



APEX MINERALS NL
ABN 22 098 612 974

Annual Report
30 June 2010

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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 2010.

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 Limited Australian (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.

Within the prior three years, 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 is currently one of its Non-Executive Directors.

Kim Robinson – Non Executive Director & Chairman

B.Sc (Geology)

Mr Kim Robinson is a founding Director of Kagara Limited and its current Executive Chairman. Mr Robinson graduated from the University of Western Australia in 1973 with a degree in Geology and has 36 years experience in the minerals exploration and mining industries, including 10 years as Executive Chairman of Forrestania Gold NL. Mr Robinson is also 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 - Appointed 17 February 2010

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 focused 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.

DIRECTORS' REPORT (continued)

Glenn Jardine – Operations Director – resigned 31 July 2009

Mark Bennett – Geology Director – resigned 23 November 2009

Stephen Lowe – Non Executive Director - resigned 17 February 2010

Todd Bennett – Non Executive Director - resigned 17 February 2010

Company Secretary

Adrian Di Carlo – appointed 11 March 2010

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.

Anna Neuling – resigned 11 March 2010

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 loss for the year after income tax was \$115,776,000 (2009 \$133,595,000).

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. During 2009/10, access to these deposits was achieved (albeit later than initially expected). Gold production during the second half of the financial year has seen a steady improvement as a result and has been articulated in the various quarterly reports of the company. Further productivity and cost improvement initiatives have been identified and are being 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 metres 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. It is expected that underground mining at the rate of approximately 150,000 tpa, 300,000 tpa at 7g/t from the Wilsons deposit will be trucked to Wiluna. The Group is expecting to develop Wilsons.
- The **Youanmi Project** is located 480 km 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 (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 and as previously announced, the company is assessing various options with regard to maximising the value of the asset including a possible sale, joint venture and other options.

DIRECTORS' REPORT (continued)

Significant Changes in the State of Affairs

The completion of the sale of Apex Minerals wholly owned Aphrodite Project to Aphrodite Gold Limited ("AGL") an ASX listed entity, was finalised on 17 November 2009. The consideration received was \$5 million cash, 11 million fully paid shares in AGL 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 and was valued at that time of \$242,000 and \$804,000 respectively. The share price of AGL at the time of this report was \$0.021 per share.

The completion of the sale of certain tenements prospective for nickel to Sirius (an ASX listed entity) was finalised on 31 August 2009. The consideration received 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 was determined by using the Black Scholes option pricing model, discounted by 25% for lack of transferability, and a volatility of 100%.

In August and September 2009, the Company 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.

On 10 November 2009 the Company issued 2,714,578,367 new shares at \$0.04 and 271,458,280 options with an exercise price of \$0.06 and an expiry date of three years from the date of issue. The proceeds from the issue were in part used to repurchase 121 Notes issued in September 2008 at \$440,000 per note, representing a discount of 12% from face value, totalling \$53,240,000. The note holders received \$28,156,951 cash, 627,076,219 shares at \$0.04 per share and 62,707,622 free attaching options at an exercise price of \$0.06 expiring 11 November 2012. The note holders also received 45,000,000 options at an exercise price of \$0.06 expiring 11 November 2012 as a fee for sub underwriting part of the November 2009 rights issue.

The Company also repaid the short term notes of \$10,000,000 which were issued in October 2009. The repayment consisted of 250,000,000 shares at \$0.04 per share and free attaching options of 25,000,000 at an exercise price of \$0.06 expiring 11 November 2012. The lender also received 40,000,000 options at an exercise price of \$0.06 expiring 11 November 2012 as a fee for the underwriting portion of the short term funding.

In May 2010 the Company finalised an agreement with Oz Minerals Limited (Oz) regarding the various claims between the two companies. Under an agreement between the Company and Oz, Oz paid the Company \$3 million in cash as settlement of all claims.

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

On 6 August 2010 the Company raised \$5 million through the placement of 250 million new shares to institutional and sophisticated investors, at 2 cents a share representing an 8 per cent discount to the 5 and 10 day VWAP (variable weighted average share price) immediately prior to the 4 August 2010 trading halt.

On 5 August 2010 the Group sold its holding of 600,000,000 Sirius options for \$450,000 to Yandal Investments Pty Ltd. The consideration payable 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. The sale of the Sirius options realised a book loss on disposal of \$4,795,000.

DIRECTORS' REPORT (continued)

In addition to the sale the Creasy Group agreed to extend the Guarantee Arrangement to \$4,000,000 under certain conditions. At the date of this report a total of \$3,500,000 was drawn down under this arrangement. Other conditions of the Extended Guarantee Arrangements (EGA) are:

- Specific repayment dates for the remaining \$500,000 if it is drawn down under this Arrangement
- The EGA will end on 31 January 2011. If the facility funds are not repaid to the Creasy Group by 28 February 2011 the Company must grant the Creasy Group a second ranking charge over its assets to the extent of the outstanding guarantee amount and any outstanding fees at that time.

On 3 August the Company entered into an agreement with Orex Mining Pty Ltd (Orex) to sell calcine tailings located at the Wiluna mine site. Settlement is conditional on Orex obtaining the necessary regulatory approvals to move the tailings to a specified special purpose tenement. The sale included the immediate payment to Apex of \$20,000 plus a royalty payment of \$4 per tonne treated by Orex on settlement. Orex will pay to Apex \$900,000 as an advanced royalty payment.

The Company has valued the Gold Upside Participation Notes (GUPs) using a gold price of \$1,352 being the AUD gold price at the date of this report compared to the price of \$1,479 per ounce used at 30 June 2010. This valuation shows that:

- The total derivative liability has reduced from \$40.9 million at 30 June 2010 to \$28.4 million; and
- The current portion has reduced from \$14.7 million to \$8.7 million

The effect of this valuation on the 30 June 2010 working capital position would have been a reduction of the working capital deficit by \$6.0 million and an increase in the net asset position of \$12.5 million in the absence of any other adjustments. The value of the GUPs at a point in time is highly dependent on the gold price assumption which is used.

Options Issued

No options were exercised during the year. No options were granted subsequent to 30 June 2010.

