

# Apex Minerals NL

ACN 098 612 974

## June 2012 Quarterly Report



*Corporate Details*

**As at 31 July 2012**

**ASX codes:**

Apex Shares: AXM  
Apex Options: AXMO

**Securities on issue:**

192,418,135 Fully paid ordinary shares  
6,786,903 Listed options  
191,250 Partly paid shares  
137,070,950 Unlisted options

**Registered Office:**

Level 1, 10 Ord Street  
West Perth WA 6000  
Telephone: +61 8 6311 5555  
Facsimile: +61 8 6311 5556

**Directors:**

Mr Eduard Eshuys  
Executive Chairman

Mr Ross Hutton  
Non-Executive Director

Mr Brice Mutton  
Non-Executive Director

Mr Kim Robinson  
Non-Executive Director

Mr Matthew Sheldrick  
Non-Executive Director

Mr Michael Ilett  
Company Secretary

*For further details contact:*

**Investors**

Eduard Eshuys - Executive Chairman  
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**Media**

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## Summary

- Operational initiatives and key senior management appointments at the Wiluna Gold Operation have contributed to an improved gold production performance.
- Gold production in June Quarter was 9,139 ounces (31% higher than March Quarter) with cash operating costs at \$1,522 per ounce a substantial improvement on the March 2012 Quarter costs of \$3,025 per ounce.
- Cash operating costs continued to improve during the quarter with the month of June costs at \$1,380 per ounce.
- Underground mine capital development and production activities are now focused on the East and West Lodes due to its shallow depth, favourable ground conditions and closer proximity to the Wiluna milling facility than the Bulletin decline.
- The improved gold production guidance for the September Quarter 2012 of 15,000 – 17,000 ounces at a revised cash operating cost of \$1,300 - \$1,400 per ounce results from the switch in mining focus to the shallower East and West Lodes, combined with the operational initiatives and key senior management appointments.
- Health and safety of our workforce continues to be a focus of the operations and the company. There were zero lost time injuries during the June Quarter.
- Capital raised and asset sales during the quarter generated net cash of \$26.1M. Creditors payments from the capital raised totaled \$21.86M. Commercial trade credit terms have been re-established with most of the company's suppliers.
- Capital of \$2.05M was spent on underground development at East and West Lodes, powerhouse upgrade and underground equipment repairs and maintenance.
- Post quarter end a share placement to existing institutional and professional investor shareholders was completed and raised approximately \$2.74M for additional working capital.

Eduard Eshuys  
Executive Chairman

## **New Operational Initiatives**

New directors and senior management were appointed by Apex on 19 April 2012 following completion of an entitlements issue which raised net \$18.9M.

The Company's main focus has been re-establishing Wiluna as an efficient, profitable and sustainable operation. This has resulted in a deliberate change in operational focus to the East and West Lodes. Activities and improvements that have occurred at Wiluna since the appointment of the new directors and senior management team include:

- Appointment of a new General Manager Wiluna Operations.
- Appointment of a new power station management contractor and installation of additional diesel generators which has established sufficient and reliable power to the entire operation and avoided the need to power share between the mine and the mill.
- Appointment of an experienced team of planning and scheduling mining engineers who have subsequently established rigorous day by day and longer term mine production schedules. Experienced supervisors and operators have been added to the underground operations to deliver on the production forecasts.
- Re-establishment of the underground dewatering system and other infrastructure services at the East Lode Mine in preparation for full mine production.
- Higher maintenance standards on mining and mobile equipment to increase the reliability and availability of this equipment have been implemented, the benefits of which are evident from improved production performance.
- Engagement of a new Manager Metallurgy and Mill Operations Manager to establish improved gold recoveries and process plant availability. The forecast increase in mine production will result in better utilization of the capacity of the milling facility.
- Appointment of an experienced General Manager Commercial to provide commercial and contractual guidance to the operations including cash flow and contract management. Cash flows, budgets and disciplined reporting protocols on a daily, monthly and quarterly basis have been established.

## **Wiluna Gold Operations Production**

As a consequence of the above initiatives significant progress has been made in terms of increasing production and lowering unit cash costs at Wiluna.

Underground mine production has increased from 21,000 tonnes in the month of April 2012 to 38,000 tonnes in the month of June and is scheduled to reach 50,000 tonnes per month during the September Quarter. This increase in mine production saw mill throughput increase from 26,000 tonnes in April to 34,000 tonnes in June.

Production from Wiluna in the June Quarter demonstrated a substantial improvement from the previous quarter. Production in the June Quarter was 9,139 ounces, representing an increase of approximately 31% from the March Quarter. Similarly, cash costs for the June Quarter were \$1,522 an ounce, representing a substantial improvement on the March Quarter of \$3,025 per ounce.

