Apex Minerals NL

ACN 098 612 974

December 2012 Quarterly Report

Corporate Details

As at 31 January 2013

ASX codes:

Apex Shares: AXM
Apex Options: AXMO

Securities on issue:

301,725,258 Fully paid ordinary shares
191,250 Partly paid shares
136,070,950 Unlisted options

Registered Office:

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Directors:

Mr Eduard Eshuys
Executive Chairman

Mr Brice Mutton
Non-Executive Director

Mr Kim Robinson
Non-Executive Director

Mr Jeremy Robinson
Company Secretary

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Summary

- **Upgraded Ore Reserves of 1.60 million tonnes @ 4.7 g/t for 242,000 ounces.**
- **Detailed underground production schedule has been developed to 30 June 2016, lengthening the planning horizon and now under rigorous review by management and the Board.**
- **Cost reduction initiatives have been implemented delivering cost savings in the month of December of approximately A$1.5m compared to previous month. Identifying further areas for cost reductions and efficiency gains continues to be a major area of focus.**
- **Improved underground mine production in December 2012 Quarter of 132,914 tonnes, compared to the prior quarter total of 119,624 tonnes.**
- **Processing of ore in December 2012 Quarter increased by 7.7% to 131,833 tonnes at 3.1 g/t.**
- **Gold production of 10,820 ounces in December 2012 Quarter slightly down on the prior quarter.**
- **Comprehensive Strategic Review commenced subsequent to quarter end including the appointment of Lion Capital to assist in determining availability of a potential restructure or change of ownership transaction.**
- **The Company is considering offers for its Youanmi Gold Mine to realise value for this non-core asset.**

Eduard Eshuys
Executive Chairman

Wiluna Gold Operational Overview

Apex is pleased to report that progress continues to be made with respect to increasing mine production quarter on quarter. The trend of increasing mine production and the continued focus on improving operating practices has facilitated a return of the Wiluna operations to stabilised gold production.

Underground mine production of 132,914 tonnes in the December Quarter 2012 represented an 11.6% improvement on the prior quarter total of 119,624 tonnes (**see Table 1 and Chart 1**).

Although mine production continued its upward trend, gold production in the December Quarter totalled 10,029 ounces, a slight reduction on the September Quarter production of 11,125 ounces (**see Table 2 and Chart 2**).

Gold production was principally impacted by lower production of high grade ore tonnes resulting in an overall lower grade of 3.1g/t compared to 3.7g/t in the September Quarter.

A shortfall in production of high grade ore tonnes and dilution compared to forecast occurred at Burgundy zone, accessed by the Bulletin Decline. Mining at the Burgundy zone is occurring at depths greater than 800 metres in difficult ground conditions. Poor mine design, development and operating practices established during 2011 have resulted in the production shortfall and dilution issues currently being experienced. Lower grades have also been encountered at the East Lode and West Lode zones due to dilution and isolated grade reconciliation issues respectively.

Production and operational measures have been taken to reduce dilution and improve the grade of the underground production with particular focus on design and execution of production drilling.

Underground mine production will continue to focus on the shallower East and West Lodes zones with the objective of reducing dependence on the high cost and deeper Calais zone, Burgundy zone and Henry 5 zone ore bodies of the Bulletin Decline.

Improvements in operating practices, the focus on identifying and implementing cost reductions and efficiency gains and the development of a detailed production schedule to 30 June 2016 has begun to produce tangible benefits. This includes the intended commencement of production from the new shallow and lower cost East Lode ore reserves during the March Quarter 2013, which will replace production previously scheduled from the deeper ore reserves.

Apex will continue to focus on identifying areas for further potential cost reductions whilst maintaining its gold production. Management's aim is to see the Wiluna gold operations producing 100,000 ounces per annum at a cash cost of $1,100/oz. Reduction in operating costs will allow the early recommencement of exploration, to unlock the true potential of Wiluna.

