apex

Annual Report 30 June 2011

Apex Minerals NL ABN 22 098 612 974

Corporate Directory

DIRECTORS

Mark Ashley *Managing Director*
Kim Robinson *Non Executive Director & Chairman*
Robin Lee Sing Leung *Non Executive Director*
Matthew Sheldrick *Non Executive Director*

COMPANY SECRETARY

Michael Andruszkiw

PRINCIPAL OFFICE

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REGISTERED OFFICE

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West Perth WA 6005

PO Box 682, West Perth WA 6872

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Facsimile: (02) 9287 0303
Shareholder Enquiries: 1300 554 474
Outside Australia: +61 2 8280 7111

AUDITORS

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Perth WA 6000

Telephone: (08) 9263 7171
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West Perth WA 6005

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ASX CODE: AXM
ACN: 098 612 974
WEB: www.apexminerals.com.au

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MD & CEO Address

Dear Shareholder,

Over the past 12 months a number of important developments have been achieved which have had or will have a significant benefit to the company moving forward. Our balance sheet is significantly stronger now than 12 months ago and has improved further since the year-end.

One of our key objectives during the year was to substantially reduce our current liabilities (e.g. creditors) and as a result our cash position remained tight but under control. This objective although not complete has been successful with current liabilities reducing by 43% from $55 million in the previous year to $32 million at 30th June 2011.

In January 2011, Apex and Panoramic Resources (PAN) reached an agreement whereby PAN acquired our Gidgee exploration project for $15.5 million cash plus replacing the environmental bonds totalling $2 million. Apex acquired the Gidgee project from Legend Mining in 2007 in order to secure ownership of the Wilson's deposit located near our Wiluna operating facilities. The sale to PAN excluded the Wilson's deposit, which remains a wholly owned asset of Apex.

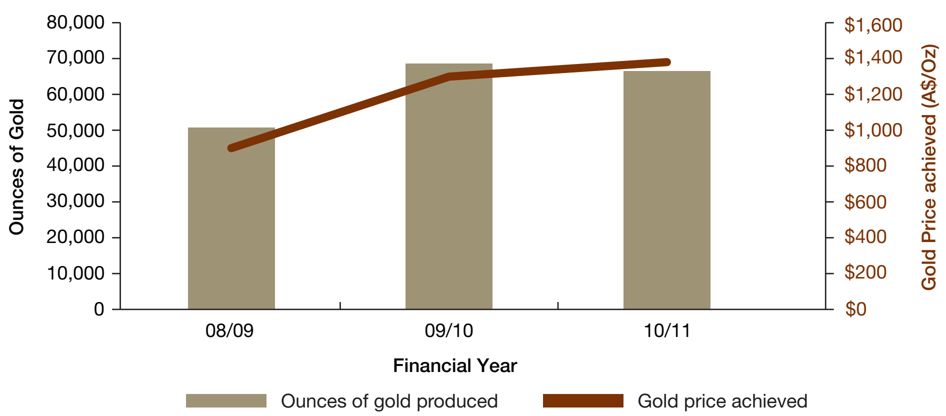
In February 2011 the Company reached an agreement to payout the Gold Upside Participation (GUP) Notes for a payment of $18 million, which represented a 48% discount to their value at that time. The GUPs previously gave the holders the cash benefit of any increase in the actual monthly gold price above A$1,110 per ounce for a set number of ounces per month. At the current price of around A$1,650 per ounce, the cost to Apex would currently be around $2.5 million per month. As part of this transaction, the first ranking security that the GUP holders had over all of Apex's assets, was cancelled, leaving Apex, debt free, security fee and having the benefit of 100% exposure to the current gold price.

It was reported in the previous year that Atlas Copco were seeking a payment from Apex of approximately $7.3 million for work/services performed. Apex had disputed this amount but for the sake of prudency had provided for $5.3 million of this potential liability in the Financial Statements at 30 June 10 and 30th June 11 as part of our current liabilities. During the year, commercial discussions led to a formal agreement being reached subsequent to the year-end with the parties compromising on the amount owing to Atlas being $3.8 million payable by monthly instalments through to 30th June 2013, with $0.7 million payable during the 2011/12 year. The effect of this transaction on the 30th June Financial position, had this agreement been reached prior to year-end, would have been to reduce current liabilities by $4.6 million or 15%.

Operationally, 2010/11 saw continued improvement in most areas including:

- 27% more tonnes and contained ounces mined from underground
- Improved metallurgical recoveries averaging 88% (2009/10 – 79%)
- Over 66,000 ounces produced down just 3% notwithstanding prior year had the short term benefit of open pit ore to supplement underground feed
- Gold price achieved at $1,380 per ounce for the year compared to $1,299 per ounce for 2009/10.

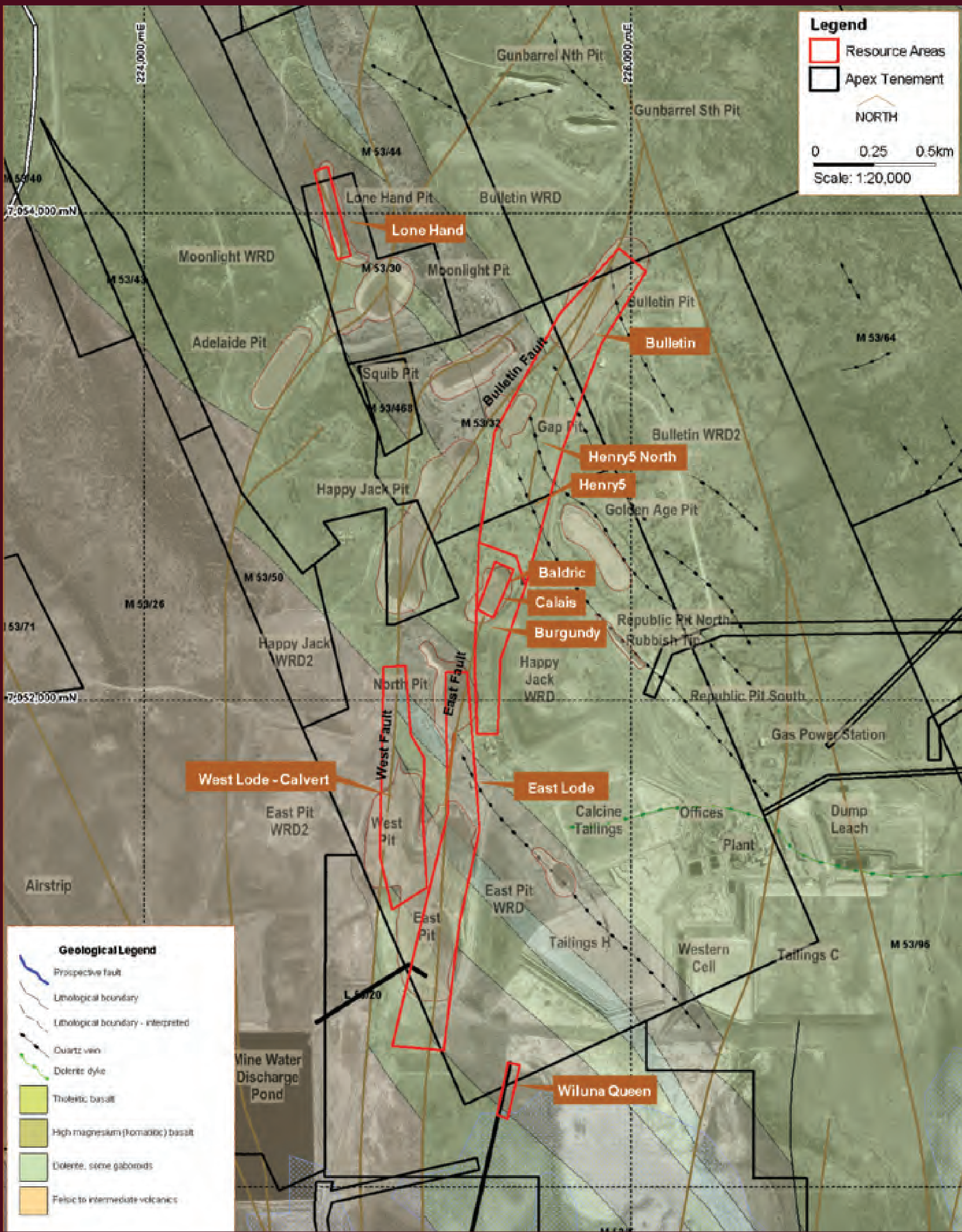
Ounces Produced and Gold price achieved



In concluding, I would like to thank our staff and contractors, who continue to work tirelessly and with a positive attitude and have overcome the many challenges we have encountered during the year. I would also like to take this opportunity to thank our loyal shareholders, creditors and other stakeholders for supporting the Company during the year.

Mark Ashley
Managing Director and CEO

Apex Project Locations Wiluna Gold
Location of Resources Over Geology



Overview

THE REGIONAL GOLD STRATEGY

During 2007 Apex assembled a portfolio of gold assets capable of elevating the Company to producer status by early 2009. This was achieved in April 2009 with the commencement of commercial gold production from Wiluna. The projects are located in the Eastern Goldfields of Western Australia as shown on page 3.

During the year to 30th June 2011, underground capital development continued to focus on reaching the various deposits delineated during 2007-2008. By the year end, access to Calais, East Lode North, Henry 5, Henry 5 North, Burgundy and Golden Age had been achieved with mining on ore from all six providing considerable greater flexibility. As these deposits were accessed during the year, production from underground has steadily increased. Production from the remnant East Lode open pit contributed during the early months of the year. A total of 465,000 tonnes of ore grading 5.01g/t gold for approximately 75,000 ounces of contained gold were mined from underground. This represents an increase year on year of 27%. Approximately 480,000 tonnes at an average grade of 4.88g/t gold were processed for 66,000 ounces of gold recovered (2009/10 – 69,000 ounces)

The Company continues to assess the Wilsons deposit with a view to commencing mining operations and trucking ore to Wiluna's processing plant to further diversify production sources and to increase the supply of high grade feed to the plant. However, focus on stabilising Wiluna production being the priority during the year.

WILUNA

The Wiluna Gold Mine is located 1,000 kilometres northeast of Perth in the Eastern Goldfields of Western Australia. The mine assets include mining tenements, gold resources and reserves, a +900,000tpa gold processing facility (including a BIOX® bacterial oxidation plant) and all associated infrastructure.

Wiluna has produced approximately four million ounces of gold over its life to date. Early mining for gold at Wiluna commenced in the late 19th century through a series of shallow underground and open pit workings, and two million ounces of gold were produced from underground workings at East Lode and West Lode during the 1930's to 1950.

Modern gold mining operations at Wiluna commenced in the 1980s with the treatment of tailings from historic workings and non-refractory open pit reserves through what is now conventional CIP/CIL technology.

Gold at Wiluna is predominantly contained within sulphide minerals, particularly arsenopyrite, and is not amenable to extraction via traditional methods and requires bacterial oxidation (BIOX®) prior to cyanide leaching. This process has been successfully used at Wiluna over the past 15 years. The common term used for this style of gold mineralisation is "refractory". Wiluna also hosts gold mineralisation associated with quartz reefs which is "free milling", that is, amenable to conventional cyanide leaching. The Wiluna processing plant has been designed to treat both styles of mineralisation.

The Wiluna project comprises granted Mining Leases and is situated at the northern end of the Norseman-Wiluna greenstone belt – the most highly gold endowed greenstone belt in Australia, which contains major gold mines such as those at Norseman, St.Ives, the Golden Mile, Leonora and Thunderbox.

At Wiluna, gold mineralisation is found where a series of northerly striking faults intersects a northwest striking and southwest dipping sequence of basalts and dolerites. This series of faults includes the East Lode, West Lode and Moonlight Lode, which together have produced approximately four million ounces of gold since their discovery (Page 6). Each of these lodes contains several ore-bodies, which have been previously mined by open pit or underground methods to a depth of up to 900 metres.

GIDGEE (INCLUDING WILSONS)

Description

The Gidgee Exploration Project was sold to Panoramic Resources (PAN) during the year for $15.5 million with PAN assuming the environmental bonds totalling $ 2 million. The project, which is located approximately 640 kilometres northeast of Perth, Western Australia includes a 600,000tpa gold treatment plant (not in operation), a 150-man camp. The sale excluded the tenement that hosts the Wilsons deposit, which remains wholly owned by Apex. It is still planned to mine the Wilsons deposit at the rate of approximately 150,000 tpa at 7g/t and to truck this ore to Wiluna for processing in the future.

A Feasibility Study on the development of the Wilson deposit with ore being trucked approximately 150 kms to Wiluna for treatment at Wiluna was completed during 2008. This study confirmed the operating and financial robustness of this project. The study assumed the commencement of decline development at Wilsons occurring in October 2008 with full production being reached 6 months later in April 2009. However, the success of infill and extensional drilling programmes at Wiluna allowed the timing of development and production from Wilsons was deferred.

YOUANMI

Description

The Youanmi Project is located approximately 480 km northeast of Perth, Western Australia. It also has significant potential exploration upside. The Project includes a 600,000tpa process facility (not in operation) which includes a 270,000tpa sulphide flotation plant and a BacTech® bacterial oxidation treatment plant capable of treating the gold concentrate.

Modern gold mining operations at Youanmi recommenced in the 1980s. Like Wiluna, the gold mineralisation at Youanmi is predominantly contained within the matrix of sulphide particles, particularly arsenopyrite, at a microscopic level. Similarly to Wiluna, gold extraction of refractory ore at Youanmi was achieved by using bacteria following sulphide flotation. The bacterial oxidation process at Youanmi used BacTech® patented bacteria, which is proprietary technology owned by BacTech®, but essentially similar in nature to the BIOX® technology.

Geology and Title

The project covers 40 strike kilometres of the gold mineralised Youanmi shear zone, with known resources and infrastructure being situated on granted Mining Leases (Page 3). The Youanmi deposit is a high grade narrow vein style deposit, with gold intimately associated with sulphide minerals. The main Youanmi deposit plunges steeply to the south and remains open at depth. Several parallel plunging shoots have been mined historically, with limited exploration beneath them.

Current considerations

No production from Youanmi is envisaged as part of the current Wiluna mining and processing plan at this time and therefore options regarding maximising its value to the Company have been considered and various initiatives are being pursued, including a possible sale/ joint venture etc.

Operations Project Development

WILUNA

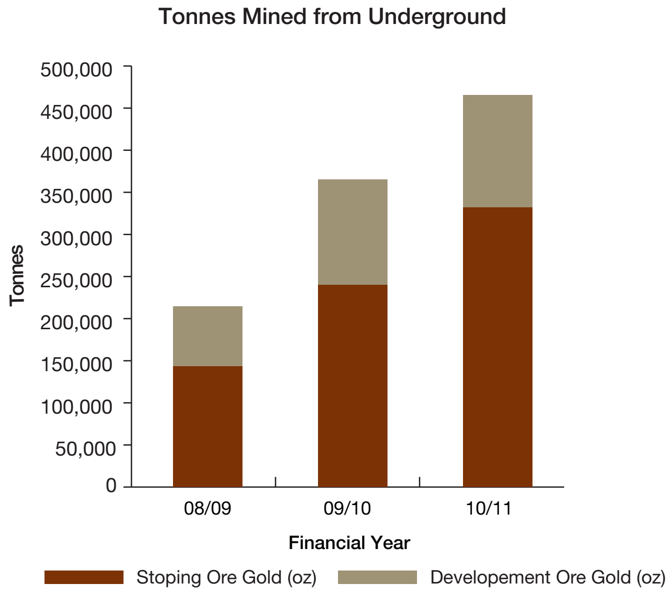
Apex acquired the Wiluna mine in August 2007, with the previous owner Oxiana placing the mine on care and maintenance prior to handing it over to Apex. The Company immediately embarked on a major exploration program focused primarily on expanding resources within and adjacent to the most recent underground mining activities and by mid 2008 had substantially increased the Mineral Resources at Wiluna. A further increase in Mineral Resources was announced in December 2010.

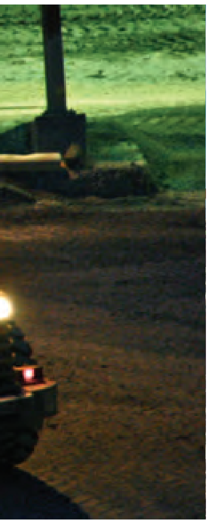
Concurrently, Apex undertook a comprehensive review of the plant and infrastructure at Wiluna and developed a detailed refurbishment plan. In June 2008, a decision was made to re-commence operations at Wiluna with Company immediately embarking on a significant plant refurbishment program and commenced preparations for underground (owner operator) and open pit (contract) mining.

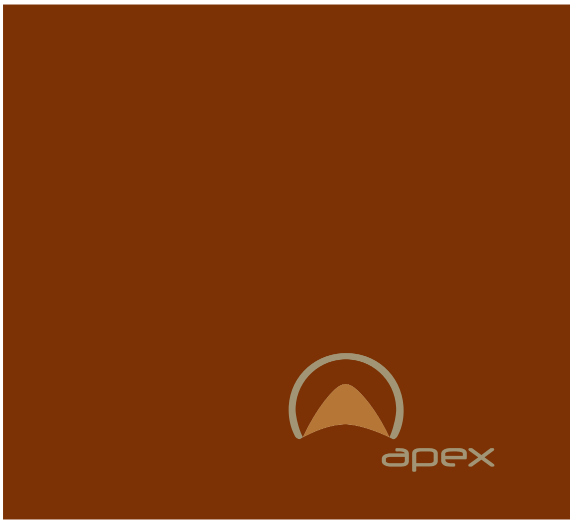
Operations re-commenced in November 2008 with first gold being poured late in December 2008. Unfortunately, a number of early operating problems (both with regard to the process plant and underground mining) adversely affected the transition from commissioning to full scale sustainable production.

A summary of the production statistics for the financial year is provided below and highlights a steady increase in the production of contained ounces from underground over the past 3 years.

	YEAR 08/09	YEAR 09/10	YEAR 10/11
Stope tonnes	143,464	240,476	332,106
Development tonnes	71,170	124,860	133,309
Total tonnes	214,634	365,336	465,415
Stope grade	5.52	5.48	5.38
Development grade	5.43	4.10	4.08
Average grade	5.49	5.00	5.01
Contained gold mined (ounces)	37,909	58,791	74,994







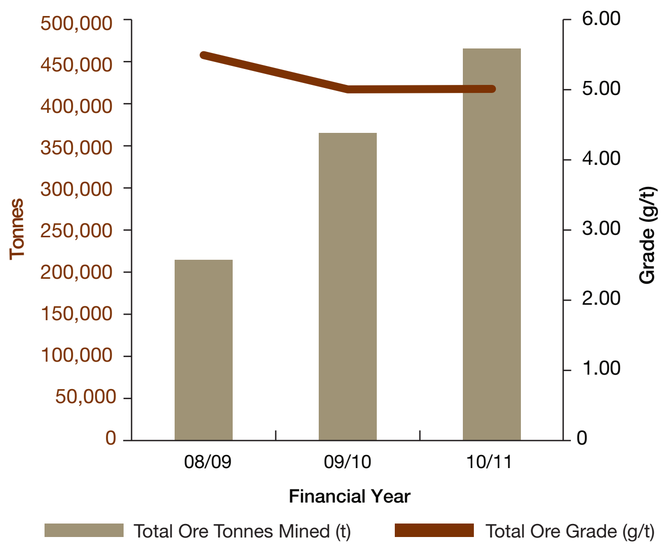
Processing

Processing during the financial year included the treatment of the free milling Golden Age deposit (around 30,000 tonnes) in addition to refractory ore mined from underground. Previous year's milling included the treatment of lower grade remnant ore from the East Lode open pit. The table below shows the annual statistics in this regard.