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(1) of the Corporations Act 2001, at the date of this report is as follows:

| | | Apex Minerals NL | |
|-------------|----------|-------------------|------------|
| | | Fully Paid Shares | Options |
| M Ashley | Direct | 2,884,000 | - |
| | Indirect | 14,291,000 | 2,500,000 |
| M Bennett * | Direct | - | - |
| | Indirect | 1,497,414 | 2,500,000 |
| G Jardine * | Direct | 2,623,668 | 2,500,000 |
| | Indirect | - | - |
| K Robinson | Direct | 71,354,200 | 10,195,679 |
| | Indirect | 800,000 | - |
| S Lowe * | Direct | - | 817,851 |
| | Indirect | 412,198 | - |
| T Bennett * | Direct | 402,334 | 750,000 |
| | Indirect | - | - |
| R Lee | Direct | - | - |
| | Indirect | - | - |

* Holding as at the date of resignation

DIRECTORS' REPORT (continued)

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2010.

There were a total of 9 Directors' Meetings were held during the year.

| Director | Number Eligible to Attend | Number Attended |
|------------|---------------------------|-----------------|
| M Ashley | 9 | 9 |
| M Bennett | 6 | 5 |
| G Jardine | - | - |
| K Robinson | 9 | 6 |
| S Lowe | 8 | 7 |
| T Bennett | 8 | 8 |
| R Lee | 1 | 1 |

Audit Committee Meetings

The following table sets out the number of audit committee meetings of the Company's Directors held during the year ended 30 June 2010.

There was a total of 2 audit committee meetings held during the year.

| Director | Number Eligible to Attend | Number Attended |
|------------|---------------------------|-----------------|
| M Ashley | 2 | 2 |
| M Bennett | 1 | 1 |
| G Jardine | - | - |
| K Robinson | 2 | 2 |
| S Lowe | 1 | 1 |
| T Bennett | 1 | 1 |
| R Lee | 1 | 1 |

Remuneration Committee Meetings

A remuneration committee has been formed. No meetings were held during the financial year ended 30 June 2010.

Remuneration Report (Audited)

Details of key management personnel (including the five highest paid executives 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)
- Mark Bennett – Geology 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)
- 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 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. No bonuses were paid during the 2010 year.

DIRECTORS' REPORT (continued)

The terms of engagement and remuneration of executive Directors is reviewed periodically by the Board, with recommendations being made by the 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.

The policy of the Group is to pay remuneration of Directors and senior executives in cash and options and is in amounts 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 2010 took place in December 2009 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.

Long-term incentive

The Group provides long-term incentives to Directors, executive 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 staff may be invited by the Board to subscribe for share options of 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

| <i>In thousands AUD</i> | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-----------|-----------|----------|---------|---------|
| (Loss) attributable to members of the Group | (115,776) | (133,595) | (60,406) | (5,906) | (1,728) |
| Share price at start of year | 0.16 | 0.58 | 0.89 | 0.28 | 0.10 |
| Share price at end of year | 0.02 | 0.16 | 0.60 | 0.89 | 0.28 |
| Dividends | - | - | - | - | - |
| Basic earnings/(loss per share) Cents | (4.97) | (31.41) | (19.01) | (3.69) | (3.02) |
| Fully diluted earnings/(loss) per share (cents) | (4.97) | (31.41) | (19.01) | (3.69) | (3.02) |

DIRECTORS' REPORT (continued)

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

| | Short term employee benefits | | | | Post employment benefits | | Share based payments | | | |
|-----------------------|------------------------------|-------|----------------|-----------------------|--------------------------|--------------------|----------------------|-----------|---------------------------------------|--|
| | Salary and Director's Fees | Bonus | Other Services | Non-Monetary Benefits | Superannuation | Retirement Benefit | Options (i) | Total | Percentage of remuneration by options | Proportion of remuneration performance related |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Director | | | | | | | | | | |
| M Ashley | | | | | | | | | | |
| 2010 | 535,538 | - | - | 34,034 | 14,865 | - | - | 584,437 | 0 | 0 |
| 2009 | 300,000 | - | - | - | 27,000 | - | 198,444 | 525,444 | 38 | 38 |
| K Robinson | | | | | | | | | | |
| 2010 | 45,000 | - | - | - | 4,050 | - | - | 49,050 | 0 | 0 |
| 2009 | 45,000 | - | - | - | 4,050 | - | 118,236 | 167,286 | 71 | 71 |
| R Lee | | | | | | | | | | |
| 2010 | 23,833 | - | - | - | - | - | - | 23,833 | 0 | 0 |
| 2009 | - | - | - | - | - | - | - | - | 0 | 0 |
| M Bennett | | | | | | | | | | |
| 2010 | 135,064 | - | - | 7,371 | 19,507 | - | - | 161,942 | 0 | 0 |
| 2009 | 350,000 | - | - | 17,033 | 31,500 | - | 284,311 | 682,844 | 42 | 42 |
| G Jardine | | | | | | | | | | |
| 2010 | 29,167 | - | - | - | 2,625 | - | (100,698) | (68,906) | 0 | 0 |
| 2009 | 350,000 | - | - | - | 31,500 | - | 498,296 | 879,796 | 57 | 57 |
| S Lowe | | | | | | | | | | |
| 2010 | 39,335 | - | - | - | 3,097 | - | - | 42,432 | 0 | 0 |
| 2009 | 49,212 | - | - | - | - | - | 115,286 | 164,498 | 70 | 70 |
| T Bennett | | | | | | | | | | |
| 2010 | 33,333 | - | - | - | 3,000 | - | (22,295) | 14,038 | 0 | 0 |
| 2009 | 47,756 | - | - | - | 4,298 | - | 22,295 | 74,349 | 30 | 30 |
| Total | | | | | | | | | | |
| 2010 | 841,270 | - | - | 41,405 | 47,144 | - | (122,993) | 806,826 | 0 | 0 |
| 2009 | 1,141,968 | - | - | 17,033 | 98,348 | - | 1,236,868 | 2,494,217 | 50 | 50 |
| Key Executives | | | | | | | | | | |
| W Dix | | | | | | | | | | |
| 2010 | 195,095 | - | - | 18,252 | 21,061 | - | 15,232 | 249,640 | 6 | 6 |
| 2009 | 170,000 | - | - | 13,549 | 15,300 | - | 77,366 | 276,215 | 28 | 28 |
| M Walsh | | | | | | | | | | |
| 2010 | 153,910 | - | - | - | 18,082 | - | (10,356) | 161,636 | 0 | 0 |
| 2009 | 232,436 | - | - | - | 20,919 | - | 10,356 | 263,711 | 4 | 4 |
| R Jacobs | | | | | | | | | | |
| 2010 | 266,346 | - | - | - | 26,636 | - | 20,309 | 313,291 | 6 | 6 |
| 2009 | 23,077 | - | - | - | 2,077 | - | 603 | 25,757 | 2 | 2 |
| A Neuling | | | | | | | | | | |
| 2010 | 151,154 | - | - | 6,505 | 15,272 | - | (10,222) | 162,709 | 0 | 0 |
| 2009 | 166,654 | - | - | 10,088 | 16,425 | - | 80,732 | 273,899 | 29 | 29 |
| G Brock | | | | | | | | | | |
| 2010 | 25,000 | - | - | - | 2,250 | - | (115,741) | (88,491) | 0 | 0 |
| 2009 | 300,000 | - | - | - | 27,000 | - | 112,654 | 439,654 | 26 | 26 |
| Total | | | | | | | | | | |
| 2010 | 791,505 | - | - | 24,757 | 83,301 | - | (100,778) | 798,785 | 0 | 0 |
| 2009 | 892,167 | - | - | 23,637 | 81,721 | - | 281,711 | 1,279,236 | 22 | 22 |