Chart 1: Underground Mine Production

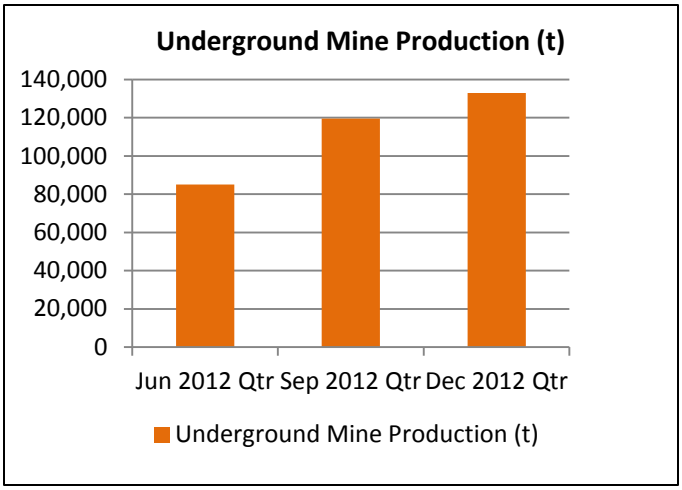


Table 1: Quarterly Mine Production

	Actual		
	Jun 2012 Qtr	Sep 2012 Qtr	Dec 2012 Qtr
Underground Mine Production (t)	85,094	119,624	132,914
Grade (g/t)	3.9	3.7	3.1

Chart 2: Quarterly Gold Production

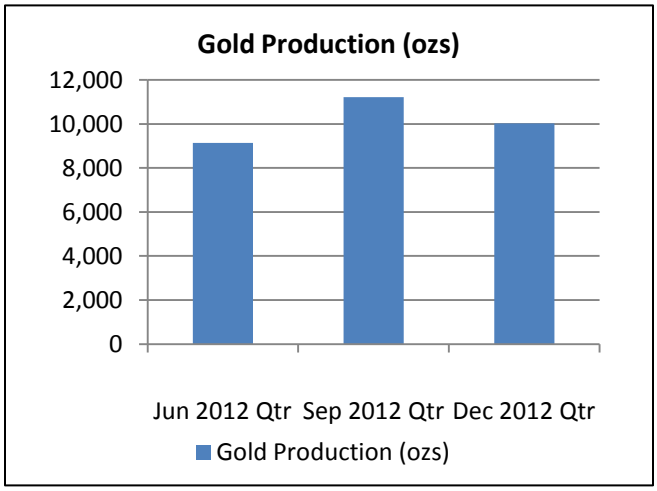


Table 2: Quarterly Gold Production

	Actual		
	Jun 2012 Qtr	Sep 2012 Qtr	Dec 2012 Qtr
Gold Production (ozs)	9,139	11,218	10,029
Cash Operating Cost $/oz	1,522	1,729	1,889

Processing

Plant throughput during the December 2012 Quarter increased by 7.7% compared to the September 2012 Quarter (**see Table 3 and Chart 3**). The increased plant throughput was tempered however by the lower head grade which also impacted recoveries. Management remains confident that improvements to increase recoveries have been identified, which with implementation and a LOM head grade of 4.3 g/t will result in increased recoveries to 85%.

Chart 3: Quarterly Ore Processed

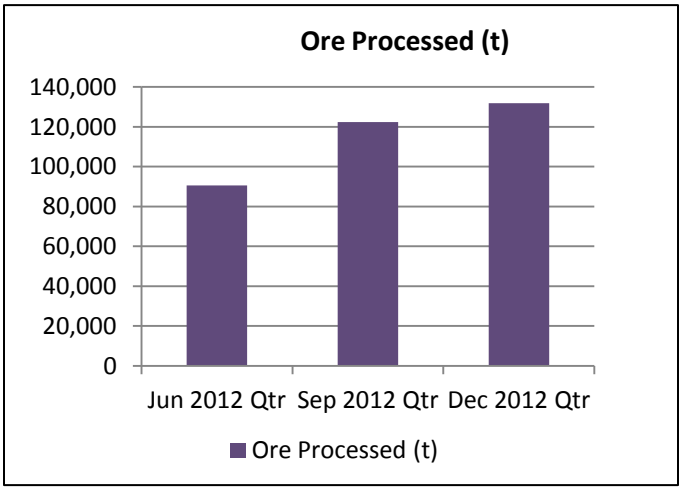


Table 3: Ore Processed

	Actual		
	Jun 2012 Qtr	Sep 2012 Qtr	Dec 2012 Qtr
Ore Processed (t)	90,627	122,370	131,883
Head Grade (g/t)	3.9	3.7	3.1
Recovery (%)	79	77	75

Operating Costs

The lower than anticipated grades and reduced recoveries which have directly impacted on gold production have also resulted in unacceptably high unit cash costs for the December 2012 Quarter of $1,889 per ounce.