	YEAR 08/09	YEAR 09/10	YEAR 10/11
Underground tonnes	214,634	359,084	449,475
Other tonnes	228,618	357,746	30,173
Total tonnes processed	443,252	716,830	479,648
Grade (g/t)	**4.48**	**3.79**	**4.88**
Contained gold (ounces)	63,851	87,356	75,290
Metallurgical recoveries	79%	79%	88%
Gold production	50,711	68,629	66,413
Gold sold	44,000	71,700	64,700
Gold price achieved (A$/oz)	$900	$1,299	$1,380
Cash operating costs A$/oz sold	$805	$834	$1,150

Mining

Ore production from underground during the financial year occurred at Calais, East Lode North, Henry 5, Henry 5 North and Burgundy zones at Wiluna having been delineated by Apex during 2007-2008.



Resource Table as at 22nd October 2010 - WILUNA

Lode	Indicated			Inferred			Total			Note
	Tonnes (000's)	Grade (g/t Au)	Contained gold (000's oz)	Tonnes (000's)	Grade (g/t Au)	Contained gold (000's oz)	Tonnes (000's)	Grade (g/t Au)	Contained gold (000's oz)	
Henry 5	321	7.5	77	101	3.8	12	422	6.6	90	1
Baldric	196	5.7	36	96	5.9	18	292	5.7	54	1
Henry 5 North	299	6.0	58	124	3.9	15	423	5.4	73	1
Woodley 200	317	5.6	57	18	6.0	3	335	5.7	61	1
Scroop	-	-	-	225	3.1	22	225	3.1	22	1
Bulletin	643	6.1	126	670	4.7	100	1,313	5.4	226	1
Lennon	40	7.4	10	13	8.2	3	53	7.6	13	1
Total Henry5/Woodley/Bulletin	**1,816**	**6.2**	**364**	**1,247**	**4.4**	**175**	**3,063**	**5.5**	**539**	
Burgundy	484	6.8	105	174	5.5	31	658	6.4	136	1
Calais 50/50H	440	6.4	90	89	6.8	19	529	6.4	109	1
Calais 100/90	574	5.2	97	151	3.8	19	724	4.9	115	1
Calais 150	57	4.6	8	-	-	-	57	4.6	8	1
Total Burgundy/Calais	**1,554**	**6.0**	**300**	**414**	**5.2**	**69**	**1,968**	**5.8**	**369**	
East Lode North	417	6.0	80	563	4.9	89	980	5.4	169	1
East Lode South	131	6.3	27	191	5.1	31	322	5.6	58	1
East Lode Main	463	5.2	77	1,174	5.4	203	1,638	5.3	280	1
Total East Lode	**1,011**	**5.6**	**183**	**1,929**	**5.2**	**324**	**2,940**	**5.4**	**507**	
West Lode Main	209	5.5	37	1,933	5.6	349	2,142	5.6	386	1
West Lode 1	116	4.2	16	902	4.6	135	1,019	4.6	150	1
Calvert	125	8.4	34	324	6.7	70	449	7.2	103	1
Total West Lode	**450**	**6.0**	**87**	**3,159**	**5.4**	**553**	**3,609**	**5.5**	**640**	
Essex	139	7.6	34	9	3.7	1	148	7.4	35	1
Lone Hand	73	5.6	13	169	7.7	42	242	7.1	55	2
North Pit	272	3.2	28	280	2.7	24	552	2.9	52	2
Queenie	69	3.8	9	125	3.4	14	194	3.6	22	2
Total other	**553**	**4.7**	**83**	**583**	**4.3**	**81**	**1,136**	**4.5**	**164**	
Wiluna Total Resources (Oct 10)	**5,384**	**5.9**	**1,017**	**7,332**	**5.1**	**1,203**	**12,716**	**5.4**	**2,220**	

Notes

1 - 2g/t bottom cut off used for reporting

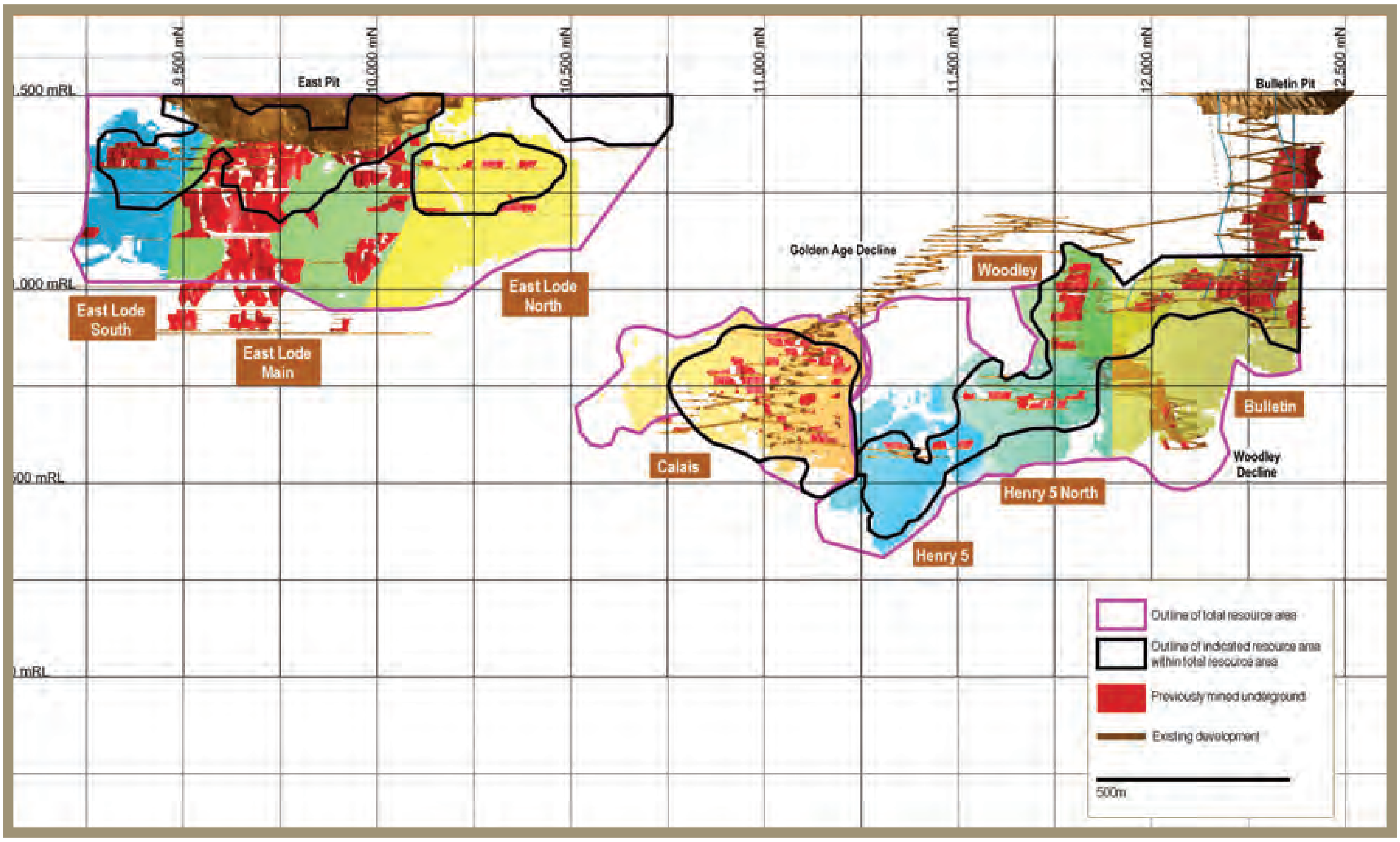
2 - 0.5g/t bottom cut used for reporting indicated and inferred oxide material; 2g/t bottom cut off used for reporting indicated transition and fresh material

- For the sake of clarification there are no Measured Resources

Dr. Howard C. Cutler, co-author of the internationally bestselling The Art of Happiness book series visiting Wiluna Goldmine in September 2011

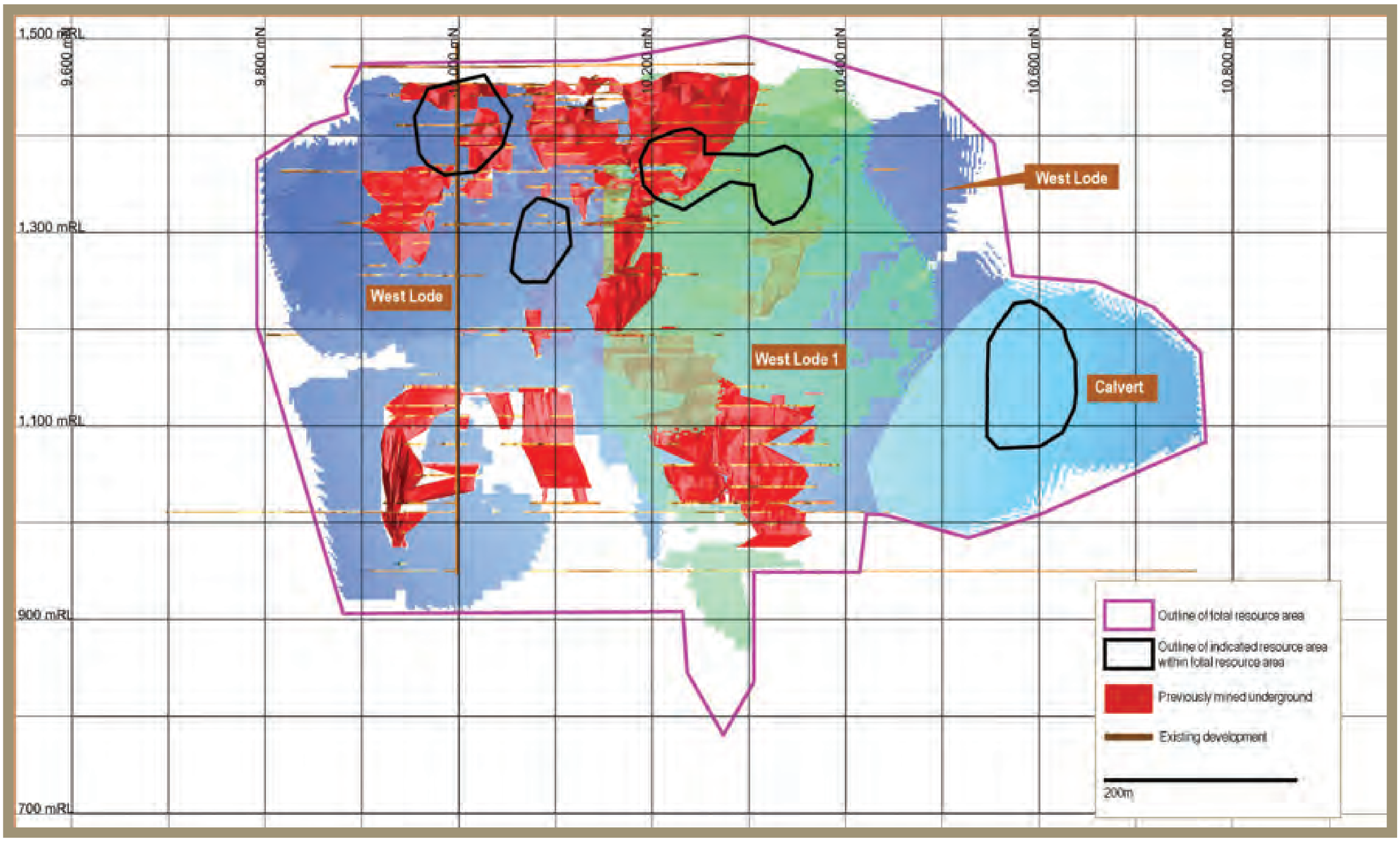
Wiluna Gold

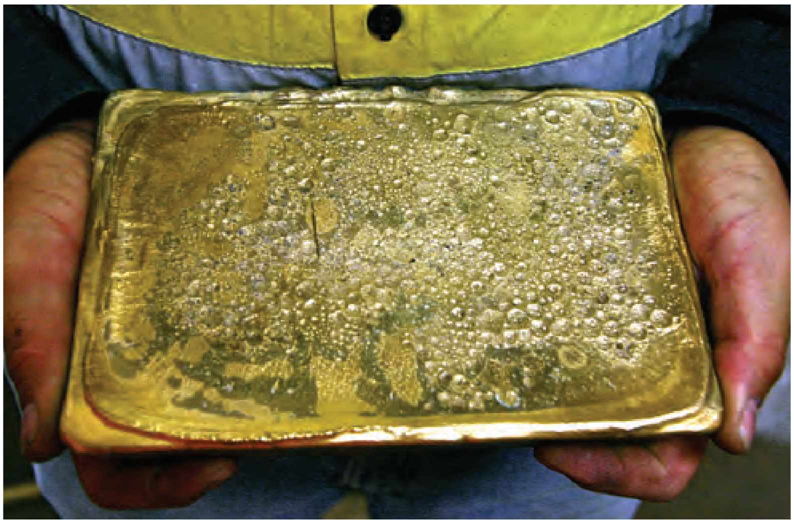
Long Projection of the East Lode 100 Lens area, showing new resources



Wiluna Gold

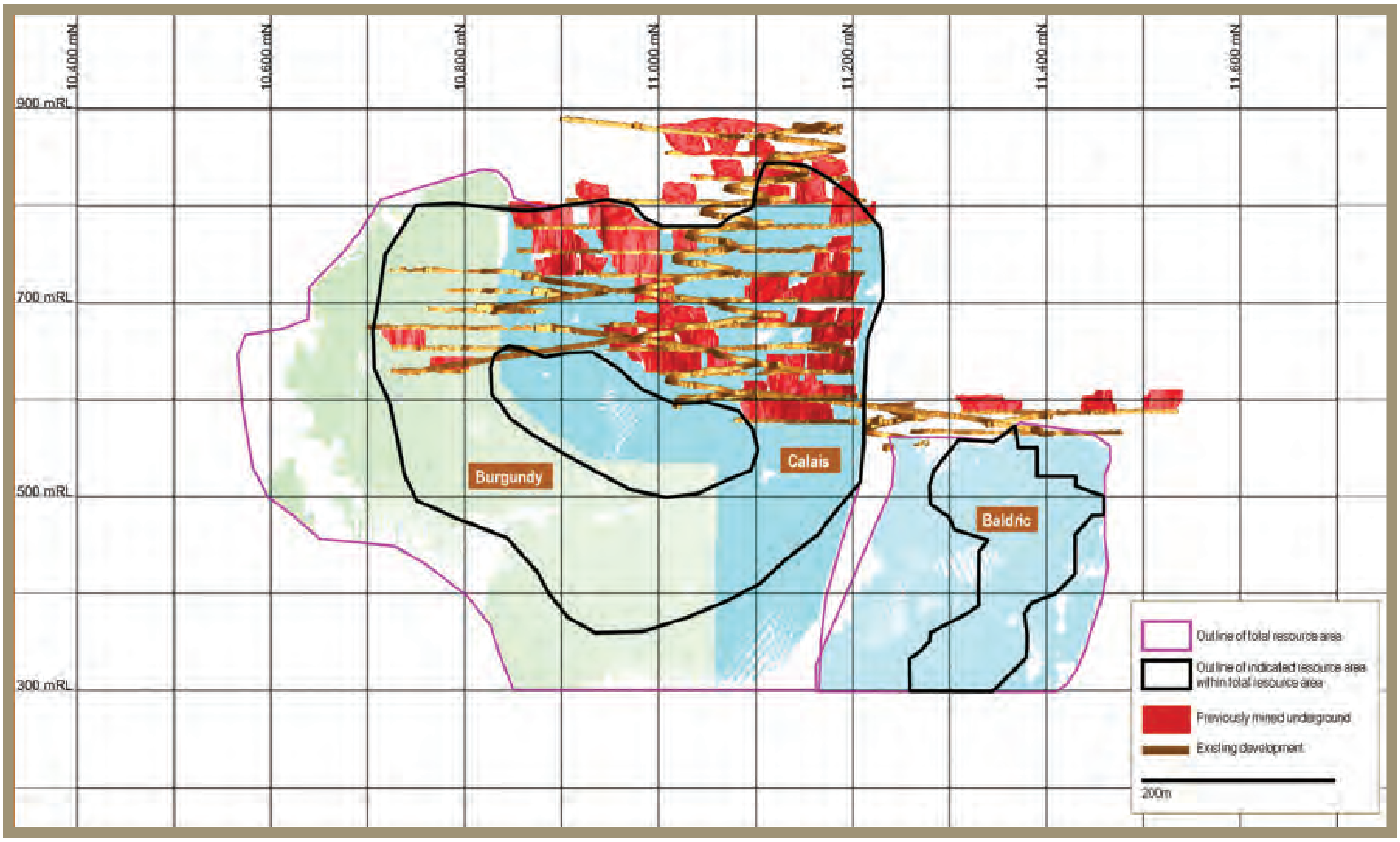
Long Projection of the West Lode and Calvert area, showing new resources





Wiluna Gold

Long Projection of the East Lode 50 Lens in the Calais area, showing new resources



Competent Person's statement for exploration results and Mineral Resources Estimates

Additional information

1. Resource estimated October 2010 by Mark Savage at a 2.0g/t Au lower cut off.

2. Resource estimated October 2010 by Mark Savage at a 0.5g/t Au lower cut off.

Appropriate rounding has been applied and subtotals may therefore not add up to totals.

All Apex Mineral resources are inclusive of Ore Reserves.

The information in this report that relates to Exploration Results and the Mineral Resources at Wiluna is based on information compiled by Mr. Mark Savage, who is a full time employee of Apex Minerals NL.

Mr Savage is a Member of the Australasian Institute of Mining and Metallurgy, and has sufficient experience of relevance to the styles of mineralization and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Savage consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Reverse circulation (RC) drill samples are obtained by collecting meter samples via a three stage riffle or cone splitter, and diamond drill hole results are obtained from half NQ core or quarter HQ core sampled to geological boundaries where appropriate. Assay results are obtained from Intertek (formerly known as Genalysis) and ALS Chemex Laboratories in Perth. Samples are prepared using single stage pulverization of the entire sample. Gold assays are obtained using a 30g or 50g lead collection fire assay digest and atomic absorption spectrometry (AAS) analysis techniques. Multi-element analyses (arsenic, sulphur, iron, lead, zinc, bismuth, antimony and tellurium) are obtained using a four acid total digest and inductively coupled plasma optical emission spectrometry (ICP OES) analysis techniques. Full analytical quality assurance and quality control (QAQC) is achieved using a suite of certified standards, laboratory standards, field duplicates, laboratory duplicates, repeats, blanks and grind size analysis. Assays quoted in announcements may be of a preliminary nature. Assays used in resource estimates have undergone full QAQC. The spatial location of samples from surface holes is derived using a combination of surveyed grid co-ordinates and 3D differential GPS collar survey pickups, and Reflex single shot and gyroscopic down hole surveys. The spatial location of samples from underground holes is derived using surveyed rig setups and Reflex multi-shot down hole surveys. True widths are calculated using the mean dip and strike of the mineralization from 3D wireframe models and down hole surveys. Quoted drill intersections are based on situation specific criteria, which include using a lower cut-off of 1g/t or 2g/t gold and acceptable levels of internal dilution.

Mineral Resources have been estimated using standard accepted industry practices. All Resources have been estimated via Block Ordinary Kriging using 1m composite samples. Top cuts have been applied to the composites and are considered appropriate for the nature and style of mineralization in all cases. Directional grade variography was modelled for all zones based on 1m composites.

Geological and mineralization modelling has been achieved by 3D modelling of footwall and hanging wall structures. Block models have been developed for both deposits incorporating a suitable parent and sub block dimension to allow adequate volume resolution of modelled geology and mineralization. Grade interpolation (via Block Ordinary Kriging) was then undertaken using a multiple estimation pass strategy. Mineral Resources are quoted on the basis of situation specific lower cut-offs (LCOG) for underground resources and open pit resources. Where quoted, Mineral Resource and Ore Reserve tonnes and ounces are rounded to appropriate levels of precision, causing minor computational errors. Mineral Resources are classified on the basis of drill hole spacing, geological continuity and predictability, geo-statistical analysis of grade variability, sampling, analytical, spatial and density QAQC criteria and demonstrated amenability of mineralization style to proposed processing methods.