Mine and gold production guidance for the September 2012 Quarter is compared with recent quarters' performance is set out in Tables 1 and 2 and Charts 1 and 2.

**Table 1**

Quarterly Mine Production				
	Actual			Forecast <sup>1</sup>
	Dec 2011 Qtr	Mar 2012 Qtr	Jun 2012 Qtr	Sep 2012 Qtr
	Underground Mine Production (t)	98,418	78,347	85,094
Grade (g/t)	3.6	3.6	3.9	4.5

**Table 2**

Quarterly Gold Production				
	Actual			Forecast <sup>1</sup>
	Dec 2011 Qtr	Mar 2012 Qtr	Jun 2012 Qtr	Sep 2012 Qtr
	Ore Processed (t)	96,667	72,932	90,627
Head Grade (g/t)	3.6	3.3	3.9	4.5
Recovery (%)	82	83	79	79
Gold Production (ozs)	9,171	6,491	9,139	15,000-17,000
Cash Operating Cost \$/oz	1,730	3,025	1,522	1,300-1,400 (Revised)

The forecast rapid improvement in mine and gold production for the September Quarter is as a consequence of switching underground production focus from Calais, Burgundy and Woodley to the East and West Lodes. Calais, Burgundy and Woodley are mined at a depth of 800 – 900 metres below surface and accessed by the Bulletin Decline, whereas the East and West Lodes are at a depth of 250 – 300 metres below surface and accessed through a separate decline which is much closer to the Wiluna processing facility. See Figure 1.

The shallower depth, favourable ground conditions and higher grades are also contributing to the forecast improved cash operating costs. See Figure 2.

Future mine production will result in two thirds of ore coming from the East and West Lodes with the balance from the current Bulletin Decline operations. Production over the past twelve months has been solely from the Bulletin Decline.

<sup>1</sup> Forecasts only. Actual results may vary from these figures.

