularly in the immediate vicinity. Additionally the transport of large loads and certain hazardous materials are cause for careful planning and management. Transportation occurs along a direct route from the port of Massawa to the site via the capital, Asmara. We have established specific plans to manage emergencies and we have implemented a public traffic hazard communications program. While it is unlikely that emergency situations will arise at the Bisha Mine that could have an impact on the public, we have developed emergency response plans including consultative measures to prepare communities on how to deal with an incident at the Bisha Mine or on nearby roads.

Economic value added and distributed

Our economic value-added statement is presented below. It outlines our financial contributions in respect of dividends to shareholders, salaries and wages to employees, taxes paid to governments and other distributions.

Economic value added statement for the year ended December 31, 2011

	\$000s
	2011
Economic value generated	
Operations commenced February 22, 2011:	
Gold sales and by-product income	\$ 547,770
Interest received	3,747
Income from disposal of available-for-sale investment	1,166
Total economic value generated	\$ 552,683
Economic value distributed	
Operating costs, excluding employee salaries and royalties	62,337
Employee salaries, wages and other benefits	23,308
Dividends paid	5,935
Income taxes, royalties and other government remittances paid	62,629
Total economic value distributed	154,209
Total economic value retained	\$ 398,474

Payments to governments

While we are not a member of the Extractive Industries Transparency Initiative (EITI), we generally support the principles embodied in EITI's goals of fiscal transparency and governance. We have taken the approach of disclosing payments made to governments in countries in which we operate, whether or not the government concerned is a member of the EITI.

We have made the following cash remittances to the Eritrean government or to Eritrean government-owned entities for the periods indicated (in US \$000s):

	Total
Income taxes	\$ 36,000
Sales taxes	1,690
Royalties	21,192
Customs and duties fees	1,013
Payroll taxes	2,747
Repayment of advances, loan and related interests from ENAMCO	85,512
Total as of December 31, 2011	\$ 148,154
Income taxes	114,349
Royalties	8,521
Dividends paid to ENAMCO by subsidiary	10,000
Payroll taxes	1,279
Total as of March 30, 2012	\$ 282,303

Transparency in government dealings

We have not encountered any corruption practiced by any Government officials, representatives or any organizations connected to the State of Eritrea.

Emphasis on local purchasing

As part of our efforts to ensure that local communities benefit from economic activity generated from the Bisha Mine, we direct our employees look to purchase goods locally before attempting to source them from overseas. During 2011 we spent \$43.2 million on purchases of fuel, heavy mobile equipment, construction materials and other goods and services from Eritrean vendors. The ability to source all goods locally is constrained by the lack of availability of certain goods, in some cases the lack of sufficient quality and in some cases the high price of certain types of local goods.

Social and environment

We adopted the IFC Social and Environmental Performance Standards of April 2006 and developed our management plans accordingly. The plans have been subject to review by country hosts and by international bankers as part of their due diligence when considering funding for development of the Bisha Mine. We have since implemented the social and environmental plans and have subsequently had them audited by an independent third-party. Staff training and engagement with local authorities, as well as significant employment from both local and other in-country sources, are key elements of our social and environmental management. Our department heads for both Human Resources and Environment are experienced professionals with a solid understanding of local requirements as well as IFC Performance Standards.

Climate monitoring

We collect climate data on a daily basis from two weather stations, the first established in 2011 and the second in early 2012. Data collected at both weather stations covers temperature, precipitation, humidity, wind speed, wind direction and solar radiation. The second weather station also collects evaporation rate data. Climate data recording is important for the Bisha Mine because:

- The rainfall record can assist with mine planning;
- The rainfall amounts are an invaluable contribution to the water balance as to the anticipated volumes of water entering areas such as the pit and the tailings management facility;
- The evaporation rate allows for predictions on the size of the supernatant pond over and above return pump rates; and
- Temperature and humidity recordings are vital in terms of occupational safety of all employees.

Water resource management

The Bisha operation currently extracts groundwater from three different well fields. As of July 2011 we adopted a daily water balance strategy in order to determine reliable data regarding both usage and re-use. We augmented this strategy with intensive installation of strategically placed flow meters and depth monitoring devices in order to obtain relevant data for the mining and process departments. To reduce raw water usage from these well fields we have adopted an aggressive tailings management facility return water strategy. As well, the process plant makes use of poor quality (acidic) water from the pit. The operation has a discharge permit from the Water Resources Ministry for discharge of good quality water (pH > 6) to the environment; this is not a regular activity though and is only implemented when required. Current water management strategies in place at the operation include the following:

- Weekly bacteriological monitoring of potable water;
- Weekly static groundwater level measurements at the dewatering well fields;
- Monthly static groundwater level monitoring of production boreholes; and
- Quarterly chemical testing of selected boreholes.

Plans with respect to water related management for 2012 include the introduction of a comprehensive surface water monitoring program and the purchase of laboratory equipment that will allow for in-house analysis capability.