APEX MINERALS NL
ABN 22 098 612 974

Financial Report

For the Year Ended 30 June 2011

Contents

Directors' Report

The Directors present their report on Apex Minerals NL ("Apex" or the "Company") and its subsidiaries (the "Group") for the year ended 30 June 2011.

Directors

The names and details of the Company's Directors in office during the entire financial year and until the date of this report (unless otherwise stated) are as follows.

Names, qualifications, experience and special responsibilities.

Mark Ashley – Managing Director
FCMA

Mr Mark Ashley is a Fellow of the Chartered Institute of Management Accountants and has over 25 years experience in the resources industry.

In 1992, Mr Ashley joined Forrestania Gold – which was subsequently acquired by LionOre Mining International Limited ("LionOre") in 1994 and was with the Company as a Board director and CEO of LionOre through its emergence as a growing international nickel producer up until 31 March 2006.

Mark was a Director of Metallica Minerals Limited (from 22 November 2006 and resigned 11 May 2009), an ASX listed Company. Mark was a Member of Council at the Curtin University of Technology and was also a member of the university's Finance Committee (from June 2006 and resigned 12th August 2008). Mark was the founding CEO of Kagara Limited (as a public listed company) and was one of its Non-Executive Directors until resigning this year on 19 August 2011.

Kim Robinson – Non Executive Director & Chairman
B.Sc (Geology)

Mr Kim Robinson is a founding Director of Kagara Limited and currently holds the position as the Non-Executive Chairman. Mr Robinson graduated from the University of Western Australia in 1973 with a degree in Geology and has over 35 years experience in the minerals exploration and mining industries, including 10 years as Executive Chairman of Forrestania Gold NL. During his time at Forrestania, Mr Robinson played a key role in the discovery and development of the Bounty Gold Mine, the development of the Mt McClure Gold Mine and discovery of the Maggie Hays and Emily Ann nickel sulphide deposits. Mr Robinson is also currently the Non-Executive Chairman of Carbon Energy Limited.

Within the prior three years, Mr Robinson has not been a Director of any other public listed company.

Robin Lee Sing Leung – Non Executive Director
Dip Accounting, MBA, Dip Management

Mr Lee has over 25 years extensive experience in financial, mergers and acquisitions advisory, and banking and finance in Hong Kong, China and South Africa, much of which has been focussed on the Chinese mining industry.

Mr Lee is the Chairman of SSC Mandarin Financial Services Limited, a corporate finance advisory firm registered under the Hong Kong Securities and Futures Ordinance that provides financial advice to international companies with respect to mining industry acquisitions in China. In this capacity, Mr Lee has been active in several restructuring and financing projects relating to the gold and other mining industries in the People's Republic of China ("PRC") and has assisted several PRC enterprises in listing on the Hong Kong and Singapore stock exchanges. Prior to founding the SSC Mandarin Group, Robin was the General Manager of Nedcor Asia Limited ("Nedcor"), a Hong Kong restricted licensed bank whose parent company is one of the three largest commercial banks in South Africa. While at Nedcor, Robin played a leading role for a prominent PRC corporation in its then largest overseas acquisition of a chrome mine in South Africa. He also served as Chief Representative of Nedcor's Chinese banking affiliate where he established a business network in China and South Africa and assisted mining companies in identifying acquisition targets and business opportunities in China and South Africa.

Matthew Sheldrick – Non Executive Director – appointed 6 May 2011

Mr Matthew Sheldrick holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. Mr Sheldrick spent 10 years in the securities industry, advising both domestic and international institutional clients on Australian equities. Mr Sheldrick has previously been a founder and CEO of Elixir Petroleum (formerly Gawler Resources Limited) and Eureka Energy Limited.

During the past three years, Mr Sheldrick was a Director of Black Fire Minerals Limited (appointed 29 November 2006 and resigned 22 November 2010) and he is currently a Non Executive Director of WAG Limited (appointed 22 February 2010). He has not been a Director of any other public listed company during this the past three years.

Company Secretary

Mr Michael Andruszkiw – appointed 15 June 2011

Mr Michael Andruszkiw is an employee of Cornerstone Corporate Pty Ltd which is contracted to provide Company Secretarial Services for ASX listed entities. Mr Andruszkiw has over 12 years experience within public practice, equity markets and large corporate environments. He is a member of both the Institute of Chartered Accountants and Institute of Chartered Secretaries.

Adrian Di Carlo – resigned 15 June 2011
BBus(Acc) MBA GradDipACG CPA ACIS

Mr Adrian Di Carlo is an employee of Company Matters Pty Ltd which is contracted to provide Company Secretarial Services for ASX listed entities. Previously, Mr Di Carlo worked for the Barrick Gold Corporation/Antofagasta Minerals joint venture and prior to that, Mr Di Carlo worked within the Wesfarmers Group for several years in various accounting, systems and project, and commercial management positions. Mr Di Carlo has completed a Bachelor of Business degree (accounting) and a Master of Business Administration degree at Curtin University of Technology. Mr Di Carlo has also completed a Graduate Diploma in Applied Corporate Governance, and is qualified as a Certified Practising Accountant and a Chartered Secretary.

Principal Activities

The principal activity of the Group during the financial year was mining and production of gold and exploration of mineral resources.

Results

The consolidated profit for the Group for the year after income tax was $20.247m (2010: consolidated loss of $115.776m).

Operating Review

- **Wiluna** has been operating under the control of Apex since early 2009. Since that time, focus has been to gain access to various underground deposits, previously delineated by Apex, with significant capital development being required. Access to these deposits was obtained in the 2010 financial year. Gold production during the year has been steady and has resulted in an improvement in the Company's results. Further productivity and cost improvement initiatives have been identified and have and continue to be implemented to ensure the long term profitability of the Wiluna operations.

- The **Wiluna Gold Project** is located 1,000 kilometres northeast of Perth, Western Australia and comprises granted mining leases covering approximately 50 square kilometres, as well as miscellaneous licences. The operation includes a 1Mtpa processing facility, a BIOX® bacterial oxidation plant, along with other established infrastructure owned by the Group and has access to the Goldfields Gas Pipeline. Gold at Wiluna occurs in two main fault structures, the East Lode and West Lode, to a depth of 1,000 metes below surface. It is estimated that only 50% of the known extent of these lodes has been tested by systematic exploration drilling, with much of this carried out at very broad drill spacing. The Directors believe that significant potential exists for the delineation of additional resources resulting in an increase in the life of mine.

- The **Gidgee Project** is located 640 kilometres northeast of Perth and covers 70 kilometres of strike of the Gum Creek greenstone belt. The Project is located close to existing developments and includes a 600,000 tpa gold treatment plant (not in operation), a 150-man camp and has significant exploration upside. The Gidgee Project was sold to Panoramic Resources Ltd in January 2011.

- The **Youanmi Project** is located 480 kilometres northeast of Perth, Western Australia and covers 40 kilometres of strike of the Youanmi shear zone. It also has significant potential exploration upside. The Project includes a 600,000 tpa process facility (currently not in operation) which includes a 270,000 tpa sulphide flotation plant and a BacTech bacterial oxidation treatment plant capable of treating the gold concentrate. No production from Youanmi is envisaged as part of the current Wiluna mining and processing plan at this time. As previously announced, the Company is assessing various options with regards to maximising the value of the asset sale.

Directors' Report (continued)

Significant Changes in the State of Affairs

On 5 August 2010 the Company sold its holding of 600,000,000 options in Sirius Resources Ltd ("Sirius") for $450,000 to Yandal Investments Pty Ltd. The consideration that was received for the Sirius options was offset against the guarantee fees owed by the Company under the current Guarantee Arrangement for rehabilitation bonds with the Creasy Group. On 18 February 2011, $2,094,000 was released following the sale of the Gidgee Project. The balance of $1,489,000 was released on 23 March 2011 when the Rights Issue was completed.

On 6 August 2010 the Company raised $5 million through the placement of 250 million new shares to institutional and sophisticated investors, at two cents a share representing an 8% discount to the five and ten day VWAP (volume weighted average share price) immediately prior to the 4 August 2010 trading halt.

On 8 December 2010 the Group sold 10 million shares of its holding in Aphrodite Gold Limited for $1 million.

On 28 January 2011 the Company reached agreement with the GUP Note holders to payout all outstanding obligations for $18.0 million cash, plus the issue of 180 million unlisted warrants exercisable at $0.035 per share at any time on or before 18 February 2014. The redemption of the GUP notes was completed on 18 February 2011 and all security interests over assets of the Company held by the GUP Note holders were released. 5,950,413 of these warrants are to be issued to Mr Kim Robinson in his capacity as a GUP Note holder subject to shareholder approval being obtained. In conjunction with the payout of the GUP Notes, 44.49 million warrants currently held by the GUP Note holders have been cancelled.

On 31 January 2011 the Company announced the sale of its Gidgee Exploration Project in Western Australia to Panoramic Resources Limited ("Panoramic") for $15.5 million cash. Panoramic replaced environmental bonds totalling $2 million, releasing the Company of this obligation. The sale excludes the tenement that contains the existing Wilson's underground deposit, which will be retained by the Company. The sale was completed on 18 February 2011.

On 2 February 2011 Apex announced it would be undertaking a renounceable 1 – for – 2.4 rights issue at $0.01 per share to raise $16.3 million. The rights issue was fully underwritten, subject to certain terms and conditions, by Azure Capital Limited as well as being sub-underwritten by a number of new and existing sophisticated and institutional investors. It was completed on the 23 March 2011.

On 2 February 2011 the Company raised $6.3 million through the placement of 350 million new shares to institutional and sophisticated investors, at 1.8 cents a share.

On 20 June 2011 the Company entered into an agreement with Intermin Resources Ltd ("Intermin") to sell the calcine tailings located at the Wiluna mine site. The full settlement included the immediate payment of $20,000 plus a royalty payment of $4 per tonne of ore treated from the calcine tailings by Intermin. Intermin has provided Apex with a $900,000 advance payment of the royalty.

Other than the above there were no significant changes in the state of affairs of the Group during the financial year, not otherwise disclosed in the attached financial report.

Likely Developments

The Group will continue to mine for gold, develop, explore and assess its mineral projects and will also consider new projects that could provide growth for shareholders.

Further information on the likely developments and expected results of operations of the Group have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Dividends

No dividends have been paid during the year and the Directors have not recommended that any dividend be paid.

Events Subsequent to Reporting Date

Atlas Copco had previously issued two Statutory Demands in May and June 2010 totalling $4.4 million demanding the payment of a proportion of monies (approx $7.4 million) that they believed were owed by Apex. Apex had the Statutory Demands set aside during the current reporting period and has subsequent to year end negotiated with Atlas Copco a reduced amount and a payment plan. A payment schedule has been agreed whereby Apex will make regular payments over a period up to June 2013 to Atlas Copco totalling $3.8 million plus interest of $0.3 million. Of this amount $0.6 million is due within the next 12 months to 30 June 2012. As at 30 June 2011, Apex has recognised $5.4 million in its trade and other payables as owing to Atlas Copco and the benefit of the $1.6 million total reduction in the amount due will be reflected in the financial statements for the year ended 30 June 2012. The facility is un-secured. If there is an event of default, the amount owing to Atlas Copco will increase to $5.5 million plus interest, reduced by payments made to date.

Options

The total options issued during the period are detailed in the table below. There have been no options issued since the end of the reporting period.

Date	Number
19 November 2010	20,000,000
19 November 2010	18,750,000
6 December 2010	7,550,000

1,196 options were exercised during the year ended 30 June 2011 resulting in the issue of 1,196 ordinary shares. For details of options issued to Directors and key executives, please refer to the Remuneration Report.

Directors' Interests

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Securities Exchange in accordance with S205G(l) of the *Corporations Act 2001*, at the date of this report are as follows:

		Apex Minerals NL		
		Fully Paid Shares	Options	Warrants
M Ashley	Direct	2,884,000	–	–
	Indirect	14,291,000	2,500,000	–
K Robinson	Direct	99,585,144	10,195,679	19,338,843*
	Indirect	2,633,333	–	–
R Lee	Direct	–	–	–
	Indirect	–	–	–
M Sheldrick	Direct	–	–	–
	Indirect	–	–	–

* Mr Robinson is to be issued 5,950,413 warrants as part of the GUP extinguishment. These warrants are subject to shareholder approval before they can be issued.

Meetings of Directors

The following table sets out the number of Board Meetings the Company's Directors held during the year ended 30 June 2011.

There were a total of nine Director Board Meetings held during the year:

Director	Number Eligible to Attend	Number Attended
M Ashley	9	9
K Robinson	9	9
R Lee	9	9
M Sheldrick*	–	–

* Mr Sheldrick was appointed to the Board in May 2011 and no meetings were held between this date and the end of the reporting period.

Audit Committee Meetings

The following table sets out the number of Audit Committee Meetings that the Company's Directors held during the year ended 30 June 2011.

There was a total of two Audit Committee Meetings held during the year.

Director	Number Eligible to Attend	Number Attended
M Ashley	2	2
K Robinson	2	2
R Lee	2	2
M Sheldrick *	–	–

* Mr Sheldrick was appointed to the Board in May 2011 and no meetings were held between this date and the end of the reporting period.

Remuneration Committee Meetings

A Remuneration Committee was formed in the reporting period ending 30 June 2010. No meetings were held by the Committee during the financial year ended 30 June 2011.

Remuneration Report – Audited

Details of Key Management Personnel of the Group:

- **Mark Ashley –** Managing Director
- **Kim Robinson –** Non Executive Director and Chairman
- **Robin Lee Sing Leung –** Non Executive Director (appointed 17 February 2010)
- **Matthew Sheldrick –** Non Executive Director (appointed 6 May 2011)
- **Mark Bennett –** Exploration Director (resigned 23 November 2009)
- **Glenn Jardine –** Operations Director (resigned 31 July 2009)
- **Stephen Lowe –** Non Executive Director (resigned 17 February 2010)
- **Todd Bennett –** Non Executive Director (resigned 17 February 2010)
- **Ross Glossop –** Chief Financial Officer (appointed 12 October 2010 and resigned 8 July 2011)
- **Allan King –** Chief Operating Officer (appointed 9 August 2010)
- **Daniel Desjardins –** Commercial Executive (appointed 2 August 2010 and resigned 21 July 2011)
- **Grant Brock –** Chief Operating Officer (resigned 31 July 2009)
- **Anna Neuling –** Chief Financial Officer and Company Secretary (resigned on 11 March 2010)
- **Rod Jacobs –** General Manager (resigned 4 June 2010)
- **Mike Walsh –** Chief Mining Engineer (resigned 12 March 2010)
- **William Dix –** Exploration Manager (resigned 30 June 2010)

Directors' and Executives Emoluments

Remuneration and other key terms of employment of executives, including executive Directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages which can include bonuses are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Bonuses are paid at the discretion of the Board and the Remuneration Committee and currently are not directly linked to any key performance indicators.

The terms of engagement and remuneration of Executive Directors is reviewed periodically by the Board, with recommendations being made by Non Executive Directors. Where the remuneration of a particular Executive Director is to be considered, the Director concerned does not participate in the discussion or decision-making.

Remuneration Report – Audited (continued)

Directors' and Executives Emoluments

The policy of the Group is to pay remuneration to the Directors and senior executives in a combination of cash and options and these amounts are in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as a part of the executives' way of conducting business.

The Group's performance, and hence that of its Directors and executives, is measured in terms of:

(i) Company share price growth;

(ii) Cash raised;

(iii) Operational performance including occupational health and safety standards; and

(iv) Exploration carried out.

The remuneration review during the year ended 30 June 2011 took place in December 2010 at which time the Board was responsible for reviewing the remuneration of the executives including Executive Directors.

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board with consideration given to individual and overall Group performance. A senior executive's compensation is also reviewed on promotion.

Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding financial and personal objectives. The short-term incentive ('STI') is a bonus provided in the form of cash while the long-term incentive ('LTI') is provided as options.

Short-Term Incentive Bonus

The Board may occasionally offer separate short-term incentives to key management personnel to ensure that key employees remain outcome-oriented. Incentives are set based on defined performance targets, usually on a project-based scenario. Using such targets ensures bonuses are only paid when value has been created for shareholders and when results are consistent with the strategic plans of the Group. Bonuses paid to the Managing Director are at the discretion of the Board. The Managing Director was neither entitled to nor paid a bonus during the year.

Long-Term Incentive

The Group provides long-term incentives to Directors, executives and employees in the form of share options in the Company. These incentives are designed to align the interests of shareholders, Directors, executives and employees. Issues can be made by shareholder resolution or under the Group's Employee Share Options Plan ('ESOP'). Under the ESOP, executives and other employees may be invited by the Board to subscribe for share options in the Company. Once approved by the Board, the options are issued in the name of the participants but are subject to a restriction on exercise for periods of up to three years (from date of issue) reflecting the period of service to be provided to the Company.

Consequences of Performance of Shareholders Wealth

In consideration of the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to the following indices in respect of the current financial year and the previous four financial years:

	2011	2010	2009	2008	2007
Profit / (Loss) attributable to members of the Group (in $'000)	20,247	(115,776)	(133,595)	(60,406)	(5,906)
Share price at start of year dollars per share	0.02	0.16	0.58	0.89	0.28
Share price at end of year in dollars per share	0.007	0.02	0.16	0.58	0.89
Dividends	–	–	–	–	–
Basic earnings / (loss per share) in cents	0.49	(4.97)	(31.41)	(19.01)	(3.69)
Fully diluted earnings / (loss per share) in cents	0.49	(4.97)	(31.41)	(19.01)	(3.69)

Directors’ Report (continued)

Remuneration Report – Audited (continued)

The emoluments of each Director and Key Management Personnel were as follows:

	Short Term Employee Benefits				Post Employment Benefits		Share Based Payments			
Directors	Salary and Directors Fee $	Bonus $	Annual Leave Paid (ii) $	Non-Monetary Benefits $	Super-annuation $	Retirement Benefit $	Options (i) $	Total $	Value of Options as a proportion of remuneration %	Proportion of Remuneration Performance Related %
M Ashley										
2011	634,444	–	–	27,797	58,500	–	–	720,741	–	–
2010	535,538	–	123,588	34,034	14,865	–	–	708,025	–	–
K Robinson										
2011	45,000	–	–	–	4,050	–	–	49,050	–	–
2010	45,000	–	–	–	4,050	–	–	49,050	–	–
R Lee										
2011	65,000	–	–	–	–	–	–	65,000	–	–
2010	23,833	–	–	–	–	–	–	23,833	–	–
M Sheldrick										
2011	9,916	–	–	–	893	–	–	10,809	–	–
2010	–	–	–	–	–	–	–	–	–	–
M Bennett										
2011	–	–	–	–	–	–	–	–	–	–
2010	135,064	–	74,312	7,371	19,507	–	–	236,254	–	–
G Jardine										
2011	–	–	–	–	–	–	–	–	–	–
2010	29,167	–	58,340	–	2,625	–	(100,698)	(10,566)	–	–
S Lowe										
2011	–	–	–	–	–	–	–	–	–	–
2010	39,335	–	–	–	3,097	–	–	42,432	–	–
T Bennett										
2011	–	–	–	–	–	–	–	–	–	–
2010	33,333	–	–	–	3,000	–	(22,295)	14,038	–	–
Total										
2011	**754,360**	**–**	**–**	**27,797**	**63,443**	**–**	**–**	**845,600**	**–**	**–**
2010	**841,270**	**–**	**256,240**	**41,405**	**47,144**	**–**	**(122,993)**	**1,063,066**	**–**	**–**
Key Executives										
A King										
2011	407,885	12,000	–	27,134	40,500	–	89,078	576,597	15	15
2010	–	–	–	–	–	–	–	–	–	–
R Glossop (iv)										
2011	417,229	–	–	–	37,551	–	44,540	499,320	9	9
2010	–	–	–	–	–	–	–	–	–	–
D Desjardins										
2011	283,990	6,249	–	–	15,199	–	26,724	332,162	8	8
2010	–	–	–	–	–	–	–	–	–	–
W Dix										
2011	37,600	–	–	–	–	–	–	37,600	–	–
2010	195,095	–	30,385	18,252	21,061	–	15,232	280,025	6	6
M Walsh										
2011	–	–	–	–	–	–	–	–	–	–
2010	153,910	–	47,663	–	18,082	–	(10,356)	209,299	–	–
R Jacobs										
2011	–	–	–	–	–	–	–	–	–	–
2010	266,346	–	39,411	–	26,636	–	20,309	352,702	6	6
A Neuling										
2011	–	–	–	–	–	–	–	–	–	–
2010	151,154	–	27,207	6,505	15,272	–	(10,222)	189,916	–	–
G Brock										
2011	–	–	–	–	–	–	–	–	–	–
2010	25,000	–	–	–	2,250	–	(115,741)	(88,491)	–	–
Total										
2011	**1,146,704**	**18,249**	**–**	**27,134**	**93,250**	**–**	**160,342**	**1,445,679**	**11**	**11**
2010	**791,505**	**–**	**144,666**	**24,757**	**83,301**	**–**	**(100,778)**	**943,451**	**–**	**–**

(i) The fair value of the options is calculated at the date of grant using the Black-Scholes pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Included in share based payments is the reversal of amounts recognised as remuneration in prior years as a result of option entitlements being forfeited during that year. The option entitlements were forfeited as a result of service vesting requirements not being achieved. In some instances this caused remuneration to be negative.