- (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.

DIRECTORS' REPORT (continued)

- (ii) During the year the following Directors and executives were paid out the following amounts of leave not recognised in the remuneration table above:

| Director/Executive | \$ |
|--------------------|---------|
| M Ashley | 123,588 |
| M Bennett | 74,312 |
| G Jardine | 58,340 |
| W Dix | 30,385 |
| M Walsh | 47,663 |
| R Jacobs | 39,411 |
| A Neuling | 27,207 |

- (iii) 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 the 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.

Employment Benefits

The details of the executive employment contracts are as follows:

The Managing Director, Mark Ashley's employment contract commenced on 18 April 2006 and expired on 17 April 2009 for a three year period. Upon the expiration of the term of the agreement, the Executive's appointment continued on the same terms. Under the terms of the present contract:

- Mr Ashley will be paid a minimum remuneration package of \$535,539 p.a. base salary plus superannuation. The Group will also provide a motor vehicle to the value of \$65,000 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 cause, the Executive is not entitled to any payment.

The former Exploration Director's, Mark Bennett, employment contract was for an initial 3 year period that commenced on 9 May 2006 and expired on 8 May 2009. Upon the expiration of the term of the agreement, the Executive's appointment continued on the same terms until his resignation on 23 November 2009. Under the terms of that contract:

- Mr Bennett was paid a minimum remuneration package of \$350,000p.a. base salary plus superannuation. The Group will also provide a motor vehicle to the value of \$65,000 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 could have terminated this agreement by not less than three months' notice in writing if the Executive became incapacitated by illness or accident for an accumulated period of three months or the Group was advised by an independent medical officer that the Executive's health has deteriorated to a degree that it was advisable for the Executive to leave the Group. On termination by notice by the Group, the Group was obliged to pay the Executive a six month service fee.
- The Group could have terminated the contract at any time without notice if serious misconduct had occurred. On termination with cause, the Executive was not entitled to any payment.

The former Operations Director, Glenn Jardine, employment contract was a contract that commenced on 31 May 2007 and terminated on 31 July 2009 upon resignation. The terms of the contract were:

- Mr Jardine was paid a minimum remuneration package of \$300,000p.a. base salary plus superannuation.
- The Group could have terminated 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.

DIRECTORS' REPORT (continued)

- The Group may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

The former Chief Operating Officer, Grant Brock, commenced with the Group as a Contractor between the 29 January 2008 and 31 May 2008. Mr Brock's employment contract commenced on the 1 June 2008 and terminated on 31 July 2009. The terms of the contract were:

- Mr Brock was paid a minimum remuneration package of \$300,000p.a. base salary plus superannuation. Mr Brock was entitled to claim reimbursement of costs associated with running his own vehicle including; fuel, insurance, registration, servicing, parking and other incidentals.
- Either party could have terminated this agreement by not less than one months' 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.

The former Chief Financial Officer and Company Secretary Anna Neuling's employment contract commenced on 30 July 2007 and terminated 11 March 2010. Under the terms of the contract:

- Ms Neuling was paid a minimum remuneration package of \$300,000p.a. as of 1 January 2010 (prior to that the minimum remuneration was \$200,000p.a.) base salary plus superannuation.
- Either party could terminate this agreement by not less than three months' 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 General Manager Wiluna, Rod Jacobs', employment contract commenced on 8 June 2009 and terminated on 4 June 2010. Under the terms of the contract:

- Mr Jacobs was paid a minimum remuneration package of \$300,000p.a. base salary plus superannuation.
- Either party could have terminated this agreement by not less than one months' 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.

The former Chief Mining Engineer, Mike Walsh, was previously the Mining Manager from 8 July 2008 and General Manager from 3 November 2008 to 8 June 2009 and terminated 12 March 2010. The terms of his present contract are as follows:

- Mr Walsh was paid a minimum remuneration package of \$245,000p.a. base salary plus superannuation.
- The Group could have terminated this agreement by not less than one months' 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.

The former Exploration Manager, William Dix's, employment contract commenced on 7 of May 2006 and terminated on 30 June 2010. Under the terms of the contract:

- Mr Dix was paid a minimum remuneration package of \$250,000p.a. (effective 1 December 2009) base salary plus superannuation. The Group also provided a motor vehicle to the value of \$65,000 and was 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 could terminate this agreement by not less than three months' notice in writing if the Executive became 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 could terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

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 \$150,000 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. 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.