Apex continues with its objective of reducing operating costs. The focus on cost reductions has resulted in mine operating costs for the month of December 2012 being approximately $1.5 million lower compared to previous months.

Areas identified for improvement have included mining equipment and power. The hire of non-core mining equipment has been terminated including two trucks and one loader and associated operators. Apex also demobilised surplus items of underground equipment on hire due to the improved maintenance and performance of the company's owned underground mining equipment. Initial analysis of current power and associated gas supply arrangements has indicated reductions in costs can also be achieved through the rearrangement of contracts and operational efficiencies.

Management and the Board are currently reviewing the detailed underground production schedule for Wiluna which has been completed through to 30 June 2016. Continuing to identify areas for cost reductions and efficiency gains was a major area of focus in the month of December 2012 and will remain in focus going forward.

Exploration and Other Activities

Reserve Upgrade

A review of ore reserves was completed during the quarter following on from the recent increased mineral resource estimate as announced on 23 October 2012 (see Appendix 1 for details of the mineral Resource). The updated ore reserves have been upgraded to 1.60 million tonnes @ 4.7 g/t for 242,000 ounces and are summarised in Table 4 and Figure 1 below. The upgraded ore reserve provides underlying support for the lengthened planning horizon and underground production schedule to 30 June 2016.

Table 4

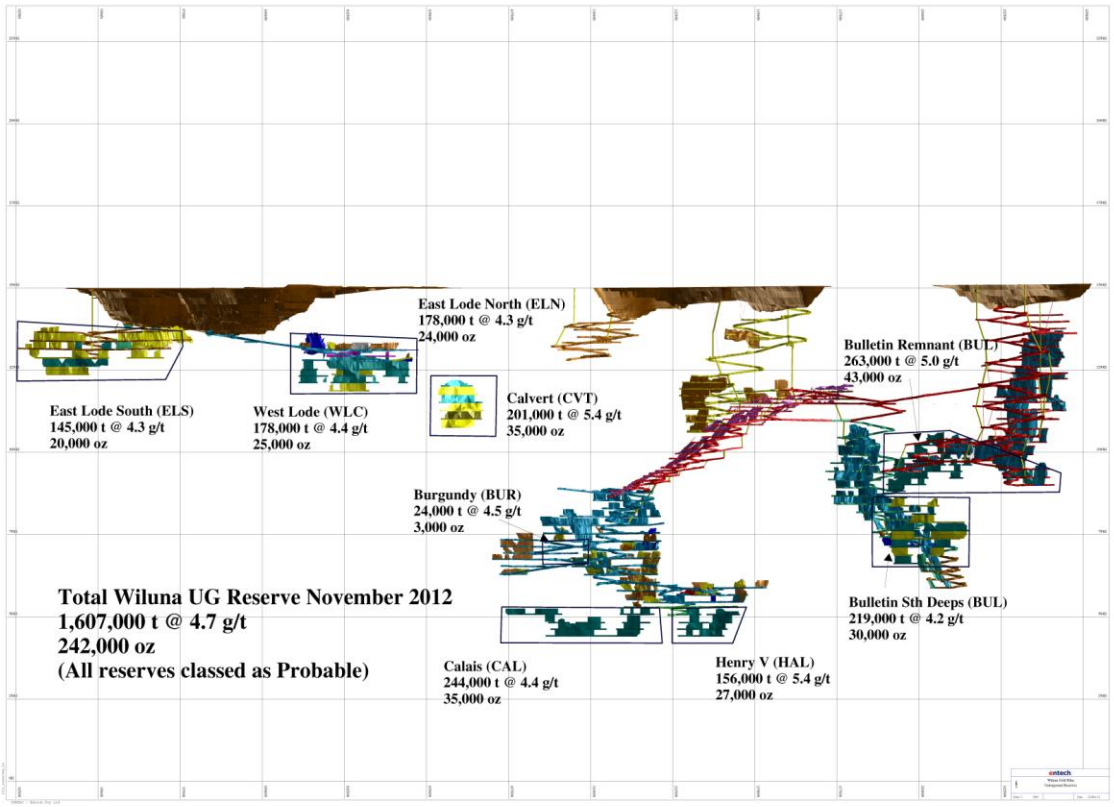
Wiluna Underground Ore Reserves as at 1 November 2012