(ii) In the period ended 30 June 2010, some Directors and Key Executives were paid out accrued amounts of leave.

(iii) Key executives A King, R Glossop and D Desjardins were all issued options during the period as part of the options granted on 19 November 2010.

(iv) Ross Glossop was on a contract basis prior to his appointment. The remuneration above includes payments prior to his official appointment on 12 October 2010.

Employment Benefits

The details of the current executive employment contracts are as follows:

The Managing Director, Mark Ashley's employment contract commenced on 18 April 2006. The contract was for an initial 3 year period but has been extended and the Executive's appointment continued on the same terms. Under the terms of the contract:

- Mr Ashley will be paid a minimum remuneration package of $650,000 per annum base salary plus 9% superannuation. The Group will also provide a motor vehicle to the value of $45,000 and the Group will be responsible for costs associated with the maintenance, licensing, running of and repairs to the vehicle together with any fringe benefits tax payable in relation to the vehicle.
- The Group may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Group is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Group. On termination on notice by the Group, the Group is obliged to pay the Executive a six month service fee.
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. On termination with the cause, the Executive is not entitled to any payment.

The current Chief Operating Officer, Allan King, employment contract commenced on 9 August 2010. The terms of the contract are:

- Mr King is to be paid a minimum remuneration package of $450,000 per annum base salary plus 9% superannuation. Mr King is entitled to claim reimbursement of costs associated with running his own vehicle including; fuel, insurance, registration, servicing, parking and other incidentals. Mr King is also guaranteed a minimum bonus of $4,000 per month for the first 3 months of his employment.
- Either party can terminated this agreement by not less than one month's notice in writing.
- The Group can terminate the contract at any time without notice if serious misconduct occurs. On termination of employment, all property in possession or under control is to be returned to the Group.

The former Chief Financial Officer, Ross Glossop, commenced employment with the Group on 12 October 2010 on the signing of his employment contract. His employment contract was terminated 8 July 2011. Under the terms of the contract:

- Mr Glossop was paid a minimum remuneration package of $480,000 per annum inclusive of superannuation.
- Either party could terminate this agreement by not less than one month's notice in writing. In event of a redundancy, the notice period was extended to six months.
- The Group could have terminated the contract at any time without notice if serious misconduct had occurred. On termination of employment, all property in possession or under control was returned to the Group.

The former Commercial Executive, Daniel Desjardins, signed his employment contract with the Group on 2 August 2010. His employment contract was terminated 21 July 2011. Under the terms of the contract:

- Mr Desjardins was paid a minimum remuneration package of $325,000 per annum inclusive of superannuation. Mr Desjardins was guaranteed a minimum bonus of $2,083 per month for the first 3 months of his employment.
- The Group could have terminated this agreement by not less than one month's notice in writing.
- The Group could have terminated the contract at any time without notice if serious misconduct had occurred. On termination of employment, all property in possession or under control was returned to the Group.

Remuneration Report – Audited (continued)

Non-Executive Directors' Remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum fees payable to non-executive directors, with the current approved limit being $300,000 per annum. The Chairman receives fees of $45,000 per annum and non-executive directors receive $65,000 per annum. Non-executive directors are entitled to statutory superannuation benefits (except overseas non-executive directors). The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Share Based Payments

The Group has a share option scheme for executives and employees of the Group. Each employee share option converts into one ordinary share of Apex Minerals NL on exercise. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the close of vesting to the date of their expiry.

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified Directors and Executives.

	Granted in Year	Value of options exercised in year	Lapsed in year
2011	**$**	**$**	**$**
Directors			
Mark Ashley	–	–	–
Kim Robinson	–	–	–
Robin Lee	–	–	–
Matthew Sheldrick	–	–	–
Key Executives			
Allan King	89,078	–	–
Ross Glossop (resigned)	44,540	–	–
Daniel Desjardins (resigned)	26,724	–	–
	160,342	**–**	**–**

The terms of conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

	Series	Number	Issue Date	Grant Date	Expiry Date	Exercise Price	Fair value at Grant Date	Vested No.	Vested No. %
2011 Key Executives									
Allan King	30	10,000,000	19 Nov 10	19 Nov 10	27 Oct 13	0.045	0.009	10,000,000	100%
Ross Glossop	30	5,000,000	19 Nov 10	19 Nov 10	27 Oct 13	0.045	0.009	5,000,000	100%
Daniel Desjardins	30	3,000,000	19 Nov 10	19 Nov 10	27 Oct 13	0.045	0.009	3,000,000	100%

Options issued in 2011 vest immediately with the expense of $160,342 incurred in the current year.

The Key Management Personnel who have resigned in the current and prior year have two months in which to either exercise their share options or have the option lapse. No options were exercised by Key Management Personnel in the period ended 30 June 2011.

Options issued in 2011 to Key Management Personnel were priced using a Black-Scholes option pricing model using the inputs below.

	Series 30
Grant Date Share Price ($)	0.020
Exercise Price ($)	0.045
Expected Volatility	95%
Option Life	27 October 2013
Dividend Yield	0%
Interest Rate	5.10%

Directors' Benefits

Since the date of the last Directors' Report, no Director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in Note 31 to the financial statements), a benefit because of a contract that:

a. The Director; or

b. A firm of which the Director is a member; or

c. An entity in which the Director has a substantial financial interest has made (during the year ended 30 June 2011 or at any other time) with:

   (i) The Company; or

   (ii) An entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit (if any).

Share Options

Options Granted to Directors and Officers of the Company

As at and subsequent to 30 June 2011 the following options were on issue to Directors and Executives as part of their remuneration:

	Number of Options as at 30 June 2011	Number of Options Issued Post 30 June 2011	Number of Options Lapsed Post 30 June 2011	Total
Director				
Mark Ashley	2,500,000	–	–	2,500,000
Kim Robinson	10,195,679	–	–	10,195,679
Robin Lee	–	–	–	–
Matthew Sheldrick	–	–	–	–
Key Executives				
Allan King	10,000,000	–	–	10,000,000
Ross Glossop (resigned)	5,000,000	–	5,000,000	–
Daniel Desjardins (resigned)	3,000,000	–	3,000,000	–

Shares issued on exercise of options

During the year no shares have been issued from the exercise of options to Directors or Key Management Personnel.

Options Outstanding

There are 678,641,833 quoted options and 74,725,000 unquoted options outstanding as at the date of this report.

Number of Options	Exercise Price ($)	Expiry Date
Quoted		
678,641,833	0.06	11 November 2012
Unquoted		
1,500,000	0.20	3 July 2011
3,350,000	0.14	20 July 2011
75,000	0.45	30 November 2011
2,500,000	0.30	29 January 2012
925,000	0.65	1 June 2012
525,000	1.00	30 July 2012
100,000	1.30	11 November 2012
28,400,000	0.045	9 April 2013
370,000	1.30	11 May 2013
1,000,000	0.70	18 July 2013
50,000	0.50	1 October 2013
10,350,000	0.045	27 October 2013
20,000,000	0.04	28 October 2013
4,600,000	0.045	4 December 2013
520,000	0.45	9 February 2014
460,000	0.30	21 June 2014

Directors' Report (continued)

Options Outstanding (continued)

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other related body corporate or in the interest issue of any other registered scheme.

Environmental Regulation

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mineral exploration activities. At the date of this report the Group is not aware of any breach of those environmental requirements.

Directors' Insurance

During the year, the Company has paid a premium in respect of a contract insuring the Directors and senior officers of the Company (as named above) against liabilities incurred to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company during the financial year indemnified a number of senior officers of the Group. The Company has not otherwise, during or since the financial year end, indemnified or agreed to indemnify an auditor of the Company or any related body corporate against a liability incurred as such an auditor.

Auditor's Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 62.

Non-Audit Services

KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non audit services provided during the year and is satisfied that the provisions of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001.*

Details of the amounts paid to the auditor of the Group, KPMG and its related practice for the audit and non audit services provided during this year are set out in Note 30.

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

Mark Ashley
Managing Director

Corporate Governance Statement

The Board of Directors is responsible for corporate governance of the Company and its controlled entities. The Board considers good corporate governance a matter of high importance. In reviewing the corporate governance structure of the Company, the Board has reviewed and considered the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles and Recommendations). The Company follows the ASX Principles and Recommendations for listed companies to the extent that it is practicable.

Where the Company's corporate governance practices do not correlate with the ASX Principles and Recommendations it is because the Board does not consider it practical or necessary to implement those principles due to the size and stage of development of its operations and the Board's reasoning for any departure is explained.

Set out below are the fundamental corporate governance practices of the Company.

1. The Board Lays Solid Foundations for Management and Oversight

Role of the Board

The Board's role is to govern the Company. The Board delegates to management the day to day management of the operations of the Company's business. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. In addition, it is the intention that Non-Executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment.

Responsibilities of the Board

The Board is ultimately responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board delegates authority to senior executives to carry out specific duties in support of the objectives of the Company.

The Board has established the following committees to assist it in discharging its functions:

- Audit & Corporate Governance Committee; and
- Remuneration Committee.

The Board's key responsibilities are:

- oversight of the operation of the Group including establishing, reviewing and changing corporate strategies;
- ensuring that appropriate internal control, reporting, risk management and compliance frameworks are in place;
- appointing, removing, reviewing and monitoring the performance of the Managing Director to whom the Board have delegated the day to day management of the Group;
- assessing the necessary competencies of the Board, review of Board succession plans, development of a process for evaluation of the Board and the appointment and re-election of Directors;
- approval of the annual report (including the financial statements), the budget and the business plan of the Group;
- regular review (at least monthly) of the Group's performance against the budget and the business plan;
- approving material contractual arrangements including all major investments and strategic commitments;
- making decisions concerning the Group's capital structure, the issue of any new securities and the dividend policy;
- establishing and monitoring appropriate committees of the Board;
- reporting to shareholders; and
- ensuring the Company's compliance with all legal requirements including the ASX Listing Rules.

Board responsibilities are set out in the Company's Board Charter which is available on the Company's website under "Corporate Governance".

The Board holds regular meetings and Directors' attendance at meetings is set out in the Director's Report section of this Annual Report.

It is the role of senior executives to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

Performance Review/Evaluation

Senior Executive's performance is to be reviewed annually, with performance appraised by the Managing Director, and reviewed in detail by the Remuneration Committee. Performance reviews were undertaken during the financial year pursuant to this process.

2. The Board is Structured to Add Value

At the date of this report, the Board comprises of four Directors, The Company's Managing Director, Mr Mark Ashley, is also a shareholder of the Company. Mr Ashley has a strong understanding and extensive experience in the mining industry. The three Non-Executives Directors also have extensive mix of skills and experience within the mining and finance industries. Mr Kim Robinson is the Non-Executive Chairman of the Board, Mr Robin Lee Sing Leung is a Non-Executive Director and Mr Matthew Sheldrick joined the board during the year in the role of a Non-Executive Director.

In appointing Directors, the Board must ensure that any candidate has the appropriate range of skills, experience and expertise that will best complement Board effectiveness. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. It is the approach and attitude of each Non-Executive Director which is critical to determining independence and this must be considered in relation to each Director, while taking into account all other relevant factors including those set out in the Board Charter. The Chairman is a Non-Executive Director and there is a clear division of responsibility between the Chairman and the Managing Director. In assessing independence, the Board has taken into consideration the relationships affecting independent status pursuant to the ASX Principles and Recommendations. The Managing Director is not independent as he is employed in an executive capacity. Mr Robin Lee Sing Leung was not an independent director for a period during the financial year (from 1 July 2010 until 10 December 2010), the time at which Grand TG Gold Holdings, a company Mr Robin Lee Sing

The Board is Structured to Add Value (continued)

Leung was a director of, ceased to be a substantial shareholder in the Company. The Board believes that the Chairman, Mr Kim Robinson is an independent Director. The Board believes that Mr Matthew Sheldrick has been an independent Director from the time of his appointment. All incumbent Directors bring an independent judgment to bear in Board deliberations and the current representation is considered appropriate for the Company's size and stage of development of its operations.

The skills and experience of each Director and their term of office as at the date of this Annual Report are set out in the Director's Report section of this Annual Report.

The Board assesses the necessary competencies of the Board, reviews Board succession plans, and develops policies and processes for evaluation of the Board and the nomination, appointment and re-election of Directors. These responsibilities, as set out in the Board Charter, are carried out by the Board rather than a separate nomination committee.

Independent Professional Advice and Access to Information

Each Director has the right of access to all the Company's information and to the Company's executives. Further, each Director and the Board collectively has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Performance Review/Evaluation

The Board and Committees review their performance after each meeting by informal discussion. The Board considered that a separate review of the committees was not necessary as there is common membership of the Board and committees.

3. The Board Promotes Ethical and Responsible Decision Making

As part of its commitment to recognising its legal obligations and the legitimate interests of stakeholders, the Company has an established Board Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the practices necessary to maintain the company's integrity. In addition, the Company has a number of internal policies and operating procedures aimed at providing guidance to Directors, senior executives, management and employees on the standards of personal and corporate behaviour required of the Group's personnel. Also, the policies provide guidance to assist dealing with business issues in a manner that is consistent with the Company's responsibilities to legitimate stakeholders and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices.

A copy of the Board Code of Conduct is available on the Company's website under "Corporate Governance".

Trading in Apex Shares

The Company has established a Share Trading Policy for its Directors, senior executives and employees of the Company which is appropriate for a company whose shares are admitted to trading on the ASX.

A copy of the Directors and Executives Dealing in Shares Policy is available on the Company's website under "Corporate Governance".

4. The Board Safeguards Integrity in Financial Reporting Audit and Corporate Governance Committee

The Board has established an Audit and Corporate Governance Committee (Committee) to assist the Board. The responsibilities of the Committee are set out in a formal charter approved by the Board. This Charter is available on the Company's website under "Corporate Governance".

As at the date of this Annual Report and for the year of the period of this Annual Report, the Committee consisted of the three Directors of the Board. The Committee consists of two Non-Executive Directors; one of whom, Mr Kim Robinson, is independent. The Chairman of the Committee, Mr Robin Lee Sing Leung is not the Chairman of the Board. The Committee partially complied with the composition requirements of the ASX Principles and Recommendations, where possible. However, where there was non-compliance, this was due to the possible candidates for membership of the Committee during the year being limited to the Directors of the Board; the Directors possessing the attributes necessary for the requirements to oversee and manage the Company at its stage of development, but not possessing the attributes to fully meet the desired composition requirements of the Committee.

The Committee members are responsible for ensuring:

- the system of internal control, which management has established, safeguards the assets of the economic entity;
- accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to shareholders is accurate and reliable; and
- the external audit function is effective.

The Committee is responsible for the appointment of the external auditor and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit. The external audit partner will be required to rotate every five balance dates in accordance with the *Corporations Act 2001.*

The Committee meets to review the half-year and annual results of the Company, and to review the audit process, and those representations made by management in support of monitoring the Group's commitment to integrity in financial reporting.

Details of the members of the Audit and Corporate Governance Committee and their attendance at Committee meetings are set out in the Director's Report section of this Annual Report.

5. The Board Makes Timely and Balanced Disclosure

The Company's Continuous Disclosure Policy is that shareholders are informed of all major developments that impact on the Company. The Company treats its continuous disclosure obligations seriously and has a number of internal operating policies (including the Code of Conduct referred to above) that are designed to promote responsible decision-making and timely and balanced disclosure in compliance with ASX Listing Rules. The Board is ultimately responsible and accountable for ensuring compliance by senior executives, management and employees with the Company's policies and therefore requires that senior executives, management and employees have an up to date understanding of the ASX Listing Rule requirements. The Company also ensures that the Directors and senior executives obtain timely and appropriate external advice where necessary.

A summary of the Continuous Disclosure Policy is available on the Company's website under "Corporate Governance".

6. The Board Respects the Rights of Shareholders

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, by promoting effective communication with shareholders and encouraging shareholder participation at annual general meetings, the Company has established a Shareholder Communications Policy which is available on the Company's website under "Corporate Governance".

7. The Board Recognises and Manages Risk

The Company is committed to the identification, monitoring and management of material business risks of its activities. The Board reviews the control systems and policies of the Company in relation to risk management on an ongoing basis and maintains a diagrammatic representation of the key operating and control systems of the company. The Board reviews key matters of material business risk management and ensures appropriate measures are in place to protect the assets of the Company. In addition, management provides specific advice or recommendations to the Board regarding the existence and status of business risks that the Company faces.

The Audit & Corporate Governance Committee's Charter includes risk management and its responsibilities are set out in the Charter available on the Company's website under "Corporate Governance". Regular monitoring of material business risks and risk management is conducted by the Committee and any material business risks are reviewed by the Board.

The Board has in place policies that aim to manage specific risks that have been identified. The Company's personnel are responsible for adhering to these policies as part of the risk management process. Further, the Board is aiming to develop an overall policy for over seeing the management of material business risks consistent with the Company's stage of development. The Board assumes ultimate responsibility for overseeing management of material business risks and satisfies itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control to manage the Company's material business risks.

The board makes enquiries of management at each board meeting and receives assurances from the Managing Director and the Chief Financial Officer in relation to financial reporting risks. In addition, the Board delegates the adequacy and content of risk reporting to management. As part of the audit processes and review throughout the year, the Board receives feedback that management has provided assurances to the auditors in relation to parts of the risk management framework. The Board has not required a formal report from management on whether the company's material business risks are being managed effectively. However, it is the Company's intention to implement its risk management framework. The aim is to implement risk management reporting on a periodic basis, management to ensure that it designs and implements an appropriate risk management system, and then be in a position to report more formally as to the effectiveness of the Company's management of material business risks going forward.

Attestations by the Managing Director

In accordance with Recommendation 7.3 of the ASX Corporate Governance Principles and Recommendations, the Managing Director has stated to the Board:

That:

- the statement given in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

8. The Board Remunerates Fairly and Responsibly

The Board has established a Remuneration Committee to assist the Board. The responsibilities of the Remuneration Committee are set out in a formal Charter approved by the Board and is available on the Company's website under "Corporate Governance".

The Remuneration Committee monitors and reviews the performance of the Managing Director, senior executives and management. The Remuneration Committee also has responsibility for ensuring that the Company:

- has coherent remuneration policies and practices to attract and retain executives and Directors who aim to create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly reward senior executives having regard to the performance of the Company, the performance of the senior executives and general remuneration practices adopted by other publicly listed companies.

The Remuneration Committee consists of the three Directors of the Board. The Chairman of the Remuneration Committee is Mr Kim Robinson, who is also Chairman of the Board and is independent. The Company does not fully comply with the ASX Principles and Recommendations which require that the Committee be comprised of a majority of independent Directors. However, the Committee does comply to the extent that there are three members and the Chairman of the Committee is independent. The composition is considered appropriate to effectively undertake the Remuneration Committee's responsibilities and external assistance and advice, as required, is sought to assist in determining appropriate levels of remuneration for the Directors and senior executives of the Company as required.