Figure 1

# Wiluna Gold Operation Long Section

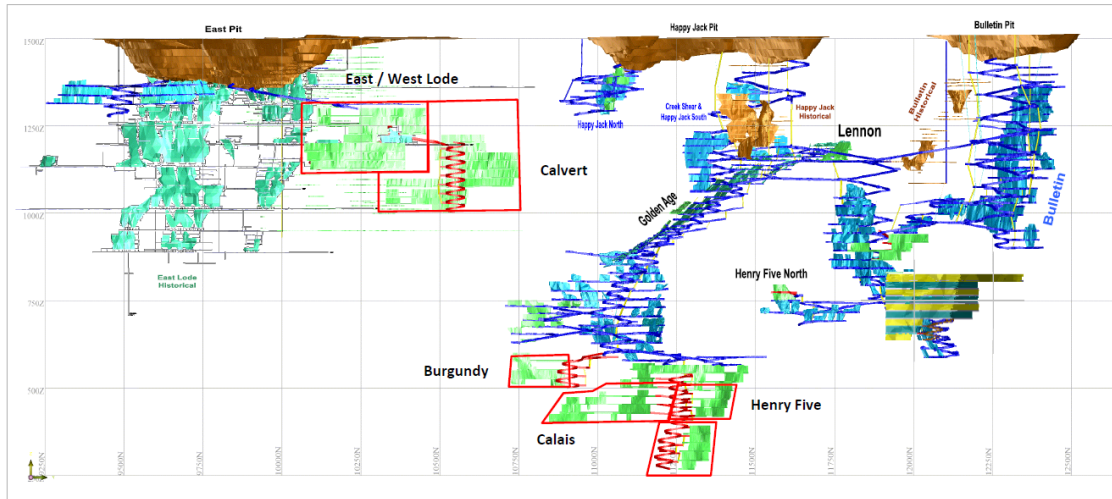
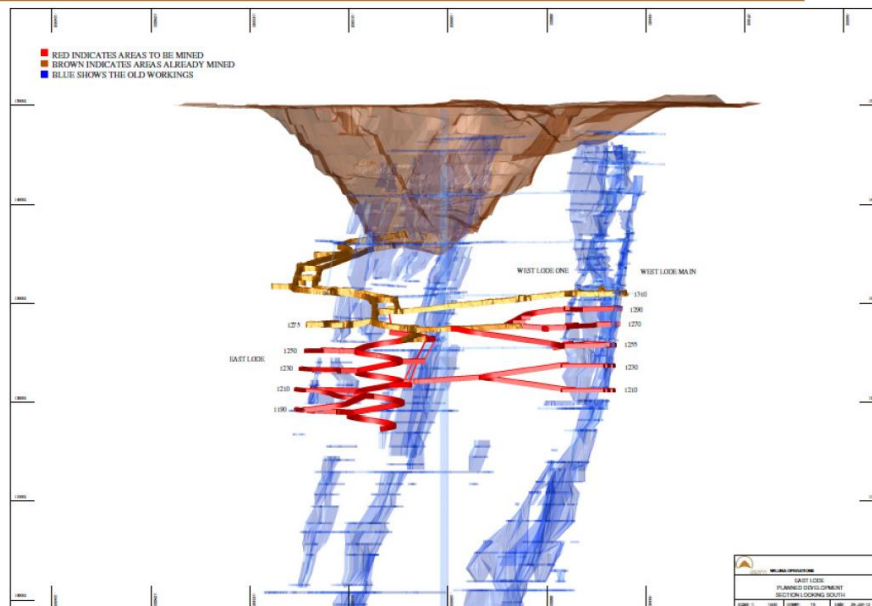
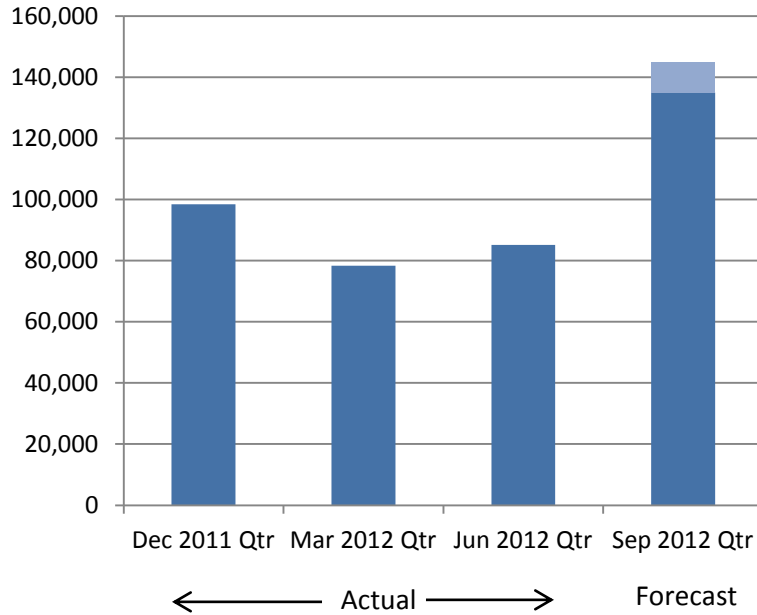


Figure 2

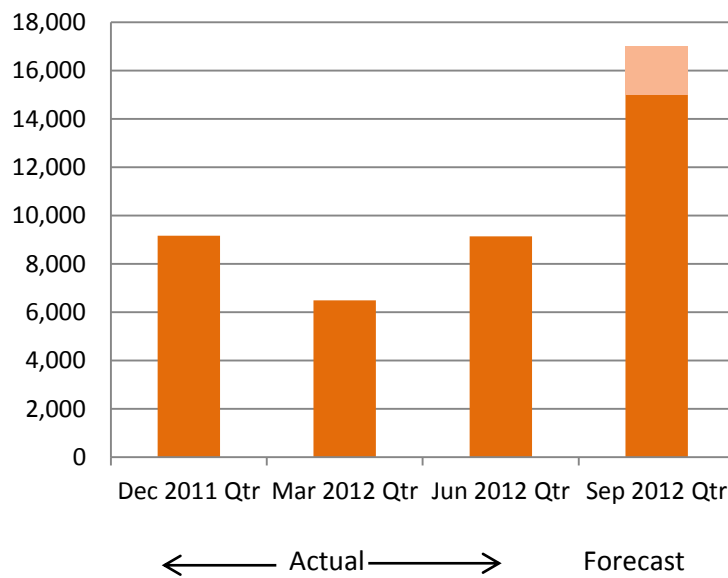
# Wiluna Gold Operation East Lode/West Lode X-Section