DIRECTORS' REPORT (continued)

Share based payments

The Company has a share option scheme for executives and employees of the Company. 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 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 table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified Directors and executives:

2010

| | Value of options exercised | | |
|-----------------------|----------------------------|---------|----------------|
| | Granted in year | in year | Lapsed in year |
| | \$ | \$ | \$ |
| Directors | | | |
| Mark Ashley | - | - | - |
| Robin Lee | - | - | - |
| Mark Bennett | - | - | 26,970 |
| Glenn Jardine | - | - | 38,280 |
| Kim Robinson | - | - | - |
| Stephen Lowe | - | - | 98 |
| Todd Bennett | - | - | 108 |
| Key executives | | | |
| Grant Brock | - | - | - |
| Anna Neuling | - | - | 85 |
| Rod Jacobs | 20,309 | - | - |
| Mike Walsh | - | - | 10 |
| William Dix | 15,232 | - | - |
| Bill Nuttall | - | - | - |
| | 35,541 | - | 65,551 |

2009

| | Value of options exercised | | |
|-----------------------|----------------------------|---------|----------------|
| | Granted in year | in year | Lapsed in year |
| | \$ | \$ | \$ |
| Directors | | | |
| Mark Ashley | - | - | - |
| Mark Bennett | - | - | - |
| Glenn Jardine | - | - | - |
| Kim Robinson | - | - | - |
| Stephen Lowe | - | - | - |
| Todd Bennett | 105,000 | - | - |
| Key executives | | | |
| Graham Anderson | - | - | - |
| Grant Brock | - | - | - |
| Anna Neuling | - | - | - |
| Rod Jacobs | 55,000 | - | - |
| Mike Walsh | 54,000 | - | - |
| William Dix | - | - | - |
| | 214,000 | - | - |

Intentionally left blank

DIRECTORS' REPORT (continued)

The terms of conditions of each grant of options affecting remuneration in the previous, 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. % |
|-----------------------|--------|-----------|------------|------------|-------------|----------------|-----------------------------|------------|--------------|
| 2010 | | | | | | | | | |
| Key executives | | | | | | | | | |
| Rod Jacobs | 29 | 2,000,000 | 09/04/2010 | 09/04/2010 | 08/04/2013 | 0.045 | 0.01 | 2,000,000 | 100% |
| William Dix | 29 | 1,500,000 | 09/04/2010 | 09/04/2010 | 08/04/2013 | 0.045 | 0.01 | 1,500,000 | 100% |
| 2009 | | | | | | | | | |
| Directors | | | | | | | | | |
| Todd Bennett | 23 | 750,000 | 02/12/2008 | 02/12/2008 | 01/12/2013 | 0.70 | 0.14 | - | - |
| Key executives | | | | | | | | | |
| Rod Jacobs | 26 | 500,000 | 22/06/2009 | 22/06/2009 | 21/06/2014 | 0.30 | 0.11 | - | - |
| Mike Walsh | 25 | 300,000 | 10/02/2009 | 10/02/2009 | 09/02/2014 | 0.45 | 0.18 | - | - |

Options issued in 2010 vest immediately with the expense of \$35,541 incurred in the current year. All other options issued in prior years vest two years after the date of issue. The expense is spread over the two year vesting period with \$379,656 to be expensed in the year ended 30 June 2010 unless the option has been subsequently forfeited.

Directors and executives who have resigned in the current year, have 2 months in which to either exercise their share options or have the option lapse. No options were exercised in this financial year ended 2010.

DIRECTORS' REPORT (continued)

Options issued in either 2009 or 2010 to key management personnel were priced using a Black Scholes option pricing model using the inputs below.

| | Series 25 | Series 27 | Series 28 | Series 29 |
|-----------------------------|-----------|-----------|------------|------------|
| Grant Date Share price (\$) | 0.30 | 0.29 | 0.18 | 0.024 |
| Exercise Price (\$) | 0.70 | 0.45 | 0.30 | 0.045 |
| Expected volatility | 75% | 85% | 85% | 90% |
| Option life | 1/12/2013 | 9/2/2014 | 21/06/2014 | 08/04/2013 |
| Dividend yield | 0% | 0% | 0% | 0% |
| Interest rate | 4.25% | 3.25% | 3.25% | 5.29% |

• 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 2010, 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 2010 the following options were on issue to Directors and executives as part of their remuneration:

| | Number of Options as at 30 June 2010 | Number of Options issued post 30 June 2010 | Total |
|-----------------------|---|--|------------|
| Director | | | |
| Mark Ashley | 2,500,000 | - | 2,500,000 |
| Mark Bennett | - | - | - |
| Glenn Jardine | - | - | - |
| Kim Robinson | 10,195,679 | - | 10,195,679 |
| Stephen John Lowe | - | - | - |
| Todd Bennett | - | - | - |
| Key executives | | | |
| Grant Brock | - | - | - |
| Anna Neuling | - | - | - |
| Rod Jacobs | 2,500,000 | - | 2,500,000 |
| Mike Walsh | - | - | - |
| William Dix | 2,940,000 | - | 2,940,000 |

Shares issued on exercise of options

During the year no shares have been issued from the exercise of options.

DIRECTORS' REPORT (continued)

Options outstanding

There are 104,956,000 options outstanding as at the date of this report.

| Number of issue | Exercise Price \$ | Expiry Date |
|--------------------|----------------------|-------------------|
| 1,500,000 | 0.20 | 3 July 2011 |
| 7,200,000 | 0.14 | 20 July 2011 |
| 250,000 | 0.30 | 17 August 2011 |
| 250,000 | 0.35 | 14 September 2011 |
| 500,000 | 0.35 | 1 November 2011 |
| 1,000,000 | 0.35 | 1 November 2011 |
| 275,000 | 0.45 | 30 November 2011 |
| 300,000 | 0.45 | 30 November 2011 |
| 2,825,000 | 0.65 | 1 June 2012 |
| 2,600,000 | 0.65 | 1 June 2012 |
| 1,325,000 | 1.00 | 30 July 2012 |
| 200,000 | 1.30 | 15 October 2012 |
| 200,000 | 1.30 | 30 October 2012 |
| 200,000 | 1.30 | 11 November 2012 |
| 1,066,000 | 1.30 | 11 May 2013 |
| 1,000,000 | 0.70 | 18 July 2013 |
| 50,000 | 0.50 | 1 October 2013 |
| 750,000 | 0.70 | 1 December 2013 |
| 2,500,000 | 0.30 | 29 January 2012 |
| 1,110,000 | 0.45 | 9 February 2014 |
| 1,355,000 | 0.30 | 21 June 2014 |
| 78,500,000 | 0.045 | 9 April 2013 |

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. No options have been exercised during or subsequent to year end.

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, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor.

DIRECTORS' REPORT (continued)

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 69.

Non-Audit Services

During the year 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 provision 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 practices for audit and non audit services provided during the 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.

Dated at Perth this 30th day of September 2010.