Directors and senior executives are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future. However, Directors and senior executives will consult with the Chairman if they are considering, or if they are not sure, as to whether entering into transactions may limit the economic risk of unvested entitlements they may have.

Further details of the remuneration structure of the Executive Directors, Non-Executive Directors and senior executives' remuneration are set out in the Remuneration Report section of this Annual Report.

Consolidated Statement of Financial Position

As at 30 June 2011

		Consolidated	
In thousands of AUD	Note	2011	2010
Assets			
Cash and cash equivalents	28a	3	914
Trade and other receivables	11	1,120	6,335
Inventories	12	18,215	14,943
Derivative assets	15	97	610
Assets available for sale	13	20	1,800
Assets held for sale	14	14,271	15,597
Total current assets		**33,726**	**40,199**
Other receivables	11	4,626	6,039
Property, plant and equipment	16	64,984	78,709
Exploration costs	17	–	–
Total non-current assets		**69,610**	**84,748**
Total assets		**103,336**	**124,947**
Liabilities			
Trade and other payables	18	18,552	26,683
Liabilities held for sale	14	4,271	4,189
Loans and borrowings	19	6,901	7,395
Derivative liabilities	20	–	14,749
Provisions	21	1,822	1,927
Total current liabilities		**31,546**	**54,943**
Loan and borrowings	19	3,179	11,550
Derivative liabilities	20	–	26,151
Provisions	21	18,396	28,854
Total non-current liabilities		**21,575**	**66,555**
Total liabilities		**53,121**	**121,498**
Net assets		**50,215**	**3,449**
Equity			
Share capital	22	321,375	295,359
Reserves	22	26,885	29,982
Accumulated losses	24	(298,045)	(321,892)
Total equity		**50,215**	**3,449**

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

		Consolidated	
In thousands of AUD	Note	2011	2010
Revenue		89,271	86,573
Operating costs	9	(102,666)	(128,770)
Gross loss		**(13,395)**	**(42,197)**
Other income	7	26,679	4,868
Share based payments		(217)	(1,745)
Administrative expenses		(5,962)	(4,085)
Exploration expensed	9	(2,653)	(6,112)
Impairment losses	9	(2,610)	(4,840)
Other expenses		(471)	(958)
Profit / (loss) from operating activities		**1,371**	**(55,069)**
Finance income	8	28,004	528
Finance expenses	8	(9,128)	(61,235)
Net finance expense		**18,876**	**(60,707)**
Profit / (loss) before income tax		**20,247**	**(115,776)**
Income tax expense	10	–	–
Profit / (loss) for the year		**20,247**	**(115,776)**
Other comprehensive income			
Revaluation of available for sale assets	22	(899)	688
Income tax on other comprehensive income	10	–	–
Total other comprehensive income		**(899)**	**688**
Total comprehensive income / (loss) for the year		**19,348**	**(115,088)**
Total comprehensive loss attributable to:			
Owners of the Company		19,348	(115,088)
Total comprehensive income / (loss) for the year		**19,348**	**(115,088)**
Basic and diluted earnings / (loss) per share (AUD) – in cents	23	**0.49**	**(4.97)**

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

In thousands of AUD	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Quoted Option Reserve	Available for Sale Reserve	Warrants	Total Equity
Balance at 1 July 2010	295,359	(321,892)	9,951	15,608	823	3,600	3,449
Comprehensive income for the period							
Profit for the year	–	20,247	–	–	–	–	20,247
Other comprehensive income							
Transfer to comprehensive income on sale of investment	–	–	–	–	(765)	–	(765)
Net change in fair value of available-for-sale assets	–	–	–	–	(134)	–	(134)
Total other comprehensive income	**–**	**–**	**–**	**–**	**(899)**	**–**	**(899)**
Total comprehensive income for the period	**–**	**20,247**	**–**	**–**	**(899)**	**–**	**19,348**
Transactions with owners, recorded directly in equity							
Issue of share capital	27,625	–	–	–	–	–	27,625
Capital raising costs	(1,609)	–	–	–	–	–	(1,609)
Issue of warrants during the period	–	–	–	–	–	1,185	1,185
Transfer of warrants to accumulated losses	–	3,600	–	–	–	(3,600)	–
Issue of share based payments	–	–	217	–	–	–	217
Total transactions with owners	**26,016**	**3,600**	**217**	**–**	**–**	**(2,415)**	**27,418**
Balance at 30 June 2011	**321,375**	**(298,045)**	**10,168**	**15,608**	**(76)**	**1,185**	**50,215**

Consolidated Statement of Changes in Equity (continued)

For the year ended 30 June 2011

In thousands of AUD	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Quoted Option Reserve	Available for Sale Reserve	Warrants	Total Equity
Balance at 1 July 2009	198,226	(206,116)	8,205	–	135	3,600	4,050
Comprehensive income for the period							
Loss for the year	–	(115,776)	–	–	–	–	(115,776)
Other comprehensive income							
Revaluation in fair value	–	–	–	–	688	–	688
Total other comprehensive income	**–**	**–**	**–**	**–**	**688**	**–**	**688**
Total comprehensive income for the period	**–**	**(115,776)**	**–**	**–**	**688**	**–**	**(115,088)**
Transactions with owners, recorded directly in equity							
Issue of share capital	111,829	–	–	–	–	–	111,829
Capital raising costs	(14,696)	–	–	–	–	–	(14,696)
Issue of share issued payments	–	–	1,746	–	–	–	1,746
issue of warrants	–	–	–	15,608	–	–	15,608
Total transactions with owners	**97,133**	**–**	**1,746**	**15,608**	**–**	**–**	**114,487**
Balance at 30 June 2010	**295,359**	**(321,892)**	**9,951**	**15,608**	**823**	**3,600**	**3,449**

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

		Consolidated	
In thousands of AUD	Note	2011	2010
Cash flows from operating activities			
Cash receipts from customers		90,142	85,765
Cash paid to suppliers and employees		(87,101)	(88,028)
Interest paid		(1,806)	(2,238)
Interest received		315	503
Payments for exploration expenditure		(2,653)	(6,112)
Net cash from (used in) operating activities	28b	**(1,103)**	**(10,110)**
Cash flows from investing activities			
Proceeds on the sale of Gidgee (net of costs)		14,457	–
Proceeds from sale of available for sale financial assets		1,000	–
Proceeds received for the sale of calcine tailings		900	–
Proceeds from sale of fixed assets		287	–
Proceeds from sale of exploration assets, net		–	5,845
Proceeds from legal settlement		–	3,000
Proceeds from sale of derivative assets		570	544
Payments for environmental bonds		(1,202)	–
Payments for property, plant and equipment		(177)	(1,920)
Payments for mine properties		(14,804)	(33,737)
Net cash from (used in) investing activities		**1,031**	**(26,268)**
Cash flows from financing activities			
Proceeds from issue of share capital		27,635	68,790
Payments for capital raising costs		(1,609)	(8,140)
Payment for cash backed guarantees		–	(4,256)
Repayment of GUP		(18,000)	(3,181)
Repayment of lease liability		(8,865)	(7,173)
Proceeds from borrowings		–	10,000
Proceeds from sale of gold put options		–	3,091
Repayment of Senior Secured Notes		–	(28,156)
Repayment of borrowings		–	(4,001)
Net cash from (used in) financing activities		**(839)**	**26,974**
Net increase (decrease) in cash and cash equivalents		(911)	(9,406)
Cash and cash equivalents in the beginning of the financial year		914	10,320
Cash and cash equivalents at the end of the financial year	28a	**3**	**914**

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1. Reporting entity

Apex Minerals NL (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Level 1, 10 Ord Street, West Perth WA 6005. These consolidated financial statements and notes represent those of Apex Minerals NL and it's Controlled Entities (the "Consolidated Group" or "Group").

The separate financial statements of the parent entity, Apex Minerals NL, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 2 October 2011 by the Directors of the Company.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Available-for-sale financial assets are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

The Group adopts the accrual basis of accounting.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of subsidiaries within the Group.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Set out below is information about:

- critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements; and
- assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Key Estimates

Units of production method

The Group applied the units of production method of amortisation of its life of mine specific assets, which results in an amortisation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserve and resource, metallurgy and of future capital development requirements. Changes to these estimates and assumptions will impact the amortisation charge in the income statement and asset carrying values.

Inventories – Gold in Circuit

The measurement of contained gold in circuit requires estimates and judgements by management in relation to quantity and grade. The techniques used to estimate these factors include assaying, dipping and extrapolation across samples. In addition estimates are required in relation to density factors, specific gravity factors and volumes.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Key Estimates (continued)

Impairment of assets

The recoverable amount of each cash generating unit (CGU) is determined as the higher of value in use and fair value of costs less to sell, in accordance with the Group's accounting policy. These calculations require the use of estimates. Value-in-use is generally determined as the present value of the estimated future cash flows. Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in the asset.

Future cash flow estimates are based on expected production volumes, the short and long term forecasts of the Australian dollar gold price, ore reserves and operating costs. Management is required to make these estimates and assumptions, which are subject to risk and uncertainty. As a result there is a possibility that changes in circumstances will alter these projections, which could impact on the recoverable amount of the assets. In such circumstances some or all of the carrying value of the assets may be impaired, giving rise to an impairment charge in the statement of comprehensive income. The carrying amount of such assets is set out in Note 16.

Determination of mineral reserves and resources

Economically recoverable ore reserves represent the estimate quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The determination of reserve impacts the asset carrying values, depreciation and amortisation rates and provisions for rehabilitation and mine closure. The Group uses the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 ("the JORC code") as a minimum standard. The information on mineral resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Measurement of share based payments

The Group records charges for share based payments. For option based share based payments, management estimate certain factors used in the option pricing model. These factors include volatility, exercise date of options and options likely to be exercised. If these estimates vary the share based payment expense would have been different.

Key Judgements

Rehabilitation and mine closure provisions

As set out in Note 3(o), the value of these provisions represents the present value of the current and future obligations to restore, decommissioning, and rehabilitate the Wiluna and Youanmi sites. Significant estimates and assumptions is required in determining the amount of the provision for mine rehabilitation and closure as there are many transactions and other factors that will affect the final costs. The present value of the estimated future cash flows reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (see Note 21). The provision recognises the obligations for each site and these obligations are reviewed at each reporting date and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for rehabilitation and mine closure are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provisions.

Leasing classification

The classification of leases to be finance or operating is based on management's review of the lease contracts entered into by the Group and in accordance with the requirements of AASB 117. For each contract, it is determined whether significant risks and rewards of ownership have transferred in the lease transaction and if so the lease is classified as a finance lease. Otherwise the lease is classified as an operating lease.

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Key Judgements (continued)

Recognition of tax losses

In accordance with the Group's accounting policies for deferred taxes (refer to Note 3(d)), a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. Determination of future taxable profits requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. This includes estimates and judgements about commodity prices, ore reserves, exchange rates, future capital requirements, future operational performance and the timing of estimated cash flows. Changes in these estimates and assumptions could impact on the amount and profitability of estimate taxable profits and accordingly the recoverability of deferred tax assets.

(e) Going concern

The Group has generated a profit during the year ended 2011 of $20,247,000 (2010: loss $115,776,000), and has a positive working capital position of $2,180,000 (2010: deficit of $14,744,000). The Group's net assets as at 30 June 2011 are $50,215,000 (2010: $3,450,000). The Group also used cash in operations of $1,103,000 (2010: $3,998,000) and payments for mine properties developement were $14,804,000 (2010: $33,737,000). The results of the year, net asset position and the working capital position have improved as a result of:

- Capital raisings during the year, which have raised cash totaling $26.0m (net of transaction costs)
- Cash generated from the sale of the Gidgee exploration assets and a resulting gain on sale
- The extinguishment of the Gold Upside Participation Notes (GUPs) for an amount lower than the carrying value of this derivative liability.
- Improved operational performance at the Wiluna gold operations resulting from reduced costs arising from cost saving initiatves and a higher realised AUD$ gold price.

The working capital position of $2,180,000 includes:

- $6.9 million which represent the finance lease obligations for the equipment at the Wiluna mine. This liability is payable by monthly installments of $0.6 million.
- An amount of $5.3 million is included in the finanical statements at 30 June 2011 under current trade and other payable as owing to Atlas Copco Australia Pty Ltd (Atlas, which was in despute). Subsequent to the year end an agreement between Atlas and Apex was reached whereby a total amount owing to Atlas was reduced to $3.8 million. The repayment schedule for the next 12 months requires payments of $0.6 million before 30 June 2012. The remaining amount is payable prior to 30 June 2013. Interest of $0.3 million is also payable and the total amount is unsecured. (Also,see Subsequent Event Note, Note 35).
- The Younami assets which are classified as held for sale which the directors are in the process of selling in an orderly and timely fashion and expect a sale within 12 months.

The Group acknowledges that there are various risks that may provide uncertainty over the Company's ability to continue as a going concern for at least the next twelve months. However the Director's believe that the Group will continue as a going concern and base this view on a number of risks and factors, which are set out below.

The Company has prepared a cashflow forecast which expects that the Group's working capital position to remain positive for at least the next 12 months from the date of these financial statements. The cashflow forecast is highly sensitive to gold production and AUD$ gold price. The costs of production have been stabilised and reduced during the 2011 year as a result of cost savings initiatives. Should the forecast gold production and forecast AUD$ gold price not achieve target, the Company may need to seek alternative funding through equity raisings, debt raisings or asset sales. The Directors are confident that in the event that should this be required, there is sufficient evidence and support to achieve this. In this regard the Company believes it can realise value through the sale of its non-core assets such as Younami. There are a number of inherent uncertainties about the achievement of the future outcomes upon which the assessment of going concern is based. Based on present market and gold price volatility, the ability to raise equity or debt funding if necessary is uncertain.

3. Significant Accounting Policies (continued)

(e) Going concern (continued)

Conclusion

The Directors are confident at the date of this report that the Company will continue as a going concern and will be able to realize all of its assets and pay all of its liabilities in the normal course of business. The financial report has therefore been prepared on a going concern basis. The Directors believe this is appropriate as the cash flow forecast for the Group anticipates a net cash flow surplus sufficient to recover the carrying value of property, plant and equipment and development assets and settlement of liabilities in the normal course of business.

Should the Group not be successful in establishing profitable and cashflow positive operations in line with its forecasts particularly in relation to gold production, $AUD gold price and costs of production or secure alternative equity or debt funding, or secure proceeds from the sale of non-core assets, it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in this financial report.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Apex Minerals NL at the end of the reporting period. A controlled entity is any entity over which Apex Minerals NL has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 34 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

(b) Revenue Recognition

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of the amount of goods and services tax ("GST") payable to the taxation authority. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(c) Finance Income and Expense

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss.

Finance expenses comprise interest expenses on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

(d) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Notes to the Financial Statements (continued)

3. Significant Accounting Policies (continued)

(d) Income tax (continued)

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. No deferred tax asset is recognised in the current year.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Lease Payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average price principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant Accounting Policies (continued)

(h) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment (including those under finance lease) are measured at cost less accumulated depreciation / amortisation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

The Group applies the units of production (UOP) method for depreciation of its life of mine specific assets such as the plant and equipment, which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production. These calculations require the use of estimates and assumptions in relation to reserves, changes to these estimates and assumptions will impact the depreciation charge in the income statement and asset carrying values.

The UOP method is considered to most closely reflect the expected pattern of consumption of the future economic benefits embodied in the assets.

Leased assets are depreciated over the shorter of the lease term or the useful life of the asset.

All other items of property, plant and equipment are depreciated on a diminishing value basis.

The depreciation rates for the current and comparative periods are as follows:

	Method	2011	2010
Office equipment	Diminishing	22.5%	22.5%
Leasehold improvements	Diminishing	20%	20%
Office & Computer equipment	Diminishing	40%	40%

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Amortisation

The Group applies the UOP method for mine properties. The amortisation charge is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on mineable reserves. The calculation includes consideration of appropriate estimates of the future costs to be incurred in developing the estimated economic reserve. Changes to mineable reserve are applied prospectively.

(v) Mine Properties

Mine properties represent the acquisition cost and / or accumulated exploration and evaluation expenditure in respect of areas of interest in which mining has commenced.

Mine development costs are deferred until commercial production commences. At commencement of production mine development is transferred to mine properties, at which time they are amortised on a UOP basis over mineable reserves.

(vi) Gain and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within “other income” in profit or loss. When re-valued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3. Significant Accounting Policies (continued)

(i) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's balance sheet.

(j) Exploration and Evaluation

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resources. Accordingly, exploration and evaluation expenditures are those expenditures incurred by the Company in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Exploration and evaluation costs are expensed in the year in which they are incurred, apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and the expenditure is expected to be recouped through sale or successful development and exploration of the area of interest.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then capitalised exploration and evaluation expenditure is reclassified as capitalised mine property and classified under property, plant and equipment on the statement of financial position.

Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment annually in accordance with AASB 6. Where an impairment indicator exists, recoverable amounts of these assets will be estimated based on either discounted cash flows from their associated cash generating units or fair value less costs to sell. The statement of comprehensive income will recognise expenses arising from excess of the carrying values of exploration and evaluation assets over the recoverable amounts of these assets.

In the event that an area of interest is abandoned or if in the Directors assess that the accumulated costs carried forward should be reduced, any reduction is written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(k) Impairment

(i) Financial Assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit and loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to the income statement at this point.

(ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generate cash flows that are largely independent on other assets and groups. Impairment losses are recognised in the profit and loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value and using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant Accounting Policies (continued)

(l) Assets held for Sale

Assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the profit and loss. Gains are not recognised in excess of any cumulative impairment loss.

(m) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of the employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost in the profit and loss.

(o) Provision for Rehabilitation and Mine Closure

A provision for rehabilitation and mine closure is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities up to the reporting date, but not yet rehabilitated. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including topsoiling and revegetation of the disturbed area.

The amount recognised as a liability represents the estimated future costs discounted to present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific with the liability. The unwinding of the discount is recognised as a finance cost in the income statement.

A corresponding asset is recognised in Property, Plant and Equipment only to the extent that it is probable that future economic benefits associated with the rehabilitation, decommissioning and restoration expenditure will flow to the entity. The asset is depreciated using the units of production basis over the total estimated proven and probable reserves related to the area of interest.

At each reporting date the site restoration is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively for the date of the change and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

(p) Financial Instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

3. Significant Accounting Policies (continued)

(p) Financial Instruments (continued)

Derivative financial instruments

Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value with fair value changes recognised in profit or loss.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables

Loans are receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment cost.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the AFS revaluation reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the profit and loss.

Non-derivative financial liabilities

The Group classified non-derivative financial liabilities into the other financial liabilities category. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

(q) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Warrants

Warrants are classified as a financial liability if the exercise price for conversion to ordinary shares can vary based on the associated factors. Warrants are initially recognised and subsequently recorded at fair value with movements in fair value recognised in the income statement. If the exercise price no longer varies, the balance is reclassified to equity.

(r) Earnings per Share

(i) Basic earnings per Share

Basic earnings per share is determined by dividing the operating profit or loss after income tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

3. Significant Accounting Policies (continued)

(s) Share Based Payment Transactions

Equity settled transaction:

The Group provides benefits to employees (including senior executives) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently an Employee Share Option Plan (ESOP), which provides benefits to employees. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date on which they are granted.

The Group has provided share based payments to facility lenders during the prior year and the cost of these equity-settled transactions are expensed in line with the period of the facility as a finance cost.

The Group has provided share based payments to consultants during the current and prior years and the cost of these equity-settled transactions is expensed in the same way as the ESOP.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Apex Minerals NL (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The increase income statement charge or credit for a period represents the movements at cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon market conditions.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modifications that increase the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had been vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(t) Interest in Joint Ventures

The Group's shares of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 33.

The Group's interests in joint venture entities are recorded using the equity method of accounting in the consolidated financial statements.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

4. Determination of Fair Values (continued)

(u) Segment Reporting

The Group determines and presents operating segments based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance.