**Chart 1<sup>1</sup>**  
**Quarterly Mine Production (t)**



**Chart 2<sup>1</sup>**  
**Quarterly Gold Production**



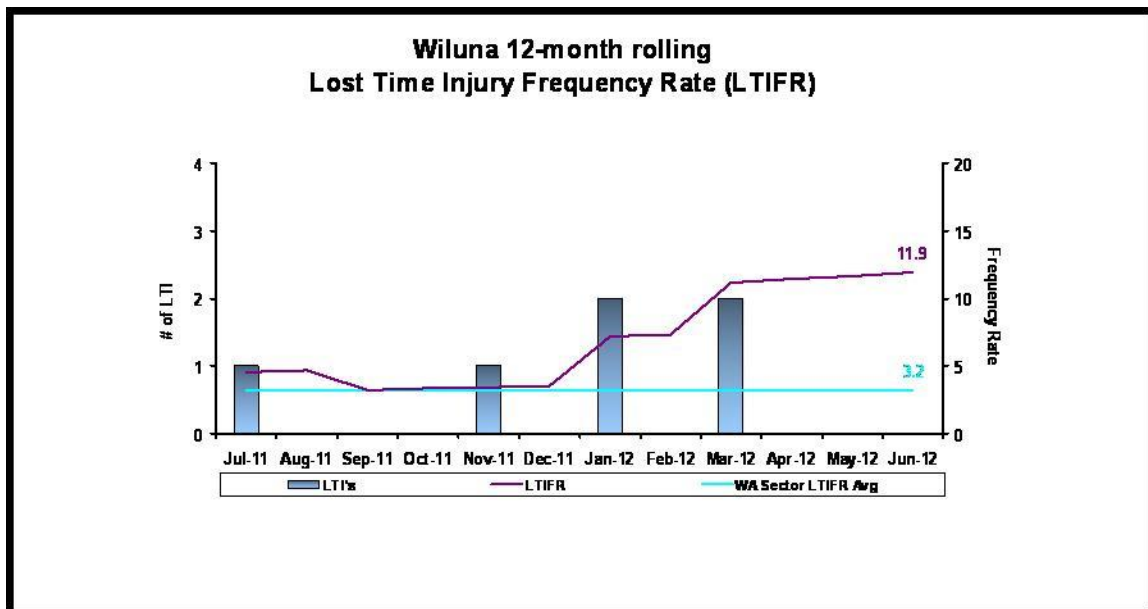
<sup>1</sup> Forecasts only. Actual results may vary from these figures.

## Health and Safety

Health and safety of the Company’s workforce is paramount and is subject to intense focus. There were zero lost time injuries, four medically treated injuries and one alternative duties injury case during the June Quarter.

The Wiluna 12 Month Rolling Lost Time Injury Frequency Rate (LTIFR) of 11.9 relates to legacy issues prior to the June Quarter 2012, and needs to improve (see Chart 3). Measures have been taken for this to occur.

Chart 3



## Corporate

Capital raised from the entitlements issue completed during the June Quarter generated net proceeds of \$18.9M while the sale of the Wilsons deposit at Gidgee generated net proceeds of \$7.2M for a total of \$26.1M.

As previously advised, trade and other creditors that were due at the time of the capital raising totaled \$20.6M and were paid. Subsequently an additional \$1.26M has been paid to deferred creditors being a total of \$21.86M. Creditors management has resulted in the majority of creditors now being on normal commercial terms.

Capital expenditure on re-establishing East and West Lode underground operations, power station improvements and underground equipment repairs maintenance and rebuilds totaled \$2.05M.

As a result of the General Meeting of Shareholders held on 11 April 2012, the Company issued 1,700,000 options to various parties (on a post consolidated basis) and completed a 100:1 consolidation of its securities.

During the quarter, the Company entered into a strategic investment agreement with The Metal Group Pty Ltd a privately owned investment vehicle controlled by Andrew Forrest, as part of Apex's strategy to establish the Company as a sustainable Australian gold producer.

The recently completed placement of shares to existing institutional and professional investors which raised \$2.7M before expenses was for working capital to allow management to continue to improve the performance of the operations.

### **Senior Management Appointments**

- General Manager – Commercial - George Viska
- General Manager – Wiluna Operations - Corey Doust
- Mining Engineering Consulting - Shane McLeay
- Manager Metallurgy - Craig Bartles
- Manager Geology - Seldon Mart

# Apex Minerals NL

Quarterly Report  
30 June 2012

## Appendix 5B

### Mining exploration entity quarterly report

Name of entity

<b>APEX MINERALS NL</b>
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ABN		Quarter ended ("current quarter")
22 098 612 974		30 June 2012