Air quality management

We take dust samples on a monthly basis at both the mine and selected local community stakeholder villages. Since sampling began in September 2011 the results have averaged less than 0.10 mg/m³, which compares favourably with IFC and World Health Organization (WHO) guidelines. Beyond the monthly samples, our Clinic and Safety department can request samples for analysis of specific elements relating to the health and working conditions of employees.

To suppress dust in the outdoors we dampen roads and work areas using water tankers. This water, sourced from dewatering wells, would otherwise be discharged into the environment. Indoors, we have dust suppression systems for the crusher and conveyors within the plant.

As at December 31, 2011, the Company had not as yet implemented emissions or greenhouse gas monitoring systems. Such monitoring is scheduled to start in 2012, following the purchase of a mobile industrial grade environmental and combustion efficiency analyzer. We also plan to purchase a Microvol dust monitor in 2012 to improve productivity with respect to sample taking and to also improve data reliability.

Noise management

We monitor ambient noise at local community stakeholder villages and on the mining license area and operational noise generated by mining, processing, power generation and blasting. Monitoring takes place monthly and results compare favourably with relevant IFC and WHO guidelines. Average monthly noise levels in accommodation areas at the mine site and in surrounding villages was below our target of 50 decibels. Our Clinic and Safety department can request additional samples to monitor occupational health conditions for employees.

The following table displays average monthly noise levels in decibels for various industrial areas around the mine site since monitoring began in August 2011. We're reviewing plans on how to reduce noise levels in areas where the standard was exceeded:

Month	Mill	Crusher	Waste rock dump	Blast	Power plant	2011 goal
August	78.9	52.4	54.8	45.7	0.0	70.0
September	77.5	80.5	46.6	58.9	79.1	70.0
October	77.6	83.6	60.4	77.0	79.8	70.0
November	78.1	83.4	62.2	49.4	79.1	70.0
December	77.8	69.8	62.3	50.8	78.5	70.0

Waste management

We segregate waste at a waste handling facility situated at the camp. We maintain records of volumes of different waste streams removed from site. We visit end use sites to confirm waste is treated in an appropriate manner.

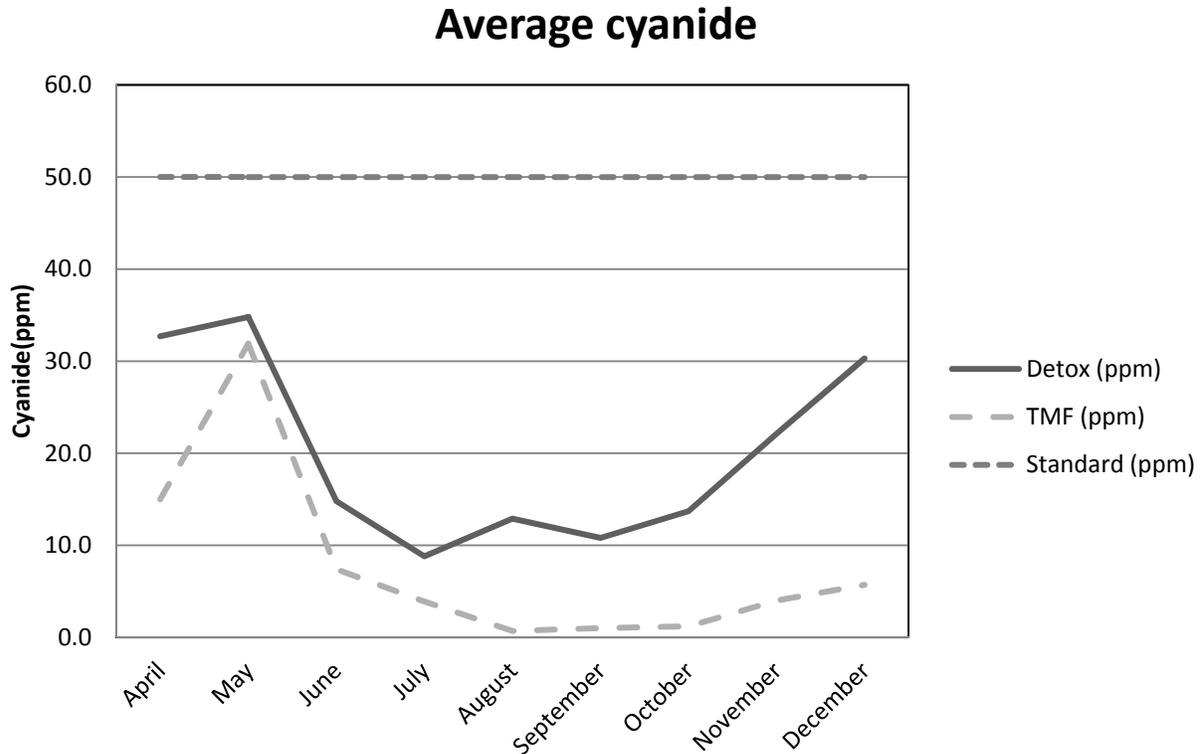
For 2012, in order to improve the management of waste, we will build a larger waste handling facility in the vicinity of the process plant. This will enable better identification, segregation and handling of waste generated at the process plant, as well as from the engineering and mining departments. The facility will include containers, skips, tractor and trailer for handling of skips, and an incinerator.