(v) New Accounting Standards for Application in Future Periods

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).
- AASB 2009-5 Further *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group cash-settled Share-based Payment Transactions;*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues;* and

The Company has not assessed the impact on the amounts for the current period or prior periods for these standards.

4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

(i) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(ii) Derivatives

The fair value of derivative options, including the gold put options and the Gold Upside Participation notes, are based on independent valuation reports using modelling with market data inputs. Fair values are determined by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

(iii) Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(iv) Share-Based Payment Transactions

The fair value of employee share options is measured using the Black-Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Investments in Equity Securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

5. Financial Risk Management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's exposure to credit risk from its financial assets on the balance sheet are generally at carrying value less any provisions for doubtful debts. There is little influence of demographics on the credit risk of the Group including default risk of the industry and country.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Refer also to Note 2(e) of the financial statements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Group has minimal foreign currency risk as the Group's transactions are in Australian dollars including gold sales revenue.

Interest Rate Risk

The Group are not materially exposed to interest rate risk.

Gold Price

The Group is subject to Australian Dollar gold price risk on its gold production and revenue. The Group does not hedge this risk. The Group was subject to Australian Dollar gold price risk in relation to payment on Gold Upside Participation Notes ("GUP") that were previously entered into as part of a financing arrangement. The GUPs required a payment to be made where the gold price exceeds the gold price exercise price of AUD $1,110 per ounce. The GUPs have since been paid out in February 2011.

Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the optimisation of the debt and equity balance. There are no external capital requirements placed on the Group. Refer also to Note 2(e) to the financial statements.

Notes to the Financial Statements (continued)

6. Segment Reporting

Identification of Reportable Segments

The Group has identified its operating segment (Wiluna operations) on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performances and determining the allocation of resources.

Reportable segments disclosed are based on aggregating tenements where the development and exploration interests are considered to form a single project. This is indicated by:

- Having the same ownership structure.
- Exploration being focused on the same mineral or type of mineral.
- Exploration programs targeting the tenements as a group, indicated by the use of the same exploration team, shared geological data and knowledge across the tenements.
- Shared mining economic considerations such as mineralisation, metallurgy, marketing, legal environmental, social and government factors.

Basis of accounting for purposes of reporting by operating segments.

Accounting Policies Adopted

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Unallocated Items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense.
- Deferred tax asset and liabilities.
- Discontinuing operations.

6. Segment Reporting (continued)

In thousands of AUD	Wiluna Operations	Reconciliaion to Financial Statements	Total
(i) Segment performance			
Year ended 30 June 2011			
Revenue	89,271	–	89,271
Segment Result	8,141	12,106	20,247
Included within segment result:			
Depreciation and Amortisation	(27,648)	(159)	(27,807)
Exploration expensed	(2,209)	(444)	(2,653)
Year ended 30 June 2010			
Revenue	88,150	(1,577)	86,573
Segment Result	(56,565)	(59,211)	(115,776)
Included within segment result:			
Depreciation and Amortisation	(46,660)	(198)	(46,878)
Impairment	(4,840)	–	(4,840)
Exploration expensed	(5,017)	(1,095)	(6,112)
(ii) Segment Assets			
Segment Assets as at 30 June 2011	**88,052**	**15,284**	**103,336**
Segment Assets as at 30 June 2010	**104,371**	**20,576**	**124,947**
(iii) Segment Liabilities			
Segment Liabilities as at 30 June 2011	**46,895**	**6,226**	**53,121**
Segment Liabilities As at 30 June 2010	**72,091**	**49,407**	**121,498**

All gold sales are denominated in Australian dollars and are made to the Perth Mint.

7. Other Income

	Consolidated	
In thousands of AUD	**2011**	**2010**
Profit / (Loss) from sale of investments classified as available for sale	445	(55)
Gain on sale of Aphrodite Shares	196	–
Profit on sale of fixed assets	169	–
Gain from sale of Apex Nickel Australia tenements (a)	–	7,378
Loss on sale of Aphrodite tenements (b)	–	(1,550)
Royalty receipt (c)	900	–
Loss from sale of gold put options (d)	–	(905)
Gain from sale of Gidgee Tenements (e)	24,969	–
	26,679	**4,868**

Notes to the Financial Statements (continued)

7. Other Income (continued)

(a) The sale of tenements to Sirius Resources NL was finalised on 31 August 2009. The consideration was $1,000,000 in cash, 66,666,667 shares and 600,000,000 unlisted options exercisable at $0.03 each expiring on 31 August 2014. The value of the shares of $1,133,000 has been accounted for by using the market price as at the date of completion which was $0.017 per share. The value of the unlisted options of $5,245,000 has been determined by using the Black-Scholes options pricing model, discounted by 25% for lack of transferability, and a volatility of 100%.

(b) The sale of the Aphrodite tenements to Aphrodite Gold Limited ("AGL") was finalised on 17 November 2009. The consideration was $5,000,000 cash. 11 million shares and 5.5 million options to subscribe for ordinary fully paid shares in AGL at $0.20 per share at any time until 31 December 2013 valued at $242,000 and $804,000 respectively. The cost of the sale includes the original purchase price of the Aphrodite tenements of $7,442,000 and selling costs of $154,000.

(c) In June 2011, the Company agreed to the sale of the Wiluna calcine tailings to Intermin Resources Ltd ("Intermin"). The agreement included an immediate payment of $20,000 plus a royalty payment of $4 per tonne treated by Intermin. Intermin paid a $900,000 non-refundable amount to the Group.

(d) In August and September 2009, the Group sold its remaining 113,848 ounces of gold put options for $3,091,000. These were carried at a fair value of $3,996,000 resulting in a loss of $905,000.

(e) In January 2011, the Group sold its Gidgee tenements for $15,500,000 cash as disclosed in the Directors Report. Selling costs incurred in the transaction were $1,043,000. The Gidgee Tenements were classed as held for sale in the 31 December 2010 interim accounts and the carrying value at the settlement date was a liability of $10,512,000.

8. Finance Income and Expense

Recognised in Profit or Loss

	Consolidated	
In thousands of AUD	**2011**	**2010**
Finance Income		
Interest revenue	315	528
Fair value gain of GUP Notes (a)	18,800	–
Realised revaluation on extinguishment of GUP Notes (a)	8,889	–
	28,004	**528**
Finance Expense		
Interest on creditor accounts	–	(760)
Interest on guarantee	(170)	(835)
Interest on short term loans	(272)	(19)
Interest on obligations under finance leases	(1,242)	(2,033)
Interest on Senior Secured Notes – effective interest mehtod	–	(29,321)
Unwinding discount rate of rehabilitation provision	(1,349)	(1,423)
Change in fair value of GUP Notes	–	(16,300)
Payment of GUP Notes (pre-extinguishment)	(6,095)	(5,086)
Transaction costs in relation to financing	–	(130)
Impairment loss on derivative assets	–	(4,795)
Impairment loss on available-for-sale assets	–	(533)
	(9,128)	**(61,235)**
Net Finance Income and Expense	**18,876**	**(60,707)**

(a) The GUP Notes were extinguished in February 2011 (see Note 29). The GUP Notes were re-valued as at 31 December 2010 and the unrealised gain recognised at this time was $18,800,000. The extinguishment gain represents a cash consideration paid of $18,000,000 cash plus the fair value of warrants issued totalling $1,225,000, less the carrying value of the GUP notes of $28,195,000.

9. Operating Profit / Loss

In thousands of AUD	Consolidated 2011	2010
Operating profit / loss before income tax has been arrived at after charging the following items:		
Depreciation and amortisation of non-current assets (including writeoffs)	27,807	46,878
Impairment of assets – held for sale	2,610	–
Impairment of assets – mine properties	–	4,840
Exploration expensed	2,653	6,112

Cost of sales of $102,666,000 (2010: $128,770,000) includes non cash items such as depreciation and amortisation, stock pile impairments, provisions and prepayments. It therefore does not represent cash costs.

10. Income Tax

Recognised in the Income Statement

In thousands of AUD	Consolidated 2011	2010
Current Tax		
Current year	–	–
Under/(Over) Provision for Piror Year	–	–
Deferred Tax		
Origination and reversal of temporary differences	–	–
Under / (Over) Provision for Prior Year	–	–
Total income tax expense per income statement	–	–
Numerical reconciliation between tax expense and pre-tax net loss		
Net profit / (loss) before tax	20,247	(115,776)
Income tax expense / (benefit) on above at 30%	6,074	(34,733)
Increase in income tax due to tax effect of:		
Non-deductible expenses	387	9,125
Movement in unrecognised temporary differences	–	4,174
Current year capital losses not recognised	172	21
Current year tax loss movement not recognised	8,145	22,932
Decrease in income tax expense due to:		
Movement in unrecognised temporary differences	(13,175)	–
Deductible equity raising costs	(1,603)	(1,519)
Income tax expense attributable to equity	–	–

Notes to the Financial Statements (continued)

10. Income Tax (continued)

In thousands of AUD	2011	2010
Recognised Deferred Tax Assets and Liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Assets		
Accruals and Provisions	626	2,787
Investments	–	17
Provision for Rehabilitation	1,206	1,513
Mine Development	1,954	343
Previously expensed borrowing costs	–	605
Deferred Tax Assets	**3,786**	**5,265**
Liabilities		
Exploration	(2,755)	(3,526)
Rehabilitation Assets	(1,021)	(1,729)
Other	(10)	(10)
Deferred Tax Liabilities	**(3,786)**	**(5,265)**
Unrecognised Deferred Tax Assets ('DTA')		
DTAs have not been recognised in respect of the following:		
Deductible temporary differences	15,663	28,569
Tax revenue losses	72,566	64,421
Tax capital losses	281	108
	88,510	**93,098**

10. Income Tax (continued)

Movement in recognised temporary differences during the current period

	Consolidated				
In thousands of AUD	Balance at 1 July 2009	Under / Over	Recognised in Income	Recognised in Equity	Balance at 30 June 2011
Deferred Tax Assets					
Accruals and Provisions	2,787	–	(2,161)	–	626
Investments	17	–	(17)	–	–
Provisions for rehabilitation	1,513	–	(307)	–	1,206
Mine development	343	–	1,611	–	1,954
Previously expensed borrowing costs	605	–	(605)	–	–
Net Deferred Tax Assets	**5,265**	**–**	**(1,479)**	**–**	**3,786**
Deferred Tax Liabilities					
Exploration	3,526	–	771	–	2,755
Rehabilitation assets	1,729	–	(708)	–	1,021
Other	10	–	–	–	10
Net Deferred Tax Liability	**5,265**	**–**	**(1,479)**	**–**	**3,786**

Movement in recognised temporary differences during prior period

	Consolidated				
In thousands of AUD	Balance at 1 July 2009	Under / Over	Recognised in Income	Recognised in Equity	Balance at 30 June 2010
Deferred Tax Assets					
Accruals and Provisions	3,074	–	(287)	–	2,787
Investments	294	–	(277)	–	17
Provision for rehabilitation	8,938	–	(7,425)	–	1,513
Mine development	343	–	–	–	343
Previously expensed borrowing costs	676	–	(71)	–	605
Previously expensed blackhole costs	18	–	(18)	–	–
Other	48	–	(48)	–	–
Net Deferred Tax Assets	**13,391**	**–**	**(8,126)**	**–**	**5,265**
Deferred Tax Liabilities					
Exploration	5,758	–	(2,232)	–	3,526
Rehabilitation Assets	7,630	–	(5,901)	–	1,729
Unearned income	3	–	7	–	10
Net Deferred Tax Liability	**13,391**	**–**	**(8,126)**	**–**	**5,265**

11. Trade and Other Receivables

In thousands of AUD	Note	Consolidated 2011	2010
Current			
Trade and other receivables		17	91
Accrued interest receivable		28	34
GST receivable		–	530
Prepayments		989	1,162
Gold bullion sold		–	797
Diesel fuel rebate		–	178
Insurance recoverable		–	3,126
Other		86	417
		1,120	**6,335**
Non Current			
Bank guarantees	(i)	4,626	6,039
		4,626	**6,039**

(i) Bank guarantees are bonds / deposits in relation to the environmental bonds for the Wiluna mine sites of $2,999,000 (2010: $3,538,000), office premises of $397,000 (2010: $535,000), credit card facility of $20,000 (2010: $108,000) gas contract of $450,000 (2010: $471,000), supplier bonds of $10,000 (2010: $636,000) and finance lease facility of $750,000 (2010: $750,000).

12. Inventories

In thousands of AUD	Note	Consolidated 2011	2010
Gold in circuit – at cost	(i),(ii)	10,847	8,487
Gold dore – at cost	(i)	848	1,974
Ore Stockpiles – at cost	(i)	3,103	–
Stores and consumables – at cost		4,334	5,504
Less provision for inventory obsolecence		(917)	(1,022)
		18,215	14,943
		26,679	**4,868**

(i) In the prior year these balances were written down to net realisable value as they were lower than cost. For ore stockpiles the net realisable value was nil.

(ii) The methodology to measure gold in circuit within a particular part of the processing plant was reassessed during the year. This is considered a change in accounting estimate, which has resulted in additional ounces being recognised of approximately 1500 ounces.

During the year the Group has recorded write downs of product inventory totaling $18,648,000 (2010: $43,376,000)

13. Assets Available for Sale

In thousands of AUD	Consolidated 2011	2010
Current Assets		
Investments in listed entities– available for sale	20	1,800
	20	**1,800**

14. Assets and Liabilities Held for Sale

At 30 June, 2011, the Group was in the process of selling its Youanmi Project ("Youanmi") including assets and related liabilities of Youanmi. Youanmi is carried at 30 June 2011 at its net fair value which has been determined by the Directors with reference to comparable transactions for similar assets.

	Consolidated	
In thousands of AUD	**2011**	**2010**
Current Assets		
Mine properties	3,630	3,569
Environmental bonds	1,498	275
Exploration	9,143	11,753
	14,271	**15,597**
Current Liabilities		
Trade payables	130	160
Provisions	4,141	4,029
	4,271	**4,189**
Total Net Assets Held for Sale	**10,000**	**11,408**

15. Derivative Assets

	Consolidated	
In thousands of AUD	**2011**	**2010**
Current		
Options held in listed entities	97	610
	97	**610**

As announced in the Directors Report, $450,000 of options held in Sirius Resources were sold to Yandal Investments during the period.

16. Property, Plant and Equipment

	Consolidated	
In thousands of AUD	**2011**	**2010**
Plant and Equipment		
Cost	93,363	94,883
Accumulated Depreciation	(45,049)	(34,516)
	48,314	60,317
Mine Properties		
Cost	131,235	116,914
Accumulated Amortisation	(51,110)	(35,260)
Impairment	(64,122)	(64,122)
	16,003	17,532
Leasehold Improvements		
Cost	505	432
Accumulated Depreciation	(202)	(139)
	303	293
Office and Computer Equipment		
Cost	1,496	1,473
Accumulated Depreciation	(1,132)	(906)
	364	**567**
Total Property, Plant and Equipment	**64,984**	**78,709**

Notes to the Financial Statements (continued)

16. Property, Plant and Equipment (continued)

Reconciliation

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated	
In thousands of AUD	**2011**	**2010**
Plant and Equipment		
Carrying amount at beginning of period	60,317	91,363
Additions / (Disposals)	1,138	227
Write-off of equipment	(1,285)	(1,240)
Adjustment from legal settlement	–	(6,000)
Depreciation	(11,856)	(24,033)
Carrying amount at end of period	48,314	60,317
Mine Properties		
Carrying amount at beginning of period	17,532	12,421
Additions	14,132	36,240
Transfer to assets held for sale	–	(3,844)
Rehabilitation amortisation	(242)	(4,890)
Amortisation	(15,419)	(17,555)
Impairment (i)	–	(4,840)
Carrying amount at end of period	16,003	17,532
Leasehold Improvements		
Carrying amount at beginning of period	293	367
Additions	73	124
Depreciation	(63)	(198)
Carrying amount at end of period	303	293
Office and Computer Equipment		
Carrying amount at beginning of period	567	549
Additions	23	220
Depreciation	(226)	(202)
Carrying amount at end of period	364	567
Total Property, Plant and Equipment	**64,984**	**78,709**

(i) During the year ended 30 June 2010, the Group undertook a review of impairment indicators that affected the cash generating units. For the same reasons set out in Note 2(e), the Group formed the view that impairment indications exist at 30 June 2010 and therefore the Group's cash generating unit, Wiluna (including Wilsons), was tested for impairment. The recoverable amount of Wiluna was determined with reference to its value in use. As a result of performing this impairment test the Group recognised an impairment loss of $4,840,000 in the 2010 reporting period against the Mine Properties.

17. Exploration and Evaluation

	Consolidated	
In thousands of AUD	**2011**	**2010**
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phase	–	–
	–	**–**
Exploration and Evaluation Phase		
Carrying amount at beginning of period	–	11,753
Expenditure incurred during the year	2,653	6,112
Exploration expenditure expensed as incurred	(2,653)	(6,112)
Transferred to assets held for sale (i)	–	(11,753)
Balance at end of year	**–**	**–**

During the 2010 reporting period, $11.7m was transferred to Assets Held for Sale (see Note 14). The Group has the current policy to expense all exploration and evaluation expenditure which is why no amounts are carried forward at balance date.

18. Trade and Other Payable

	Consolidated	
In thousands of AUD	**2011**	**2010**
Current		
Trade payables and accrued expenses	18,552	24,026
GUP payable	–	2,657
	18,552	**26,683**

The Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 29.

19. Loans and Borrowings

	Consolidated	
In thousands of AUD	**2011**	**2010**
Current		
Finance leases	6,901	7,395
	6,901	**7,395**
Non Current		
Finance leases	3,179	11,550
	3,179	**11,550**
Payable – minimum lease payments:		
– not less than 12 months	7,551	9,200
– between 12 months and 5 years	3,386	11,450
– greater than 5 years	–	–
Minimum Lease Payments	10,937	20,650
Less future finance charges	(857)	(1,705)
	10,080	**18,945**

Finance leases relate to plant and equipment purchased for the term of five years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

20. Derivative Liabilities

		Consolidated	
In thousands of AUD	Note	2011	2010
Current			
Gold Upside Participation Notes (GUP)	(i)	–	14,749
Non Current			
Gold Upside Participation Notes (GUP)	(i)	**–**	**26,151**
		–	**40,900**

(i) All GUP Notes were extinguished during the financial period. Refer to Note 8.

21. Provisions

Employee Benefits

		Consolidated	
In thousands of AUD		2011	2010
Current			
Provision for annual leave		1,822	1,927
		1,822	**1,927**
Rehabilitation Provision			
Balance at beginning of year		28,854	30,033
Reassessment of provision		(482)	1,359
Removal of provision from the sale of Gidgee	(i)	(11,225)	–
Unwinding of discount and effect of changes in discount rate		1,249	1,491
Transfer of provision to be held for sale liability (refer Note 14)		–	(4,029)
Balance at end of year		**18,396**	**28,854**

(i) As described in the Directors Report, the Group disposed of its Gidgee assets in January 2011 along with its corresponding rehabilitation provision.

The provision for the restoration and rehabilitation of the mine sites operated by the Group represents the present value of the best estimate of the future sacrifice of economic benefits that will be required.

22. Capital and Reserves

In thousands	Consolidated 2011 Number	2010 Number
Issued Capital		
Fully paid ordinary shares	5,550,244	3,317,820
Partly paid shares	–	19,125

Shares Capital

The Company has also issued share options (see Note 32).

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

Partly Paid Shares

(1) The partly paid shares expired during the year.

