



Apex Minerals NL

Quarterly Report
31 March 2012

Quarterly Overview

A wide range of corporate initiatives have been undertaken since the beginning of the March quarter in order to stabilise the Company's financial position and the Wiluna operations including:

- The underwritten rights issue was completed on 19 April 2012 and raised \$22.2 million before expenses.
- A short term debt funding facility of \$4 million was established which covered salary and wages in March and April and other expenses while the rights issue was completed.
- A strategic investment agreement was reached with The Metal Group Pty Ltd (The Metal Group), a private investment company controlled by Mr Andrew Forrest under which The Metal Group will provide Apex with strategic advice in relation to future investment, marketing, financing and corporate activities.
- It is proposed that The Metal Group will be issued an option package to acquire up to a 19.9% fully diluted 'interest' in Apex which if exercised will raise up to approximately \$17.95 million, subject to shareholder approval.
- New Directors were appointed on 19 April 2012 as a consequence of the successful completion of the rights issue.
- Senior management has also been appointed at the operations and corporate office recruitment for other senior positions has commenced.
- Drilling contract tenders have been called and were well supported which will facilitate the commencement of exploration drilling activity in mid May, targeting Moonlight, Golden Age and West Lode southern extensions.
- Power station reliability and supply to be substantially improved by the hire and installation of 5 megawatt temporary diesel fired power units.
- Non-core assets and surplus equipment to the value of \$8 – \$10 million has been identified for potential sale and is intended to be realised in the near term.
- Mine production in the March quarter totalled 78,347t at 3.6 g/t for 9,167 contained ounces.
- Production was adversely impacted by the once off requirement for rehabilitation of the development of high grade Calais after localised geotechnical issues late in 2011.
- Gold production resulted in 7,000 ounces of gold being sold.
- Cash costs of \$2,114/ounce were recorded for the quarter, however, after allowing for an adjustment to the prior period gold in circuit inventory, effective final costs were \$3,025/ounce for the quarter.
- Total operating costs for the March 2012 Quarter was \$15.9 million and similar to that reported for December 2011 Quarter.

Corporate

During the quarter, Apex announced an intention to raise \$22.2 million in new capital through a fully underwritten rights issue, alongside the appointment of a new management team, lead by Executive Chairman Mr Eduard Eshuys in order to establish the Company as a sustainable Australian gold producer.

The transaction was successfully completed on 19 April, with a subsequent share consolidation in process. This has placed the company in a position to pursue the operational improvements identified by the new management team required to ensure the Company has a sustainable future.

Prior to the completion of the entitlements offer a timely short term debt facility was provided by AMNL Financing Pty Ltd which facilitated the payment of the March salary and wages, the payment on time of the April salary and wages, and the purchase of critical spares and supplies. This facility has an interest rate of 20% per annum (payable on the last day of each period of 30 days from funding date) and is due to be repaid in full by 22 September 2012. The facility included the issue of 5.5 million options exercisable at 25 cents each within three years. AMNL Financing Pty Ltd is a special purpose private company which is part of The Metal Group of which Mr Andrew Forrest, the Chairman of Fortescue Metals Group, is the largest shareholder.

Subsequent to the end of the quarter, the Company also announced a strategic investment agreement had been reached with The Metal Group as part of Apex's strategy to establish the Company as a sustainable Australian gold producer. The Metal Group and Mr Forrest are to provide strategic advice and support to the Company and in return it is proposed the Metal Group will be issued an additional 35.3 million options at an exercise price 30 cents within three years which together with the earlier issued options to AMNL Financing Pty Ltd will total 19.9% of the fully diluted issued capital of the company (excluding options exercisable at higher price per share). Exercise of all these options could raise up to \$17.95 million of new capital for the Company.

The Board of Directors of Drummond Gold Limited have been appointed to the Board of the Company to drive the turnaround of the Wiluna Operations. As a consequence of facilitating the strategic investment agreement transaction with The Metal Group, Drummond and Mr Eshuys will be issued an additional 35.3 million and 9.2 million options respectively resulting in Drummond and Mr Eshuys having 15.2% and 4.9% interest in the Company respectively on a fully diluted basis (excluding options exercisable at higher price per share).

Apex will also be seeking shareholder approval for the issue of up to 15 million options to Non-Executive Directors and Senior Management of Apex.

To approve the proposed issue of share options to The Metal Group, Drummond Gold, Mr Eshuys and the Directors and Senior Management, Apex will convene a general meeting of shareholders which is expected to be held during June 2012.

Further details on each of the resolutions to be put to shareholders and its effect on the current capital structure will be set out in the Notice of Meeting and accompanying

Explanatory Memorandum to be sent to shareholders in advance of the general meeting of shareholders.

Mining

Mine Production

Underground production activities for the quarter was undertaken in the Calais, Henry V and Woodley ore bodies. Mining recommenced in the later part of the quarter in the Calais ore body after implementation of the ground support management plan that was required to address the localised geotechnical issues experienced in late 2011.