Mark Ashley
Managing Director



Consolidated Statement of Financial Position

As at 30 June 2010

| <i>in thousands of AUD</i> | <i>Note</i> | Consolidated 2010 | 2009 |
|--------------------------------------|-------------|------------------------------|----------------|
| Assets | | | |
| Cash and cash equivalents | 28a | 914 | 10,320 |
| Trade and other receivables | 11 | 6,335 | 5,136 |
| Inventories | 12 | 14,943 | 15,852 |
| Derivative assets | 15 | 610 | 1,264 |
| Assets available for sale | 13 | 1,800 | 308 |
| Assets held for sale | 14 | 15,597 | 7,442 |
| Total current assets | | 40,199 | 40,322 |
| Other receivables | 11 | 6,039 | 1,774 |
| Derivative assets | 15 | - | 2,732 |
| Property, plant and equipment | 16 | 78,709 | 104,730 |
| Exploration acquisition costs | 17 | - | 11,753 |
| Total non-current assets | | 84,748 | 120,989 |
| Total assets | | 124,948 | 161,311 |
| Liabilities | | | |
| Trade and other payables | 18 | 26,683 | 44,925 |
| Liabilities held for sale | 14 | 4,189 | - |
| Loans and borrowings | 19 | 7,395 | 6,750 |
| Derivative liabilities | 20 | 14,749 | 6,531 |
| Provisions | 21 | 1,927 | 1,456 |
| Deferred Consideration | | - | 3,000 |
| Total current liabilities | | 54,943 | 62,662 |
| Other payables | | - | 9 |
| Loans and borrowings | 19 | 11,550 | 46,488 |
| Derivative liabilities | 20 | 26,151 | 18,069 |
| Provisions | 21 | 28,854 | 30,033 |
| Total non-current liabilities | | 66,555 | 94,599 |
| Total liabilities | | 121,498 | 157,261 |
| Net assets | | 3,450 | 4,050 |
| Equity | | | |
| Share capital | 22 | 295,359 | 198,226 |
| Reserves | 22 | 29,983 | 11,940 |
| Accumulated losses | 24 | (321,892) | (206,116) |
| Total equity | | 3,450 | 4,050 |

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



Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

| <i>In thousands of AUD</i> | <i>Note</i> | Consolidated 2010 | 2009 |
|---|-------------|------------------------------|------------------|
| Revenue | | 86,573 | 29,891 |
| Cost of sales | | (81,892) | (28,595) |
| Depreciation and amortisation | | (46,878) | (24,560) |
| Gross loss | | (42,197) | (23,264) |
| Other income/(loss) | 7 | 4,868 | (359) |
| Marketing expenses | | (111) | (97) |
| Occupancy expenses | | (847) | (716) |
| Share based payments | | (1,745) | (3,023) |
| Administrative expenses | | (4,085) | (5,260) |
| Exploration expensed | | (6,112) | (9,740) |
| Impairment losses | | (4,840) | (69,711) |
| Other expense | | - | (559) |
| Loss from operating activities | 9 | (55,069) | (112,728) |
| Finance income | 8 | 528 | 10,719 |
| Finance expenses | 8 | (61,235) | (31,585) |
| Net finance expense | | (60,707) | (20,866) |
| Loss before income tax | | (115,776) | (133,595) |
| Income tax expense | 10 | - | - |
| Loss for the year | | (115,776) | (133,595) |
| Other comprehensive income | | | |
| Revaluation of available for sale assets | | 688 | 343 |
| Income tax on other comprehensive income | 10 | - | - |
| Total other comprehensive income | | 688 | 343 |
| Total comprehensive loss for the year | | (115,088) | (133,252) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (115,088) | (133,252) |
| Non-controlling interest | | - | - |
| Total comprehensive loss for the year | | (115,088) | (133,252) |
| Basic and diluted loss per share (AUD) - cents | 23 | (4.97) | (31.41) |

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



Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

In thousands of AUD

Balance at 1 July 2008

Comprehensive income for the period

Loss for the year

Other comprehensive income

Transfer to income statement on sale of investment

Impairment of available-for-sale investments

Revaluation to fair value

Total other comprehensive income

Total comprehensive income for the period

Transactions with owners, recorded directly in equity

Issue of share capital

Capital raising costs

Issue of share based payments

Issue of warrants

Total transactions with owners

Balance at 30 June 2009

| | Issued Capital | Accumulated Losses | Share Based Payments Reserve | Available for sale investments revaluation reserve | Warrants | Total equity |
|---|-------------------|-----------------------|------------------------------------|---|----------|--------------|
| Balance at 1 July 2008 | 162,967 | (72,521) | 4,732 | (208) | - | 94,970 |
| Comprehensive income for the period | | | | | | |
| Loss for the year | - | (133,595) | - | - | - | (133,595) |
| Other comprehensive income | | | | | | |
| Transfer to income statement on sale of investment | - | - | - | (76) | - | (76) |
| Impairment of available-for-sale investments | - | - | - | 284 | - | 284 |
| Revaluation to fair value | - | - | - | 135 | - | 135 |
| Total other comprehensive income | - | - | - | 343 | - | 343 |
| Total comprehensive income for the period | - | (133,595) | - | 343 | - | (133,252) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Issue of share capital | 38,283 | - | - | - | - | 38,283 |
| Capital raising costs | (3,024) | - | - | - | - | (3,024) |
| Issue of share based payments | - | - | 3,473 | - | - | 3,473 |
| Issue of warrants | - | - | - | - | 3,600 | 3,600 |
| Total transactions with owners | 35,259 | - | 3,473 | - | 3,600 | 42,332 |
| Balance at 30 June 2009 | 198,226 | (206,116) | 8,205 | 135 | 3,600 | 4,050 |

Consolidated Statements of changes in Equity (continued)

For the year ended 30 June 2010

| | Issued Capital | Accumulated Losses | Share Based Payments Reserve | Quoted Option Reserve | Available for sale investments revaluation 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) |
| <i>Other comprehensive income</i> | | | | | | | |
| Impairment of available-for-sale investments | - | - | - | - | - | - | - |
| Revaluation to fair value | - | - | - | - | 688 | - | 688 |
| Total other comprehensive income | - | (115,776) | - | - | 688 | - | (115,088) |
| 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 based payments | - | - | 1,746 | - | - | - | 1,746 |
| Issue of Options | - | - | - | 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 | 3,450 |