	Number of Shares			
	2011	2010	2011 $'000	2011 $'000
Balance at beginning of the year	3,317,819,909	555,791,374	295,359	198,226
Share issues during the period:				
Ordinary shares issued at $0.02 per share	250,000,000	–	5,000	–
Shares issued on options exercised at $0.06 per share	6	–	–	–
Rights issue at $0.01 per share	1,632,422,608	–	16,325	–
Shares issued at $0.018 per share	350,000,000	–	6,300	–
Shares issued on options exercised at $0.06 per share	1,190	1,905	–	–
Rights Issue at $0.20 per share	–	47,448,263	–	9,490
Rights Issue at $0.04 per share	–	2,714,578,367	–	102,339
Cost of issues	–	–	(1,609)	(14,696)
Balance at year end	**5,550,243,713**	**3,317,819,909**	**321,375**	**295,359**

Available for Sale Asset Reserve

In thousands of AUD	Consolidated 2011	2010
Balance at beginning of year	823	135
Revaluation	(134)	688
Transfer to income statement on sale of investment	(765)	–
Balance at year end	**(76)**	**823**

The available for sale revaluation reserve is in relation to the available for sale assets held within the Group. When a re-valued financial asset is sold, that portion of the reserve which relates to that financial asset, is effectively realised and is then recognised in the income statement. Where a re-valued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in the income statement.

22. Capital and Reserves (continued)

Share Based Payments Reserve

In thousands of AUD	2011	2010
Balance at beginning of year	9,951	8,205
Options issued to employees	217	1,746
Balance at year end	**10,168**	**9,951**

The share based payment reserve is used to recognise the fair value of share based payments issued to employees, consultants and financiers.

Quoted Option Reserve

The following reserve represents the value attributable to listed options pursuant to capital raisings conducted by the Company.

In thousands of AUD	2011	2010
Balance at beginning of year	15,608	–
Noteholders	–	1,955
Priority and general sub underwriters	–	7,410
General shareholders	–	6,243
Balance at year end	**15,608**	**15,608**

Warrants Reserve

(i) The balance of the prior warrants reserve was $3,600,000. Warrants entitled the holders to subscribe for a total of 44.99 million ordinary shares. The exercise price was calculated according to a specified formula based on the time of exercise. The exercise price was not in any circumstances to be less than 70% ($0.2345) nor more than 100% of the initial exercise price of $0.335. These warrants were initially recognised as a financial liability with an embedded derivative, as on exercise of the warrants, the Company has an obligation to issue a fixed number of shares. The exercise price may vary depending on movements in the Company's share price 180 and 270 days subsequent to issue date. The warrants are initially recognised as fair value and subsequently recorded at fair value with movements in the fair value recognised in the income statement.

Following expiry of 270 days from issue date, the exercise price of the warrants became fixed and from this date, the warrants met the definition of an equity instrument as the Company is required to issue a fixed number of shares for a fixed amount of cash. Accordingly, at 270 days from issue date, the warrants were reclassified from financial liabilities to equity at their fair value at the date of transfer. This date occurred on 26 June 2009 with the final per share exercise price being set to $0.2345.

Upon settlement of the GUPs, these warrants were cancelled and the balance of the reserve was transferred to accumulated losses. These warrants were replaced with those described in Note 22(ii) below as a result of the GUP settlement.

(ii) During the year the Company issued 174,049,587 warrants at an exercise price of $0.035 with an expiry date of 18 February 2014. These were issued as part consideration of the GUP extinguishment. This reserve represents the fair value of these warrants at grant date. The fair value assumptions of the warrants were:

	As at 18 February 2011 (date of issue)
Apex share price	$0.016
Apex share price volatility	90%
Risk free rate	5.24%
Dividend yield	0%
Fair value per warrant	$0.007
Total amount ($'000)	**$1,185**

23. Earnings / (Loss) per Share

Basic Earnings / (Loss) per Share

The calculation of basic loss per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of $20,247,000 (2010: $115,776,000) and a weighted average number of ordinary shares outstanding of 4,127,163,000 (2010: 2,328,280,000), calculated as follows:

Profit Attributable to Ordinary Shareholders

	Consolidated	
In thousands of AUD	**2011**	**2010**
Net profit / (loss) for the period	20,247	(115,776)

Weighted average number of Ordinary Shares

	Consolidated	
In thousands of shares	**2011**	**2010**
Issued ordinary shares at 1 July	3,317,820	555,791
Issue of partly paid shares	–	–
Effect of shares issued in July	–	47,059
Effect of shares issued in August	224,658	–
Effect of shares issued in November	–	1,725,430
Effect of shares issued in February	141,918	–
Effect of shares issued in March	442,767	–
Weighted average number of ordinary shares at 30 June	**4,127,163**	**2,328,280**

Diluted earnings per share is the same as basic earnings per share as it does not result in an inferior position, as the potential ordinary shares on issue are not dilutive.

24. Accumulated Losses

		Consolidated	
In thousands of AUD		**2011**	**2010**
Accumulated losses at beginning of year		(321,892)	(206,116)
Net profit / (loss)		20,247	(115,776)
Transfer from warrants reserve	22(i)	3,600	–
Accumulated losses at end of year		**(298,045)**	**(321,892)**

25. Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2011 the parent company of the consolidated entity was Apex Minerals NL.

Results of the Parent Entity	**Consolidated**	
In thousands of AUD	**2011**	**2010**
Profit / (Loss) for the period	14,866	(112,504)
Other comprehensive income:	–	(77)
Total comprehensive income for the period	**14,866**	**(112,581)**
Financial position of the Parent Entity at Year End		
Current assets	118	1,686
Total assets	**48,374**	**49,074**
Current liabilities	2,363	19,400
Total liabilities	**2,363**	**45,625**
Total equity of the Parent Entity comprising of:		
Share capital	321,375	295,359
Reserves	26,934	28,854
Accumulated losses	(302,298)	(320,764)
Total Equity	**46,011**	**3,449**

Parent Entity Contingencies and Commitments

The parent entity has cash backed bonds required to guarantee supplier payments, which were included in trade and other receivables note (see Note 11). At 30 June 2011 there are no other guarantees of performance of a subsidiary in existence. There are no commitments at the parent level.

26. Capital and Other Commitments

(i) Exploration Commitments

In order to maintain current rights of tenure to explore tenements, the Group is required to perform minimum expenditure of $1,598,080 over the next financial year (2010: $3,919,000). The reduction in the expenditure commitments is due to the sale of the Gidgee tenements.

Exploration expenditure commitments for subsequent years are contingent upon future exploration results. Obligations are subject to change upon expiry of the exploration leases or when application for a mining licence is made and has not been provided for in the consolidated financial statements.

(ii) Operating Leases

Operating leases relate to head office premises and various items of office equipment. The head office premises lease term period is 1 September 2008 to 31 August 2013.

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
In thousands of AUD	**2011**	**2010**
Less than one year	392	572
Between one and five years	65	1,216
	457	**1,788**

27. Contingent Liabilities

There are no material contingent liabilities as at 30 June 2011.

28a. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
In thousands of AUD	**2011**	**2010**
Bank balances	3	914
Total cash and cash equivalents	**3**	**914**

28b. Reconciliation of Cash Flows from Operating Activities

	Consolidated	
In thousands of AUD	**2011**	**2010**
Cash Flows from Operating Activites		
Profit / (Loss) for the period	20,247	(115,776)
Adjustment for:		
Depreciation	27,807	46,878
Employee entitlements	–	471
Share based payments	217	1,745
Inventory provisions	–	859
Gain on sale of Gidgee	(24,969)	–
Gain on GUP extinguishment	(21,594)	–
Impairment of assets	2,610	4,840
Removal of royalty income	(900)	–
Gain of AFS financial asset	(445)	–
Gain on sale of Aphrodite shares	(196)	–
Profit on sale of fixed assets	(169)	–
Impairment loss on derivatives	–	4,795
Write off of equipment	–	1,240
Non cash net finance expense	1,349	56,893
(Gain) / loss on sale of exploration assets	–	(5,828)
Operating profit / (loss) before changes in working capital	**3,957**	**(3,883)**
(Increase) / decrease in inventories	(3,272)	909
(Increase) / decrease in trade and other receivables– current	5,215	(1,199)
(Increase) / decrease in other receivables – non-current	1,413	–
Increase / (decrease) in trade and other payables	(8,311)	(6,408)
Increase / (decrease) in current provisions	(105)	471
Net Cash from Operating Activities	**(1,103)**	**(10,110)**

28c. Financing Facilities

	Consolidated	
In thousands of AUD	**2011**	**2010**
Unsecured guarantee facility (i)		
Amound used	–	2,838
Amount unused	–	265
Total facility	**–**	**3,103**

(i) Government environmental bonds were guaranteed over assets owned by a third party. An agreement which was extended in August 2010 until January 2011 with Mark Creasy enabled the Group to use third party assets to guarantee the bonds for an interest payment of 11% per annum. The guarantee was released in February 2011 and has been cash backed by the Company with its own funding.

29. Financial Instruments

Gold Upside Participation ("GUP") Notes

In thousands of AUD	**Carrying Value 30 June 2011**	**Carrying Value 30 June 2010**
GUP Notes (i)	–	40,900
Total Financial Instruments	**–**	**40,900**

(i) The GUP Notes entitled the holders to be paid quarterly amounts (which may be zero) calculated by references to a specified formula which allows the holder to participate in any increase in the average AUD gold price in a period over a specified floor price. The holders, as a group, are paid 30% (the participation rate) of the amount by which the average AUD gold price in a period exceeds a floor price, multiplied by a notional amount that varies over the life of the GUP Notes. The aggregate of the notional principal amounts is 500,000 units, of which 330,000 units remained outstanding as at 30 June 2010. The GUP Notes were expected to mature on 7 August 2012. The floor price was set at the London PM fixed gold price (in Australian dollars) on 29 September 2008. The GUP notes were secured by fixed and floating charges which have been granted by the Group over all of their assets and undertaking as well as mining mortgages over existing and future tenements on infrastructure which is necessary for, or material to, the gold operations.

The GUP Notes were accounted for as derivatives. They were initially recognised at fair value and subsequently re-measured at fair value at each reporting date with movements recognised in the income statement. The GUP Notes were extinguished during the year. Refer to Note 8.

The fair value assumptions of the GUP Notes were made are as follows:

	As at **30 June 2010**
Gold spot price (AUD)	$1,480
AUD/USD spot price	0.8408 USD/AUD
Volatility of gold	25%
Risk free interest rate	4.09% to 4.21%
Gold lease rate	0.0%

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

29. Financial Instruments (continued)

Exposure to Credit Risk

The Group's maximum exposure to credit risk at the reporting date was:

		Carrying Amount	
In thousands of AUD	**Note**	**2011**	**2010**
Cash and cash equivalents	28a	3	914
Trade and other receivables	11	5,746	12,374
Available-for-sale financial assets	13	20	1,800
		5,769	**15,088**

29. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity Risk	2011							2010						
In thousands of AUD	Carrying Amount	Contractual Cash Flows	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 Years	Carrying Amount	Contractual Cash Flows	6 Months or less	6-12 Months	1-2 Years	2-5 Years	More than 5 years
Non-derivative Financial Liabilities														
Loans and borrowings	10,080	(10,937)	(3,775)	(3,775)	(3,387)	–	–	18,945	(21,210)	(4,387)	(4,387)	(10,894)	(1,542)	–
Trade and other payables	18,552	(18,552)	(18,552)	–	–	–	–	26,683	(26,683)	(26,683)	–	–	–	–
	28,632	(29,489)	(22,327)	(3,775)	(3,387)	–	–	45,628	(47,893)	(31,070)	(4,387)	(10,894)	(1,542)	–
Derivative Financial Liabilities														
Derivative liabilities	–	–	–	–	–	–	–	40,900	(40,900)	(4,834)	(9,915)	(22,309)	(3,842)	–
Total	**28,632**	**(29,489)**	**(22,327)**	**(3,775)**	**(3,387)**	**–**	**–**	**86,528**	**(88,793)**	**(35,904)**	**(14,302)**	**(33,203)**	**(5,384)**	**–**

Interest Rate Risk

The Group's exposure to interest rate risk for each class of financial assets and financial liabilities is set out below:

Consolidated	2011				2010			
In thousands of AUD	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total	Floating Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
Fixed Assets								
Cash and cash equivalents	3	–	–	3	914	–	–	914
Trade and other receivables	–	4,757	989	5,746	–	11,483	1,162	12,375
Assets available for sale	–	–	20	20	–	–	1,800	1,800
	3	4,757	1,009	5,769	914	6,309	8,136	15,089
Financial Liabilities								
Trade and other payables	–	–	18,552	18,552	–	–	26,683	26,683
Loans and borrowings	–	10,080	–	10,080	–	18,945	–	18,945
Derivative liabilities	–	–	–	–	–	–	40,900	40,900
	–	10,080	18,552	28,632	–	18,945	67,583	86,528
Net Financial Assets / (Liabilities)	**3**	**(5,323)**	**(17,543)**	**(22,863)**	**914**	**(12,636)**	**(59,447)**	**(71,439)**

29. Financial Instruments (continued)

Fair value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair Value Sensitivity Analysis for Variable Rate Instruments

The Group is not materially exposed to variable rate instruments as at 30 June 2011.

Cash Flow Sensitivity Analysis for variable Rate Instruments

The Group is not materially exposed to variable rate instruments as at 30 June 2011.

Other Market Price Risk

Gold Price Sensitivity Analysis for Valuation of Derivative Instruments

A change of 5% in gold price volatility and 10% of the gold price at the reporting date would have increased / (decreased) the GUP liability in the income statement by the amounts shown below. This analysis assumes that all other variables remain constant. There is no variation in the current year due to the liability being extinguished in February 2011 (see Note 20).

GUP Notes – Derivative

	2011		2010	
Sensitivity	Value ($'000)	Change in value ($'000)	Value ($'000)	Change in Value ($'000)
10% increase in gold price	–	–	54,700	13,800
10% idecrease in gold price	–	–	27,900	(13,000)
5% increase in gold price volatility	–	–	42,100	1,200
5% decrease in gold price volatility	–	–	40,100	(900)

Fair Values

The fair values of the financial assets and liabilities at balance date of the Group approximate the carrying amounts in the financial statements.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market date (unobservable inputs).

29. Financial Instruments (continued)

Fair Value Hierarchy	Level 1	Level 2	Level 3	Total
In thousands of AUD				
30 June 2011				
Available for sale financial assets	20	–	–	20
Derivative financial assets	97	–	–	97
	117	**–**	**–**	**117**
Derivative financial liabilities	–	–	–	–
	117	**–**	**–**	**117**
30 June 2010				
Available for sale financial assets	1,800	–	–	1,800
Derivative financial assets	160	450	–	610
	1,960	**450**	**–**	**2,410**
Derivative financial liabilities	–	(40,900)	–	(40,900)
	1,960	**(40,450)**	**–**	**(38,490)**

There have been no transfers of financial assets and liabilities between levels during the year ended 30 June 2011 or 30 June 2010.

30. Auditors' Remuneration

	Consolidated	
In AUD	**2011**	**2010**
Audit Services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial reports	362,500	260,000
Under accural from past audits	185,000	65,000
	547,500	**325,000**
Non Audit Services		
KPMG Australia:		
Forensic services	35,000	10,000

31. Related Party Disclosure

(a) Key Management Personnel Compensation

The key management personnel compensation is as follows:

	Consolidated	
In AUD	**2011**	**2010**
Short-term employee benefits	1,974,244	2,099,843
Post-employment benefits	156,693	130,445
Share based payments	160,342	(223,771)
	2,291,279	**2,006,517**

Information regarding individual Directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report of the Director's Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Notes to the Financial Statements (continued)

31. Related Party Disclosure (continued)

(b) Remuneration Options: Granted and Vested during the year

Key Management Personnel were granted options during the year.

Refer to Note 32 for granted and vested options during the year ended 30 June 2011.

(c) Shareholdings and Option Holdings of Directors and Key Executives

Fully Paid Ordinary Shares	Held at 1 July 2010	Purchases	Sales	Held at Resignation	Held at 30 June 2011
(i) Directors					
Mark Ashley	17,175,000	–	–	–	17,175,000
Kim Robinson	72,154,220	30,064,257	–	–	102,218,477
Robin Lee	–	–	–	–	–
Matthew Sheldrick	–	–	–	–	–
(ii) Key Executives					
Allan King	–	11,663,219	–	–	11,663,219
Ross Glossop (resigned 8 July 2011)	–	8,384,282	–	–	8,384,282
Daniel Desjardins (resigned 21 July 2011)	–	–	–	–	–

Options	Held at 1 July 2010	Purchases	Granted	Options Forfeited	Held at Termination	Held at 30 June 2011
(i) Directors						
Mark Ashley	2,500,000	–	–	–	–	2,500,000
Kim Robinson	10,195,679	–	–	–	–	10,195,679
Robin Lee	–	–	–	–	–	–
Matthew Sheldrick	–	–	–	–	–	–
(ii) Key Executives						
Allan King	–	–	10,000,000	–	–	10,000,000
Ross Glossop (resigned 8 July 2011)	–	–	5,000,000	–	–	5,000,000
Daniel Desjardins (resigned 21 July 2011)	–	–	3,000,000	–	–	3,000,000

Fully Paid Ordinary Shares	Held at 1 July 2009	Purchases	Sales	Held at Resignation	Held at 30 June 2010
(i) Directors					
Mark Ashley	17,175,000	–	–	–	17,175,000
Mark Bennett	1,497,414	–	–	1,497,414	–
Glenn Jardine	2,623,668	–	–	2,623,668	–
Kim Robinson	6,050,000	66,104,220	–	–	72,154,220
Stephen John Lowe	233,696	178,502	–	412,198	–
Todd Bennett	402,334	–	–	402,334	–
Robin Lee	–	–	–	–	–
(ii) Key Executives					
Grant Brock	60,000	–	–	60,000	–
Anna Neuling	5,000	–	–	5,000	–
Rod Jacobs	–	–	–	–	–
Mike Walsh	–	–	–	–	–
William Dix	840,000	–	400,000	440,000	–

31. Related Party Disclosure (continued)

(c) Shareholdings and Option Holdings of Directors and Key Executives (continued)

Options	Held at 1 July 2009	Purchases	Granted	Options Forfeited	Held at Termination	Held at 30 June 2010
(i) Directors						
Mark Ashley	2,500,000	–	–	–	–	2,500,000
Mark Bennett	2,850,000	–	–	350,000	2,500,000	–
Glenn Jardine	2,850,000	–	–	350,000	2,500,000	–
Kim Robinson (i)	1,300,000	–	8,895,679	–	–	10,195,679
Stephen John Lowe	800,000	–	17,851	–	817,851	–
Todd Bennett	750,000	–	–	–	750,000	–
Robin Lee	–	–	–	–	–	–
(ii) Key Executives						
Grant Brock	500,000	–	–	225,000	275,000	–
Anna Neuling	240,000	–	–	40,000	200,000	–
Rod Jacobs	500,000	–	2,000,000	–	2,500,000	–
Mike Walsh	300,000	–	–	300,000	–	–
William Dix	1,440,000	–	1,500,000	–	2,940,000	–

(i) The options acquired by Mr Robinson during the year ended 30 June 2010 were in relation to the Noteholders Restructure Agreement. Refer to Note 31 (d) for the details.

(d) Other Transactions with Directors and Director-Related Entities

(i) During the 2010 year the Group paid taxation and business consulting fees of $68,867 excluding GST to MKT at normal professional rates an accounting firm of which Mr Stephen J Lowe is a Non-Executive Director. As Mr Lowe was not a Director of Apex during the reporting period no disclosure is deemed necessary on amounts paid to MKT during the period.

(ii) In the 2011 year, the Group also paid for business analyst services of $7,039 (2010: $52,048) to Kagara Zinc Ltd whom Kim Robinson is a Director.

(iii) During the 2010 year the Group entered into the following transactions with Mr Kim Robinson, the Chairman and a Director of the Company.

A Noteholder Restructuring Agreement was entered into on 21 September 2009 with each of the holders (Noteholders) of its Senior Secured Notes due 2011 (Notes). Mr Kim Robinson was the holder of four Notes with a face value of $2 million. Mr Robinson entered into the Noteholders Restructuring Agreement and sold those Notes and entered into sub underwriting commitments on the same terms as other Noteholders.