Lode	Ore Reserve Category	Tonnes (t)	Gold (g/t)	Contained Gold (ounces)
East Lode North	Probable	178,000	4.3	24,000
	Proved	-	-	-
West Lode	Probable	178,000	4.4	25,000
	Proved	-	-	-
Calvert	Probable	201,000	5.4	35,000
	Proved	-	-	-
East Lode South	Probable	145,000	4.3	20,000
	Proved	-	-	-
Calais	Probable	244,000	4.4	35,000
	Proved	-	-	-
Henry V	Probable	156,000	5.4	27,000
	Proved	-	-	-
Bulletin Remnant	Probable	263,000	5.0	43,000
	Proved	-	-	-
Bulletin South Deeps	Probable	219,000	4.2	30,000
	Proved	-	-	-
Burgundy	Probable	24,000	4.5	3,000
	Proved	-	-	-
Total	*Probable*	1,607,000	4.7	242,000
	Proved	-	-	-
	Total	**1,607,000**	**4.7**	**242,000**

Note: Calculations are rounded to the nearest 10,000 tonnes, 0.1 g/t Au and 1,000 ounces metal. Differences may occur due to rounding.

These Ore Reserves estimates are based on underground mining methods and include an overall assumption of 15% mining dilution at zero grade along with an assumed 5% mining loss of ore tonnes when mined.

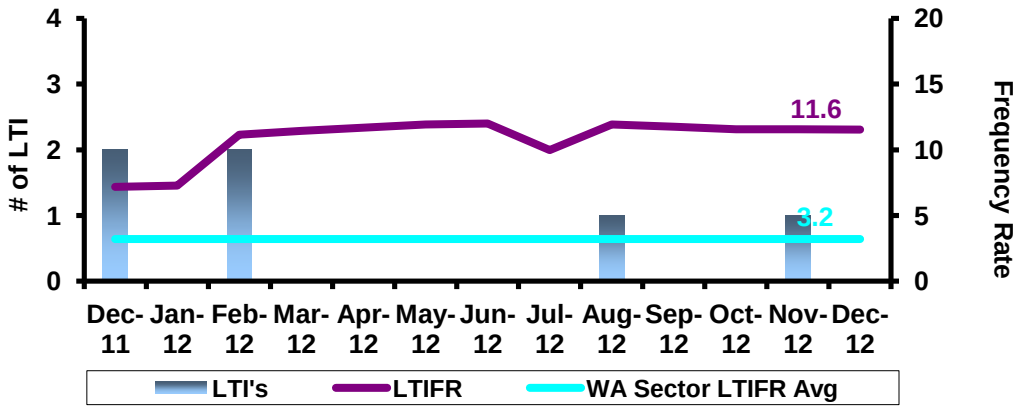
Figure 1



Health and Safety

Improving the Company's safety profile has been a continuing focus for management during the quarter. There was one lost time injury and two medically treated injury cases during the December Quarter (**see Chart 4**).

Chart 4
Wiluna 12-month rolling
Lost Time Injury Frequency Rate (LTIFR)



Corporate

During the December Quarter 2012, the Company progressed a Prospectus offering to shareholders comprising a non-renounceable entitlement of 1 share for every 2 shares held at an issue price of $0.08 per share, to raise a maximum of $8.8 million. The minimum subscription with respect to the Entitlement Offer was $6.0 million, with a total of $6.4 million raised under the offering.

In October 2012 Apex refinanced and settled an existing $4.0 million short term debt facility via a new facility provided by AR Management Co Pty Ltd. Subsequent to quarter end, during January 2013, Apex reached agreement with AR Management regarding a further refinancing and variation to the facility, including to extend the repayment terms of the $4M loan to January 2014 .

During the quarter, an amount of $1.8 million was spent on capital development at the Wiluna operations, to further improve production performance as detailed in this report.

Apex has subsequent to quarter end initiated a comprehensive Strategic Review of the Company and its assets seeking to enhance shareholder value. The Strategic Review will encompass the ongoing review of operations and costs, recommencement of exploration and consider corporate strategies including restructure and change in ownership transactions.

While Apex has made substantial progress in the turnaround of Wiluna, it is the Board's view that the inherent value of the Company is not being reflected in the current share price and that another party with improved access to capital may be better placed to unlock this value for shareholders.

In this regard Apex has appointed independent corporate advisor Lion Capital to assist it in determining the availability of a potential restructure or change of ownership transaction. The Strategic Review will seek to identify and assess expressions of interest from third parties for the Company. It is expected this process will run for a period to March 2013.