The following table displays the amount of waste generated in 2011 for various consumables and the management strategies for the various types of waste:

Waste type	Unit	Amount	Waste management strategy
Timber	Tonne	272	Sold and/or recycled
Cardboard	Tonne	130	Sold and/or recycled
Plastic	Tonne	70	Sold and/or recycled
Empty Grinding Media Barrels	Pcs	1,994	Re-used or recycled
Plastic Drums	Pcs	531	Re-used
Oil & Air filters	Pcs	5,070	Sold & recycled
Used oil	Litre	153,310	Sold to brick companies to power kilns
Scrap Metal	Tonne	153	Re-used and recycled

Cyanide destruction

We take cyanide readings at the Detox tanks and tailings management facility on a daily basis. We began the readings in April 2011 and results have compared favourably with standards as per the International Code on Cyanide Management (ICCM), as noted in the chart below:



Biodiversity and habitat management

The current mining license covers an area of 16km² with a variety of habitat types, the majority of which are not protected under Eritrean legislation. Habitats of high concern within Eritrea are the major rivers with the associated riverine forest. The operation of the mine has, to date, had little impact on biodiversity. However, there has been a reduction in biodiversity in those areas directly impacted by mining activity, such as the pit, waste dumps, and ore piles. We have a closure plan in place to reclaim and restore the areas directly impacted (see page 13). In addition, there was an impact on biodiversity resulting from the necessary diversion of the Freketetet river, which ran through the pit area. We're working closely with government officials in monitoring the effects of rerouting the river. We're also working with local farmers to determine how the river diversion might serve to provide irrigation for crop sustenance.

Nevsun has initiated a consultation process with federal, territory and municipal government ministries regarding a long-term goal of establishing a designated biodiversity protected area or reserve in the area surrounding the mine.

We have commenced a number of activities aimed at improving biodiversity within the mining license. These include:

- Preparing 420 seedlings for planting in summer, during the rainy season, as part of an indigenous nursery program. The main purpose of the nursery is the provision of endemic, indigenous seedlings for rehabilitation and reforestation of mine-disturbed areas;
- Completing floristic and habitat assessments within areas to be disturbed. The assessments will ensure that reforestation after the cessation of mining activities is comparable, in terms of species and composition, to the original forest. We have undertaken these studies in conjunction with Ministry of Agriculture department officials. We obtain all required permits prior to activities that might disturb the environment;
- Developing an action plan for rehabilitation and stabilization of the completed phase one waste rock dump slopes;
- Identifying areas requiring soil conservation actions both within the license area and immediately adjacent to it. We are developing action plans for these areas.

During 2012 we intended to undertake biodiversity related studies such as an ecological and habitat assessment and a reptile/amphibian study.

Lifecycle mining – closure planning

Closure planning is a critical operational activity, potentially with significant reputational implications. Since we must provide for and publicly disclose the associated liabilities, closure planning is an activity that starts at exploration and mine design and continues throughout the life-of-mine.

We consider closure at each stage in design and operation of the project. For example, cost considerations often dictate steep slopes, which may lead to expensive earth moving after closure. Establishing flatter slopes during construction could reduce such costs in the long term.

Adequate closure planning is an important facet of maintaining strong relationships with local governments and communities and also benefits us. Without proper planning we could be exposed to higher costs, missed opportunities, compensation claims and reputational damage.

We have a comprehensive closure plan for the Bisha Mine that was prepared for us by an expert independent third-party engineering firm. We are committed to ensuring the closure plan is reviewed and updated regularly. The next update is scheduled for late 2012.

In 2011, discounted closure liabilities increased to \$13.2 million from \$11.6 million. This increase is largely attributable to the continued Bisha Mine construction early in the year.

We base the closure and reclamation liability on our best estimate of costs for site closure and reclamation activities that we are legally or constructively required to remediate. We recognize the liability at the time environmental disturbance occurs. We estimate the provision for closure and reclamation liabilities using expected cash flows based on engineering and environmental reports prepared by third-party industry specialists and discounted at a pre-tax rate specific to the liability and discounted taking into account the time value of money. We adjust the liability for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

We have a detailed plan for the mothballing of our Bisha Mine gold phase assets in 2013, namely the carbon-in-leach and gold elution circuits and the dore smelting equipment. We will mothball the gold phase equipment in such a way that it can be restarted should further oxide deposits be discovered in the Bisha region. We will use the plant crushing, grinding and other equipment in the production of copper concentrates that follows the Mine's gold phase.

Contact us

You can find additional information about Nevsun and the Bisha Mine at our website at www.nevsun.com.

We welcome your comments on this Corporate Social Responsibility Report. Here is how you can contact us:

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