Under the Noteholders Restructure Agreement the Company agreed to purchase all Notes held by each Noteholder for a purchase price consisting of:

- $440,000 per Note which is a discount of 12% of the $500,000 face value of each Note; and
- The issue of 371,900 warrants per Note (being a total of 44,999,900 warrants).

The issue of warrants to Mr Robinson is conditional upon shareholder approval which was subsequently received. Each of the Noteholders agreed to sub underwrite the Rights Issue up to an amount being 56% of the cash purchase price to be received from the Company as consideration for the purchase of the Notes.

The security put in place for the Notes, including the registered first fixed and floating charge, is agreed to be varied such that it will remain in place after the repurchase. The Company issued 20 GUP notes to Mr Robinson. The terms of the GUP notes are set out in Note 29. As documented in Note 8, all GUP's were extinguished during the year. Mr Robinson's GUPs were extinguished on the same terms as the other holders. As part of that extinguishment Mr Robinson is entitled to receive 5,950,413 warrants which are subject to shareholder approval before they can be issued.

31. Related Party Disclosure (continued)

(d) Other Transactions with Directors and Director-Related Entities (continued)

(iv) As announced to the ASX in March 2011, Kim Robinson purchased 19,338,843 warrants during the period.

(v) The following employees / contractors are related to Directors of the Company:

- Jeremy Robinson
- Jordan Ashley
- Simona Ashley (the wife of the Managing Director since 11 March 2011) [whom was paid via Felizlavada Pty Ltd]

Collectively, these employees / contractors were paid $274,990 (inclusive of superannuation) on normal commercial terms and conditions. These employees / contractors were also granted options in the ordinary course of their employment under the ESOP, except Simona Ashley.

32. Share-Based Payments

Each share option converts into one ordinary share of Apex Minerals NL on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements existed at the end of the current period.

Option Series	Number	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
(1) Issued 3 July 2006	1,500,000	03-Jul-06	03-Jul-11	0.20	0.22
(2) Issued 20 July 2006	3,350,000	22-Jun-06	20-Jul-11	0.14	0.23
(10) Issued 15 November 2006	75,000	20-Nov-06	30-Nov-11	0.45	0.14
(13) Issued 1 June 2007	925,000	01-Jun-07	01-Jun-12	0.65	0.34
(15) Issued 31 July 2007	525,000	31-Jul-07	30-Jul-12	1.00	0.72
(17) Issued 31 October 2007	100,000	31-Oct-07	11-Nov-12	1.30	0.83
(21) Issued 12 May 2008	370,000	12-May-08	11-May-13	1.30	0.45
(22) Issued 20 June 2008	50,000	20-Jun-08	19-Jun-13	1.30	0.30
(23) Issued 18 July 2008	1,000,000	18-Jul-08	18-Jul-13	0.70	0.44
(26) Issued 30 January 2009	2,500,000	30-Jan-09	29-Jan-12	0.30	0.18
(27) Issued 10 February 2009	520,000	10-Feb-09	09-Feb-14	0.45	0.18
(28) Issued 22 June 2009	460,000	22-Jun-09	21-Jun-14	0.30	0.11
(29) Issued 9 April 2010	28,400,000	09-Apr-10	09-Apr-13	0.045	0.024
(30) Issued 19 November 2010	10,350,000	19-Nov-10	27-Oct-13	0.045	0.009
(31) Issued 19 November 2010	20,000,000	19-Nov-10	28-Oct-13	0.04	0.009
(32) Issued 6 December 2010	4,600,000	06-Dec-10	04-Dec-13	0.045	0.009

32. Share-Based Payments (continued)

All of the options above vest two years after the date of issue with exception of 2,500,000 options (issued to the financier) in Series 26 and options issued in Series 29-32 which all vested immediately. The options are expensed immediately being $217,000 (net of options forfeited during the period) in the year ended 30 June 2011.

The weighted average exercise prices of share options granted during the financial year is $0.042 (2010: $0.045).

Options were valued using a Black-Scholes option pricing model using the inputs below:

	Series 1	Series 2	Series 10	Series 13	Series 15	Series 17	Series 21	Series 22
Grant Date Share Price	0.31	0.30	0.36	0.56	1.10	1.30	0.83	0.62
Exercise Price	0.20	0.14	0.45	0.65	1.00	1.30	1.30	1.30
Expected Volatility	70%	70%	70%	70%	70%	70%	70%	70%
Option Life	03-Jul-11	20-Jul-11	30-Nov-11	01-Jun-12	30-Jul-12	30-Oct-12	11-May-13	19-Jun-13
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
Interest Rate	6.50%	6.50%	6.50%	6.50%	6.27%	6.50%	7.25%	7.25%

	Series 23	Series 26	Series 27	Series 28	Series 29	Series 30	Series 31	Series 32
Grant Date Share Price	0.68	0.31	0.29	0.18	0.024	0.016	0.016	0.017
Exercise Price	0.70	0.30	0.45	0.30	0.045	0.045	0.04	0.045
Expected Volatility	70%	85%	85%	85%	85%	95%	95%	95%
Option Life	18-Jul-13	29-Jan-12	09-Feb-14	21-Jun-14	08-Apr-13	27-Oct-13	28-Oct-13	4-Dec-13
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%
Interest Rate	7.25%	4.25%	3.25%	3.25%	4.50%	5.10%	5.10%	5.11%

32. Share-Based Payments (continued)

The following reconciles the outstanding share options granted at the beginning and the end of the financial year:

	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance at the beginning of the financial year	104,956,000	0.19	32,086,000	0.54
Granted during the financial year	46,300,000	0.042	78,500,000	0.045
Exercised during the financial year (i)	–	–	–	–
Forfeited / Cancelled during the financial year (ii)	(76,531,000)	0.17	(5,630,000)	0.61
Balance at the end of the financial year	**74,725,000**	**0.095**	**104,956,000**	**0.19**
Exercisable at the end of the financial year	**74,725,000**	**0.095**	**101,391,000**	**0.14**

(i) Exercised during the Year

None of the options were exercised during the year.

(ii) Forfeited / Cancelled during the Year

For the year ended 30 June 2011, 76,531,000 (2010: 5,630,000) options were cancelled / forfeited due to employee resignations and terminations.

33. Interest in Joint Venture

The Group has entered into unincorporated joint ventures where the joint venturer may earn its interest in mining and exploration tenements held by the Group, as set out in the various agreements. The joint venture agreements are listed as follows.

	Percentage of Interest %	
	2011	**2010**
Apex Minerals NL – Abra Mining Farm-In and Joint Venture Agreement	10	10
Apex Gold Pty Ltd – Dalrymple Resources, Ajava Farm-In and Joint Venture Agreement	76.25	76.25
Goldcrest Mines Ltd – Snowpeak Nominees, Agreement for Sale and Joint Venture for the Snowpeak Tenements WA	80	80

Carrying values of all of the joint ventures listed above are nil.

34. Group Entities

The parent entity of the Group is Apex Mineral NL. It currently has holdings in the following entities. All are 100% owned subsidiaries.

	Equity Holding	
	2011 %	**2010 %**
Apex Xinjiang NL	100	100
Apex Nickel Australia Pty Ltd	100	100
Apex Gold Pty Ltd	100	100
Sonax Investments Pty Ltd	100	100
Apex Greenstone Mountain Pty Ltd	100	100
Subsidiaries of Apex Xinjeng		
Apex Copper Mountain Pty Ltd	100	100
Subsidiaries of Apex Gold Pty Ltd		
Goldcrest Mines Pty Ltd	100	100
Subsidiaries of Goldcrest Mines Pty Ltd		
Youanmi Mines Pty Ltd	100	100

35. Subsequent Events

Atlas Copco had previously issued two Statutory Demands in May and June 2010 totalling $4.4 million demanding the payment of a proportion of monies (approx $7.4 million) that they believed were owed by Apex. Apex had the Statutory Demands set aside during the current reporting period and has subsequent to year end negotiated with Atlas Copco a reduced amount and a payment plan. A payment schedule has been agreed whereby Apex will make regular payments over a period up to June 2013 to Atlas Copco totalling $3.8 million plus interest of $0.3 million. Of this amount $0.6 million is due within the next 12 months to 30 June 2012. As at 30 June 2011, Apex has recognised $5.4 million in its trade and other payables as owing to Atlas Copco and the benefit of the $1.6 million total reduction in the amount due will be reflected in the financial statements for the year ended 30 June 2012. The facility is un-secured. If there is an event of default, the amount owing to Atlas Copco will increase to $5.5 million plus interest, reduced by payments made to date.

Directors' Declaration

1 In the opinion of the Directors of Apex Minerals NL (the "Company"):

   a. The financial statements and notes, as set out on pages 12 to 58, and the Remuneration Report in the Directors Report as set out on pages 5 to 9, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

   b. the financial report also complies with international Financial Reporting Standards as disclosed in Note 2(a);

   c. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors.

Dated at Perth, this 2nd Day of October 2011

Mark Ashley
Managing Director

Independent auditor's report to the members of Apex Minerals NL

Report on the financial report

We have audited the accompanying financial report of Apex Minerals NL (the company), which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion provided above, we draw attention to note 2(e) of the financial report regarding the ability of the Group to continue as a going concern. As a result of the matters set out in note 2(e), a material uncertainty exists which may cast significant doubt about the ability of the Group to continue as a going concern and whether the Group is able to realise its assets and extinguish its liabilities at the amounts recorded in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Apex Minerals NL for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

R Gambitta
Partner

Perth

2 October 2011

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Apex Minerals NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

R Gambitta
Partner

Perth

2 October 2011

Additional Information

The information provided below is correct as at 10 October 2011.

A. Substantial Shareholders Name	Number of shares	% Share Holding
Baker Steel Capital Managers LLP	782,903,074	14.11
The Goldman Sachs Gorup Inc*	734,180,147	13.23
M&G Investment Management Limited	624,120,369	11.24
AU Mining Limited	290,678,132	5.24
SG Hiscock & Company Limited	285,803,242	5.15

* The Goldman Sachs Group inc has relevant interest in these shares by virtue of it being able to control the registered holder, HSBC Custody Nominees (Australia) Limited – GSI EDA.

B. Distribution of Fully Paid Ordinary Shares	Number of shareholders	% of Issued Capital
(i) Distribution schedule of holdings		
1 – 1,000	1,052	0.01
1,001 – 5,000	919	0.04
5,001 – 10,000	491	0.07
10,001 – 100,000	2,157	1.78
100,001 and over	2,104	98.10
(ii) There were 3,953 holders holding less than a marketable parcel of fully paid ordinary shares.		

C. Twenty Largest Fully Paid Ordinary Shareholders

The 20 largest shareholders of ordinary shares on the Company's register as at 10 October 2011 were:

Name	Number of shares	% of Issued Capital
HSBC Custody Nominees (Australia) Limited – GSI EDA	734,180,147	13.23
JP Morgan Nominees Australia Limited	636,941,233	11.48
National Nominees Limited	548,443,740	9.88
HSBC Custody Nominees (Australia) Limited	400,252,034	7.21
Equity Trustees Limited	229,617,899	4.14
Citicorp Nominees Pty Limited	207,235,425	3.73
ABN AMRO Clearing Sydney Nominees Pty Ltd	126,765,499	2.28
AU Mining Limited	122,747,583	2.21
JP Morgan Nominees Australia Limited	121,321,445	2.19
Yandal Investments Pty Ltd	110,719,484	1.99
Mr Mark Gareth Creasy	107,193,154	1.93
Sun Hung Kai Investment Services Ltd	76,400,000	1.38
Morgan Stanley Australia Securities (Nominee) Pty Limited	72,468,179	1.31
Mr Kim Robinson	45,304,705	0.82
Mr Kim Robinson	40,906,250	0.74
Sydney Equities Pty Limited	28,333,333	0.51
Mr Terry Campion	27,500,000	0.49
CS Fourth Nominees Pty Ltd	25,604,383	0.46
Berne NO 132 Nominees Pty Ltd	23,197,916	0.42
Rhuroin Pty Ltd	20,000,000	0.36
AU Mining Limited	20,000,000	0.36
Eagle River Holdings Pty Ltd	20,000,000	0.36

The percentage holding of the 20 largest shareholders of fully paid ordinary shares was 67.48.

As at 10 October the total number of shares on issue was 5,550,243,713.

D. Voting Rights – Ordinary Shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held. Any shares which are not fully paid shall be entitled to a fratcion of a vote equal to that proportion of a vote that the amount paid on the relevant share bears to the total issue price of the share.

E. Distribution of Listed Options	Number of Option Holders	% of Listed Options
(i) Distribution schedule of holdings		
1 – 1,000	290	0.02
1,001 – 5,000	386	0.16
5,001 – 10,000	210	0.24
10,001 – 100,000	507	2.37
100,001 and over	254	97.21
(ii) There were 1,484 holders holding less than a marketable parcel of Listed Options		

F. Twenty Largest Listed Option Holders

The 20 largest Listed Option Holders on the Company's register as at 10 October 2011 were:

Name	Number of shares	% of Listed Options
NEFCO Nominees Pty Ltd	100,304,154	14.78
HSBC Custody Nominees (Australia) Limited – GSI EDA	89,014,481	13.11
National Nominees Limited	76,830,917	11.32
HSBC Custody Nominees (Australia) Limited	43,878,005	6.47
Paul Thomson Furniture Pty Ltd	33,000,000	4.86
Mr Terry Campion	31,500,000	4.64
Sun Hung Kai Investment Services Ltd	26,000,000	3.83
Sydney Equities Pty Limited	12,000,000	1.77
Linden-O Ostriches Pty Ltd	11,580,465	1.71
Blue Mountain Credit Alternatives Master Fund LP	11,571,883	1.71
Planmoor Investments Pty Ltd	11,000,000	1.62
Yandal Investments Pty Ltd	8,493,051	1.25
CGY Secretarial Services Pty Ltd	8,280,932	1.22
ABN AMRO Clearing Sydney Nominees Pty Ltd	7,013,096	1.03
Mr John Daniel Byrne	6,500,000	0.96
Mr Christian Thomas Langenheim	5,410,000	0.80
Mr Kim Robinson	4,685,580	0.69
Mr Mark Gareth Creasy	4,666,735	0.69
Citicorp Nominees Pty Limited	4,515,860	0.67
Dr John Newman Gibson & Mrs Agnes Dawn Gibson	4,166,666	0.61

The percentage holding of the 20 largest Listed Option Holders was 73.74.

As at 10 October the total number of Listed Options on issue is 678,641,833.

G. Voting Rights – Option Holders

Option Holders do not have any voting rights on the options held by them.

H. On-market buy-back

There is no current buy-back of the Company's shares.

I. Voluntary escrow

There are no Company securities under voluntary escrow.

Tenement Schedule as at 13 October 2011

Tenement	Holder or Applicant	Status
Youanmi		
E 57/0578	GOLDCREST MINES PTY LTD (i)	Granted
E 57/0653	GOLDCREST MINES PTY LTD (i)	Granted
E 57/0707	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0010	YOUANMI MINES PTY LTD	Granted
M 57/0051	YOUANMI MINES PTY LTD	Granted
M 57/0075	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0097	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0109	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0135	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0160A	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0164	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0165	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0166	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0167	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0180	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0196	GOLDCREST MINES PTY LTD (i)	Granted
M 57/0245	GOLDCREST MINES PTY LTD (i)	Granted
Snowpeak		
E 57/0627	GOLDCREST – SNOWPEAK	Granted
E 57/0652	GOLDCREST – SNOWPEAK	Granted
P 57/1190	GOLDCREST – SNOWPEAK	Granted
P 57/1191	GOLDCREST – SNOWPEAK	Granted
P 57/1192	GOLDCREST – SNOWPEAK	Granted
P 57/1193	GOLDCREST – SNOWPEAK	Granted
P 57/1194	GOLDCREST – SNOWPEAK	Granted
P 57/1195	GOLDCREST – SNOWPEAK	Granted
P 57/1196	GOLDCREST – SNOWPEAK	Granted
P 57/1197	GOLDCREST – SNOWPEAK	Granted
P 57/1198	GOLDCREST – SNOWPEAK	Granted
P 57/1199	GOLDCREST – SNOWPEAK	Granted
P 57/1200	GOLDCREST – SNOWPEAK	Granted
Wilsons		
M 53/0153	APEX GOLD PTY LTD	Granted

Additional Information (continued)

Tenement Schedule as at 13 October 2011 (continued)

Wiluna		
G 53/0018	APEX GOLD PTY LTD	Granted
G 53/0019	APEX GOLD PTY LTD	Granted
L 53/0020	APEX GOLD PTY LTD	Granted
L 53/0021	APEX GOLD PTY LTD	Granted
L 53/0022	APEX GOLD PTY LTD	Granted
L 53/0023	APEX GOLD PTY LTD	Granted
L 53/0024	APEX GOLD PTY LTD	Granted
L 53/0032	APEX GOLD PTY LTD	Granted
L 53/0033	APEX GOLD PTY LTD	Granted
L 53/0034	APEX GOLD PTY LTD	Granted
L 53/0035	APEX GOLD PTY LTD	Granted
L 53/0036	APEX GOLD PTY LTD	Granted
L 53/0037	APEX GOLD PTY LTD	Granted
L 53/0038	APEX GOLD PTY LTD	Granted
L 53/0039	APEX GOLD PTY LTD	Granted
L 53/0040	APEX GOLD PTY LTD	Granted
L 53/0041	APEX GOLD PTY LTD	Granted
L 53/0042	APEX GOLD PTY LTD	Granted
L 53/0043	APEX GOLD PTY LTD	Granted
L 53/0044	APEX GOLD PTY LTD	Granted
L 53/0045	APEX GOLD PTY LTD	Granted
L 53/0048	APEX GOLD PTY LTD	Granted
L 53/0050	APEX GOLD PTY LTD	Granted
L 53/0062	APEX GOLD PTY LTD	Granted
L 53/0077	APEX GOLD PTY LTD	Granted
L 53/0097	APEX GOLD PTY LTD	Granted
L 53/0098	APEX GOLD PTY LTD	Granted
LW 53/0094	APEX GOLD PTY LTD	Granted
LW 53/0103	APEX GOLD PTY LTD	Granted
LW 53/0144	APEX GOLD PTY LTD	Granted
M 53/0006	APEX GOLD PTY LTD	Granted
M 53/0026	APEX GOLD PTY LTD	Granted
M 53/0027	APEX GOLD PTY LTD	Granted
M 53/0030	APEX – JACKSON	Granted
M 53/0032	APEX GOLD PTY LTD	Granted
M 53/0040	APEX GOLD PTY LTD	Granted
M 53/0043	APEX GOLD PTY LTD	Granted
M 53/0044	APEX GOLD PTY LTD	Granted

Tenement Schedule as at 13 October 2011 (continued)

M 53/0050	APEX GOLD PTY LTD	Granted
M 53/0064	APEX GOLD PTY LTD	Granted
M 53/0069	APEX GOLD PTY LTD	Granted
M 53/0071	APEX GOLD PTY LTD	Granted
M 53/0095	APEX GOLD PTY LTD	Granted
M 53/0096	APEX GOLD PTY LTD	Granted
M 53/0173	APEX GOLD PTY LTD	Granted
M 53/0200	APEX GOLD PTY LTD	Granted
M 53/0205	APEX GOLD PTY LTD	Granted
M 53/0468	APEX GOLD PTY LTD	Granted
M 53/0797	APEX GOLD PTY LTD	Granted

Key

APEX GOLD PTY LTD	Subsidiary of Apex Minerals NL
APEX – JACKSON	Wiluna Operations Ltd (98%) – James Murray Jackson (2%). Wiluna Operations Ltd share is being transferred to Apex Gold Pty Ltd following completion.
GOLDCREST – SNOWPEAK	Goldcrest Mines Pty Ltd (80%) – Snowpeak Nominees Pty Ltd (20%)
(i)	Subsidiary of Apex Minerals NL
E	Granted Exploration Licence or Exploration Licence Application
G	General Purpose Licence
L	Miscellaneous Licence
LW	Miscellaneous Licence for Water
M	Granted Mining Licence or Mining Licence Application
P	Granted Prospecting Licence or Prospecting Licence Application

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