Development activity focused on preparing the 3 Level Bulletin ore body for production and extending the Baldrick Decline to access the deeper ore of the Calais and Henry V orebodies.

Total tonnes mined were lower than the previous quarter as ore sources in the Calais orebody required the additional rehabilitation and ore tonnes contributed from development were reduced with the focus shifting to decline capital development.

The overall grade was lower as result of supplementing production with lower grade ore from development at Woodley.

Table 1 - Underground Ore Mining Quarterly Results

	June-11 Qtr	Sep-11 Qtr	Dec-11 Qtr	Mar-12 Qtr
Stope Tonnes	113,919	85,833	75,836	69,269
Development Tonnes	17,310	24,888	22,582	9,078
Total Tonnes	131,229	110,721	98,418	78,347
Stope Grade	4.59	4.66	3.76	3.48
Development Grade	3.48	2.69	2.87	4.83
Average Grade	4.44	4.22	3.56	3.64
Contained Ounces Mined	18,734	15,017	11,263	9,167

Table 3 – Milling Statistics

	June-11 Qtr	Sep-11 Qtr	Dec-11 Qtr	Mar-12 Qtr
Underground Tonnes	112,428	28,900	96,667	72,932
Other Tonnes	-	-	-	-
Total Tonnes Processed	112,428	28,900	96,667	72,932
Grade (g/t)	3.80	4.40	3.80	3.55
Contained Gold (ounces)	13,742	18,251	11,804	8,317
Metallurgical Recoveries	91%	78%	82%	81.8%
Gold Sold	12,138	15,057	9,200	7,001

Appendix 5B

Mining exploration entity quarterly report

Name of entity

APEX MINERALS NL

ABN		Quarter ended ("current quarter")
22 098 612 974		31 March 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	11,816	51,215
1.2	Payments for (a) exploration and evaluation (b) development (c) production # (d) administration	(290) (1,197) (10,761) (415)	(687) (4,398) (40,896) (3,321)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	119	203
1.5	Interest and other costs of finance paid	(5)	(96)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(733)	2,020
Cash flows related to investing activities			
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	- - - - -	234 - - - -
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – costs of sale of prospects	-	-
	Net investing cash flows	-	234
1.13	Total operating and investing cash flows (carried forward)	(733)	2,254

1.13	Total operating and investing cash flows (brought forward)	(733)	2,254
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (see note)	4,000	4,000
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(2)	(2)
	Other – finance lease liability	(874)	(3,498)
	Other – net payments for cash backed guarantees	(28)	(28)
	Other – repayment of GUP notes	-	-
	Net financing cash flows	3,096	472
	Net increase (decrease) in cash held	2,363	2,726
1.20	Cash at beginning of quarter/year to date	365	2
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter (see note)	2,728	2,728

NOTES
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	207
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	500
4.2	Development	2,000
4.3	Production	11,500
4.4	Administration	400
	Total	14,400

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	2,728	365
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	2,728	365

The company raised \$22.2 million before issue costs from completion of the rights issue on April 19, 2012.

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	Nil			
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.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference *securities				
7.2	<i>Changes during quarter</i>				
7.3	*Ordinary securities	16,650,731,137 19,125,000	16,650,731,137	N/A 20 cents	N/A 0.001 cents
7.4	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.5	Warrants	180,000,000	-	3.5 cents	3.5 cents
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

7.7	Options	Number of Options	Exercise Price	Expiry Date
		Quoted		
		678,641,833	\$0.06	11-Nov-12
		Unquoted		
		550,000,000	\$0.0025	26-Mar-15
		15,000,000	\$0.02	Subject to the terms of a deed of settlement, whereby expiry occurs when the company makes the final payment under the deed.
		925,000	\$0.65	1-Jun-12
		525,000	\$1.00	30-Jul-12
		100,000	\$1.30	11-Nov-12
		19,050,000	\$0.045	9-Apr-13
		370,000	\$1.30	11-May-13
		1,000,000	\$0.70	18-Jul-13
		4,400,000	\$0.045	27-Oct-13
		2,000,000	\$0.05	28-Oct-13
		1,800,000	\$0.045	4-Dec-13
		420,000	\$0.45	9-Feb-14
		340,000	\$0.30	21-Jun-14
7.8	Issued during quarter	Number of Options	Exercise Price	Expiry Date
		550,000,000	\$0.0025	26-Mar-15
7.9	Exercised during quarter	Nil		
7.10	Expired/cancelled during quarter	Number of Options	Exercise Price	Expiry Date
		2,500,000	\$0.30	29-Jan-12
		2,200,000	\$0.045	9-Apr-13
		3,350,000	\$0.045	27-Oct-13
		1,400,000	\$0.045	4-Dec-13
		20,000	\$0.045	9-Feb-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: 30 April 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.