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A'000	\$A'000
1.1	Receipts from product sales and related debtors	11,261	62,476
1.2	Payments for (a) exploration and evaluation (b) development (c) production # (d) administration	(124) (3,137) (29,977) (2,423)	(810) (7,535) (70,875) (5,744)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	104	307
1.5	Interest and other costs of finance paid	(659)	(754)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	<b>Net Operating Cash Flows</b>	<b>(24,955)</b>	<b>(22,935)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - -
1.9	Proceeds from sale of: (a) prospects (b) available for sale investments (c) other fixed assets (d) other-hedging instruments	7,179 - - -	7,413 - - -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – costs of sale of prospects	-	-
	<b>Net investing cash flows</b>	<b>7,179</b>	<b>7,413</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(17,776)</b>	<b>(15,522)</b>



1.13	Total operating and investing cash flows (brought forward)	(17,776)	(15,522)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	20,981	20,981
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (see note)	-	4,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(2,141)	(2,143)
	Other – finance lease liability	(2,976)	(6,474)
	Other – net payments for cash backed guarantees	(64)	(92)
	Other – repayment of GUP notes	-	-
	<b>Net financing cash flows</b>	15,800	16,272
	<b>Net increase (decrease) in cash held</b>	(1,976)	750
1.20	Cash at beginning of quarter/year to date	2,728	2
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter (see note below)</b>	752	752

**NOTES**

On 18 July 2012 the company raised \$2.74 million before issue costs from completion of a share placement.

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	All payments to directors and associates are on normal commercial terms.	

**Non-cash financing and investing activities**

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	-
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

### Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	4,000	4,000
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	200
4.2	Development	3,000
4.3	Production	19,500
4.4	Administration	1,500
	<b>Total</b>	<b>24,200</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	752	2,728
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	<b>Total: cash at end of quarter (item 1.22)</b>	<b>752</b>	<b>2,728</b>

On 18 July 2012 the company raised \$2.74 million before issue costs from completion of a share placement.

### Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	M53/0153	Direct ownership in mining tenement.	100%	0%
6.2	Interests in mining tenements acquired or increased	Nil			

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

Description includes rate of interest and any redemption or conversion rights together with prices and dates. The consolidation of securities were completed on a 100:1 basis on 7 May 2012 and that the numbers provided are on a post-consolidation basis.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference *securities</b>				
7.2	<i>Changes during quarter</i>				
7.3	<b>*Ordinary securities</b>	166,509,044 191,250	166,509,044 -	N/A \$2.00	N/A 0.10 cents
7.4	Changes during quarter (a) Increases through issues ( <i>on a post consolidated basis</i> ) (b) Decreases through securities matured, converted	111,004,875	111,004,875	20 cents	20 cents
7.5	<b>Warrants</b>	1,800,000	-	\$3.50	\$3.50
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.7	<b>Options</b> <i>(on a post consolidated basis)</i>	Number of Options	Exercise Price	Expiry Date
		<b>Quoted</b>		
		6,786,903	\$6.00	9-Nov-12
		<b>Unquoted</b>		
		5,500,000	\$0.25	26-Mar-15
		150,000	\$2.00	Subject to the terms of a deed of settlement, whereby expiry occurs when the company makes the final payment under the deed.
		3,750,000	\$0.30	18-Apr-2015
		3,500,000	\$0.45	18-Apr-2015
		2,750,000	\$0.60	18-Apr-2015
		6,000,000	\$0.80	18-Apr-2017
		1,000,000	\$0.4375	18-Apr-2015
		5,250	\$100.00	30-Jul-12
		1,000	\$130.00	11-Nov-12
		155,500	\$5.00	8-Apr-13
		3,700	\$130.00	11-May-13
		10,000	\$70.00	18-Jul-13
		39,000	\$4.50	27-Oct-13
20,000	\$5.00	28-Oct-13		
8,000	\$4.50	4-Dec-13		
3,400	\$45.00	9-Feb-14		
2,200	\$30.00	21-Jun-14		
7.8	Issued during quarter <i>(on a post consolidated basis)</i>	Number of Options	Exercise Price	Expiry Date
		3,750,000	\$0.30	18-Apr-2015
		3,500,000	\$0.45	18-Apr-2015
		2,750,000	\$0.60	18-Apr-2015
		6,000,000	\$0.80	18-Apr-2017
		1,000,000	\$0.4375	18-Apr-2015
7.9	Exercised during quarter	Nil		
7.10	Expired/cancelled during quarter <i>(on a post consolidated basis)</i>	Number of Options	Exercise Price	Expiry Date
		9,250	\$65.00	1-Jun-12
		35,000	\$5.00	8-Apr-13
		5,000	\$4.50	27-Oct-13
		10,000	\$4.50	4-Dec-13
		800	\$45.00	9-Feb-14
1,200	\$30.00	21-Jun-14		
7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

  
.....  
(Company Secretary)

Date: 31 July 2012

Print name:

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.**  
The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.