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



Consolidated Statement of Cash Flows

For the year ended 30 June 2010

| <i>In thousands of AUD</i> | | Consolidated | |
|---|-------------|---------------------|------------------|
| | <i>Note</i> | 2010 | 2009 |
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 85,765 | 29,891 |
| Cash paid to suppliers and employees | | (94,140) | (38,504) |
| Interest paid | | (2,238) | (7,769) |
| Interest received | | 503 | 1,109 |
| Net cash from (used in) operating activities | 28b | (10,110) | (15,273) |
| Cash flows from investing activities | | | |
| Proceeds on available for sale financial assets | | - | 278 |
| Payments for available for sale financial assets | | - | (850) |
| Proceeds from sale of fixed assets | | - | 2,006 |
| Proceeds from sale of exploration assets, net | | 5,845 | 1,434 |
| Proceeds from legal settlement | | 3,000 | - |
| Proceeds from sale of investments | | 544 | - |
| Payments for property, plant and equipment | | (1,920) | (56,183) |
| Payments for mine properties | | (33,737) | (46,401) |
| Payments for hedging instruments | | - | (13,554) |
| Proceeds from sale of hedging instruments | | - | 942 |
| Net cash from (used in) investing activities | | (26,268) | (113,762) |
| Cash flows from financing activities | | | |
| Proceeds from issue of share capital | | 68,790 | 47,485 |
| Payments for capital raising costs | | (8,140) | (2,172) |
| Payments for financing costs | | - | (4,189) |
| Proceeds from issue of Notes/GUP | | - | 60,500 |
| Payment for cash backed guarantees | | (4,256) | (475) |
| Repayment of GUP | | (3,181) | (1,884) |
| Repayment of lease liability | | (7,173) | (2,819) |
| Proceeds from borrowings | | 10,000 | 4,000 |
| 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 | | 26,972 | 100,446 |
| Net increase (decrease) in cash and cash equivalents | | (9,406) | (28,589) |
| Cash and cash equivalents at the beginning of the financial year | | 10,320 | 38,909 |
| Cash and cash equivalents at the end of the financial year | 28a | 914 | 10,320 |

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

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Notes to the financial statements

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. The consolidated financial statements of the Group as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Company's interest in associates and jointly controlled entities. The Group primarily is involved in the exploration and mining of minerals (see note 6).

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 30 September 2010.

(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
- financial instruments at fair value through profit or loss 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 preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

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 reserves and resources, 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.

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.

Notes to the financial statements (Continued)

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

Impairment of assets (continued)

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 income statement.

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, dismantle, and rehabilitate the Wiluna, Gidgee and Youanmi sites. Significant judgement is required in determining 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 provision could have a material impact on the carrying value of the provision (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 balance sheet by adjusting both the restoration and rehabilitation asset and provision.

Determination of mineral reserves and resources

The determination of reserves impacts the asset carrying values, depreciation and amortisation rates, deferred stripping costs 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.

Valuation of derivative instruments

The value of derivative instruments is determined by an independent third party. The estimation of the fair value of the components of the derivative instruments requires judgement with respect to the appropriate valuation methodologies. The valuation is calculated by the Black and Scholes option pricing model.

Other key assumptions of the framework that underpin the valuations performed are arbitrage free markets, complete and liquid markets, stationary lognormal share price return distribution, no trading costs or taxes, risk neutral probability framework, short selling is possible, continuous trading and perfectly divisible securities.

Measurement of share based payments

Share based payments are measured by the Group using the Black Scholes option model whereby an estimation is required for the volatility rate.

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 a lease transaction.

Notes to the financial statements (Continued)

2. Basis of preparation (continued)

(e) Going concern

The Group has incurred a loss during the year ended 2010 of \$115,776,000 (2009 \$133,595,000), and has a working capital deficit of \$14,744,000 (2009 \$22,340,000). The Group's net assets as at 30 June 2010 are \$3,450,000 (2009 \$4,050,000). The Group also used cash in operations of \$10,110,000 (2009:\$15,273,000). The results of the year and net asset position as at year end have been affected by:

- Financing costs, required to be recognised under accounting standards, of \$29.3 million in relation to the extinguishment of the Senior Secured Notes, which has reduced net assets.
- Impairment loss on the carrying value of the Wiluna assets recognised during the first half of FY2010 totaling \$4.8 million (2009: \$69.7million).
- High levels of depreciation and amortization of \$46.9 million. Depreciation and amortisation is calculated on a units of production basis over probable and proven reserves and has not included the possible conversion of resources to reserves.
- An increase in the total derivative liability to the Gold Upside Participation Note Holders (GUPs) over the remaining maturity of the notes of \$16.3 million to \$40.9 million mainly the result of a high gold price of A\$1,479 per ounce as at 30 June 2010 when the liability is calculated (also see below)

The working capital deficiency of \$14,774,000 includes:

- Current derivative liabilities of \$14.7 million which represents the estimated quarterly payments to the GUPs over the next twelve months and is determined using fair value methodology. In note 35 to the Financial Statements the profile of the remaining notional amounts and the basis of the calculation under the notes is set out. The estimated liability is calculated using the Black and Scholes option pricing model and uses a number of assumptions including a gold price of A\$1,479 per ounce as at 30 June 2010. Using the AUD gold price of \$1,351 as at the date of these financial statements (30 September 2010), the current liability component of the GUPs would be reduced by \$6.1 million from \$14.7 million to \$ 8.6 million. The total liability of the GUPs would be reduced from \$40.9 million to \$28.4 million on the same basis.
- Loans and borrowings of \$7.4 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.
- Amounts owing with respect to statutory tax obligations totaling \$4.0 million.
- A contractually disputed amount with Atlas Copco Australia Pty Ltd ("Atlas Copco"). The Director's believe that this dispute will not be resolved in the short term. A liability is included in trade and other payables.
- Trade payables have reduced from \$30.0 million in 2009 to \$24.0 million in 2010 and the Group has continued to manage the outstanding balances.

Subsequent to the year end in August a \$5.0 million capital raising was undertaken, which has improved the companies working capital as a result.

The Group acknowledges that there are various risks that may provide uncertainty over the Company's ability to continue as a going concern in 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 material events, risks and factors, which are set out below.