Apex is also seeking to realise greater value from its Youanmi Gold Mine ("Youanmi") which is under care and maintenance. It is evident to management that Youanmi's underlying value is not being recognised in the Company's recent share price. Accordingly, Apex is currently considering offers to realise this value, which may or may not result in a sale of Youanmi.

Enquiries should be directed:

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Appendix 1 – Mineral Resource Table as at 30th June 2012 - WILUNA

Apex Minerals NL
Wiluna Gold Deposits
Summary Resource Grade Tonnage Report as of 30th June 2012
Ordinary Kriging Grade Estimation
Reported at a Lower Cut-off Grade of 2.0g/t Au

Resource Category	Indicated			Inferred			Total			
Lode	Tonnes (Kt)	Gold Grade (g/t)	Contained Metal (Koz)	Tonnes (Kt)	Gold Grade (g/t)	Contained Metal (Koz)	Tonnes (Kt)	Gold Grade (g/t)	Contained Metal (Koz)	Note
Henry 5	266	7.6	65	58	4.4	8	324	7.0	73	1
Baldric	183	5.7	33	153	5.9	29	336	5.8	62	1
Henry 5 North	200	5.3	34	123	3.9	15	324	4.8	50	1
Woodley 200	318	5.5	56	19	5.9	4	336	5.5	60	1
Scroop	-	-	-	185	3.1	19	185	3.1	19	1
Bulletin	1110	5.8	206	216	5.2	36	1326	5.7	242	1
Lennon	47	6.4	10	8	4.5	1	55	6.1	11	1
Henry 5 - Woodley - Bulletin Total	**2124**	**5.9**	**404**	**762**	**4.6**	**112**	**2887**	**5.6**	**516**	
Burgundy	487	6.5	102	128	6.2	26	615	6.5	128	1
Calais 50/50H	321	6.3	66	73	7.6	18	394	6.6	83	1
Calais 100/90	427	5.4	74	117	4.0	15	544	5.1	89	1
Calais 150	57	4.6	8	-	-	-	57	4.6	8	1
Burgandy - Calais Total	**1292**	**6.0**	**250**	**318**	**5.7**	**58**	**1610**	**6.0**	**309**	
ELN	452	5.6	81	649	5.0	104	1101	5.2	185	1
East Lode South	125	7.0	28	384	5.3	66	509	5.7	94	1
East Lode Main	642	5.0	104	1555	5.7	284	2197	5.5	388	1
East Lode Total	**1220**	**5.4**	**213**	**2587**	**5.5**	**453**	**3807**	**5.4**	**667**	
West Lode Main	566	4.8	87	1698	5.0	275	2264	5.0	363	1
West Lode 1	429	4.8	67	332	5.4	58	762	5.1	125	1
Calvert	168	8.1	44	225	6.9	50	394	7.4	94	1
West Lode - Calvert Total	**1164**	**5.3**	**198**	**2256**	**5.3**	**383**	**3420**	**5.3**	**581**	
Happy Jack	322	5.3	54	36	5.3	6	358	5.3	61	1
Creek Shear	846	6.2	170	403	4.5	58	1249	5.7	228	1
Creek Shear Deeps	345	5.9	65	900	4.9	141	1245	5.1	206	1
HappyJack - CreekShear Total	**1513**	**5.9**	**289**	**1339**	**4.8**	**205**	**2853**	**5.4**	**494**	
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	224	2.3	17	496	2.8	45	2
Wiluna Queen	69	3.8	9	125	3.4	14	194	3.6	22	2
Squib Deeps	114	3.0	11	373	5.7	68	487	5.0	79	2
Brothers Reef	35	6.9	8	13	3.3	1	48	6.0	9	1
Golden Age North	140	1.6	7	379	2.4	29	519	2.1	36	2
Total Other	**843**	**4.0**	**109**	**1291**	**4.1**	**172**	**2134**	**4.1**	**281**	
Wiluna Total	**8155**	**5.6**	**1465**	**8554**	**5.0**	**1384**	**16710**	**5.3**	**2848**	

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

Competent Person's Statement for Exploration Results and Mineral Resources Estimates

Additional information

1. Resource estimated June 2012 by Mark Savage at a 2.0g/t Au lower cut off.

2. Resource estimated June 2012 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.

Mr Savage is a Member of the Australasian Institute of Mining and Metallurgy. Mr Savage is a full time employee of Apex Minerals NL. Mr Savage 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 announcement 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 all 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.