Operational Restructure

Since re-commissioning Wiluna, mining activities have focused predominantly on developing access to the various new underground deposits delineated by the Group during 2008. The operations have incurred higher costs and slower ramp up to forecast production levels. The working capital deficit has been caused by a number of issues including:

- Various issues resulting in delays in being able to access these deposits
- Higher than normal mine development being incurred in order to access these deposits totaling \$33.7 million for the year ended 30 June 2010. Mine development has reduced significantly from these levels as the mine produces at constant levels.
- Mining is currently occurring from five independent underground sources to provide greater production diversity compared to prior periods (historically from one source), which will achieve economies of scale and improve cost per ounce. The sources of production for the forthcoming financial year will include Calais, Henry 5 North, Henry 5, East Lode North, Golden Age and Burgundy and Wilsons

Notes to the financial statements (Continued)

2. Basis of preparation (continued)

Capital Raisings/Asset Sales

In August 2010 the Group raised a further \$5 million via a placement of 250,000,000 shares at 2 cents per share.

Other assets including the Aphrodite Gold Project and nickel tenements to Sirius have been sold during the year. The Group is contemplating the sale of other non-core assets (such as Younami assets) in order to focus on its Wiluna mine.

Risks To Forecast Cash Flow

The assessment of the Group's ability to continue as a going concern involves making judgements about the future at a particular point in time. There are number of inherent uncertainties about the achievement of the future outcomes upon which the assessment of going concern is based. The Directors set out below some of these uncertainties:

Operational

The achievement of the cashflow forecast is dependent upon the following:

Management continuing to successfully implement various initiatives to improve the performance of the Wiluna operations and lowering the cost structure to match the expected steady state production levels contemplated in the Life of Mine (LOM) model. Evidence of the actions taken to date to demonstrate this plan are as follows:

- The continued and consistent increase in ounces produced since January 2010
- The employment of mining executive Allan King who is based at Wiluna to oversee further production and cost efficiency initiatives.
- Substantially lower operating costs as a result of Apex assuming the underground fleet maintenance role from Atlas in July 2010
- The cashflow forecast is sensitive to both gold production and the AUD gold price. A reduction in gold production has a significant impact on cashflows.

Corporate

- The statutory demand served by Atlas Copco as set out in Note 27 to the financial statements is found in favour of Atlas Copco. The Directors are confident of this not occurring.
- The Group has a reasonable expectation that a repayment plan will be agreed for the repayment of outstanding statutory tax obligations
- The Group's ongoing ability to manage its liquidity risk and supplier credit terms to ensure that it has sufficient liquidity to meet its liabilities when due and allowing the operation to achieve production.

In the event that the above operational and corporate risks were to occur the Group would need to consider asset sales, or other funding (debt/equity) to maintain the basis for going concern. The Directors are confident that in the event that this should this be required, there is sufficient evidence and support to achieve this.

Conclusion

Notwithstanding the conditions that existed at 30 June 2010 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. The cash flow forecast is dependent upon the ability of the Group to achieve its targets from the Wiluna mine, particularly gold production and AUD price of gold. The forecast gold production assumes output from different sources of ore production within the Wiluna mine as noted above. It is also dependent on achieving operating costs in line with this forecast.

Should the Group not be successful in establishing profitable operations in line with its forecasts 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.

Notes to the financial statements (Continued)

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

(i) Business combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

In the Group's financial statements, investments in subsidiaries are carried at cost.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

(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 involved 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 (including available-for-sale financial assets), 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 expense 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

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes using the balance sheet method.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

(d) Income tax (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax measured across the subsidiaries is under the stand-alone taxpayer approach where each subsidiary measures its deferred tax as if it continued to be a separable taxable entity in its own right. The entity also assesses the recovery of its unused tax losses and credits only in the period in which they arise, and before assumption by the parent entity in accordance with AASB 112 applied in its own circumstances, without regard to the circumstances of the tax-consolidated group. When recognising deferred taxes in the separate financial statements of each entity in the tax-consolidated group under this approach, temporary differences are measured by reference to the carrying amount of assets and liabilities in the entity's balance sheet and their tax bases applying under tax consolidation, as those are the only available tax bases. Therefore, consolidation adjustments to reflect business combinations or other transactions within the group are ignored. As a result, deferred taxes associated with these adjustments are recognised only on consolidation and not in the separate financial statements of an entity in the group under the stand-alone taxpayer approach.

(i) Tax consolidation

The Group and all its wholly owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Apex Minerals NL is the head in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary difference of the members of the tax-consolidated group are recognised in the separate financial statements of the of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Group (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable or receivable by the Group and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

(ii) Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and tax sharing agreement with the head entity. Under terms of the tax funding arrangements, Apex Minerals NL and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

(iii) Deferred tax allocation

Tax expenses/income, deferred tax assets and deferred tax liabilities from temporary differences are recognised in the separate financial statements of the members of the tax consolidated group and are calculated using the stand-alone taxpayer approach. When recognising deferred taxes in the separate financial statements of each entity in the tax-consolidated group under this approach, temporary differences are measured by reference to the carrying amount of assets and liabilities in the entity's balance sheet and their tax bases applying under tax consolidation, as those are the only available tax bases. Therefore, consolidation adjustments to reflect business combinations or other transactions within the group are ignored. As a result, deferred taxes associated with these adjustments are recognised only on consolidation and not in the separate financial statements of an entity in the group under the stand-alone taxpayer approach.

(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 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.

(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 of 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.

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

(h) Property, plant and equipment(continued)

(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, 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.

Leased assets are depreciated over the same method.

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

| | Method | 2010 | 2009 |
|---------------------------------|-------------|-------|-------|
| Plant and equipment | UOP | 27% | 12% |
| Mine properties (amortisation) | UOP | 24% | 12% |
| Office equipment | Diminishing | 22.5% | 22.5% |
| Leasehold assets | Diminishing | 20% | 20% |
| Computer equipment and software | 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 represents the acquisition cost and/or accumulated exploration, evaluation, and development expenditure in respect of areas of interest in which mining has commenced.

Minedevelopment 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 unit-of-production 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 revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(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.

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

(j) Exploration and Evaluation

Exploration and evaluation costs are written off in the year 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 any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development.

Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment annually in accordance with AASB 6. Where an impairment indicators exist, 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 income statement 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 assessment 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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(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 is any indication 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 profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

Notes to the financial statements (Continued)

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. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or 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 probable 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.

(o) Provision for rehabilitation and mine closure

A provision for rehabilitation and mine closure is recognised when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future rehabilitation costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date.

The initial estimate of the rehabilitation and mine closure provision relating to exploration, development and mining facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset.

Changes in the estimate of the provision for are treated in the same manner, except the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the costs of the related asset.

(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. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

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

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.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. 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.

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

(p) Financial instruments (continued)

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 directly recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and make purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

(q) Derivative financial instruments

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in the fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(r) 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.

(s) 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.

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

(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.

(t) 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 a 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 which they are granted.

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

The Group has provides share based payments to consultants during the year 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 employees come 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 income statement charge or credit for a period represents the movement in 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 modification that increases 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.

(u) Segment reporting

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments.

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.

Notes to the financial statements (Continued)

3. Significant accounting policies (continued)

(v) Presentation of financial statements

The Group has applied the revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner charges, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

(w) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied preparing this financial report:

- Revised AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not determined the potential effect of the standard.
- AASB 124 *Related Party Disclosure* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the applicable date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* - AASB 132 (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The effect of the amendments, which will become mandatory for the Group's 30 June 2011 financial statements, have not yet been determined.
- AASB 2009-14 *Amendments to Australian – Payments of a Minimum Funding Requirement – AASB 14* make amendments to Interpretation 14 AASB 119 – *The Limits on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

Notes to the financial statements (Continued)

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 and 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 financial assets at fair value through profit or loss, held-to-maturity investments and 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 this financial report.

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.

Notes to the financial statements (Continued)

5. Financial risk management (continued)

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 is subject to Australian Dollar gold price risk in relation to payment on Gold Upside Participation Notes ("GUP") that were entered into as part of a financing arrangement. The GUPs require a payment to be made where the gold price exceeds the gold price exercise price of A\$1,110 per ounce.

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.

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 performance 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 assets and liabilities
- Discontinuing operations

Notes to the financial statements (Continued)

6. Segment reporting (continued)

Comparative information

This is the first period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

In thousands of AUD

| | Wiluna Operations | Reconciliation to financial statements | Total |
|----------------------------------|------------------------------|---|------------------|
| (i) Segment performance | | | |
| 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 |
| Year ended 30 June 2009 | | | |
| Revenue | 31,024 | (1,133) | 29,891 |
| Segment result | (103,445) | (30,150) | (133,595) |
| Included within segment result: | | | |
| Depreciation and Amortisation | 24,174 | 386 | 24,560 |
| Impairment | 69,711 | - | 67,711 |
| Exploration expensed | 7,620 | 2,120 | 9,740 |
| (ii) Segment assets | | | |
| As at 30 June 2010 | | | |
| Additions to non-current assets: | | | |
| Mine properties | 33,840 | - | 33,840 |
| Plant and equipment | 227 | - | 227 |
| Segment assets | 104,371 | 16,978 | 121,349 |
| As at 30 June 2009 | | | |
| Additions to non-current assets: | | | |
| Mine properties | 12,613 | - | 12,613 |
| Plant and equipment | 80,309 | 777 | 81,086 |
| Segment assets | 129,323 | 31,988 | 161,311 |
| (iii) Segment liabilities | | | |
| As at 30 June 2010 | | | |
| Segment liabilities | 72,091 | 49,407 | 121,498 |
| As at 30 June 2009 | | | |
| Segment liabilities | 83,848 | 73,413 | 157,261 |

Sales of gold are made to Australian based customers.

Notes to the financial statements (Continued)

7. Other income

In thousands of AUD

| | Consolidated | |
|---|--------------|--------------|
| | 2010 | 2009 |
| (Loss)/Profit from sale of investments classified as available for sale | (55) | (359) |
| Profit from sale of Apex Nickel Australia tenements (a) | 7,378 | - |
| Loss on sale of Aphrodite tenements (b) | (1,550) | - |
| Loss from sale of gold put options (c) | (905) | - |
| | <u>4,868</u> | <u>(359)</u> |

- (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 option 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 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.

8. Finance income and expense

Recognised in profit or loss

In thousands of AUD

Finance income

Interest revenue

Change in fair value of Warrants

Finance expense

Interest on creditor accounts

Interest on guarantees

Interest on short term loans

Interest on obligations under finance leases

Interest on Senior Secured Notes – effective interest method

Unwinding discount rate of rehabilitation provision

Change in fair value of GUP Notes

Payment of GUP Notes

Transaction costs in relation to financing

Impairment loss on derivative assets

Impairment loss on available-for-sale assets

Change in fair value of gold put options

Interest on working capital facility

Net finance income and expense

| | Consolidated | |
|--|-----------------|-----------------|
| | 2010 | 2009 |
| Interest revenue | 528 | 873 |
| Change in fair value of Warrants | - | 9,846 |
| | <u>528</u> | <u>10,719</u> |
| Interest on creditor accounts | (760) | - |
| Interest on guarantees | (835) | (910) |
| Interest on short term loans | (19) | - |
| Interest on obligations under finance leases | (2,033) | (1,718) |
| Interest on Senior Secured Notes – effective interest method | (29,321) | (11,360) |
| Unwinding discount rate of rehabilitation provision | (1,423) | (1,514) |
| Change in fair value of GUP Notes | (16,300) | (317) |
| Payment of GUP Notes | (5,086) | (2,636) |
| Transaction costs in relation to financing | (130) | (2,598) |
| Impairment loss on derivative assets | (4,795) | - |
| Impairment loss on available-for-sale assets | (533) | (1,555) |
| Change in fair value of gold put options | - | (8,112) |
| Interest on working capital facility | - | (865) |
| | <u>(61,235)</u> | <u>(31,585)</u> |
| Net finance income and expense | <u>(60,707)</u> | <u>(20,866)</u> |

Notes to the financial statements (Continued)

9. Operating Loss

In thousands of AUD

Operating loss before income tax has been arrived at after charging the following items:

| | Consolidated | |
|---|--------------|--------|
| | 2010 | 2009 |
| Depreciation and amortisation of non-current assets | 46,878 | 24,771 |
| Impairment of non-current assets | 4,840 | 69,711 |
| Exploration expensed | 6,112 | 9,740 |

Cost of sales of \$81,892,000 (2009: \$28,595,000) includes non cash items such as stock pile impairments, provisions and prepayments and therefore does not represent cash costs.

10. Income tax

Recognised in the income statement

In thousands of AUD

| | Consolidated | |
|--|--------------|-----------|
| | 2010 | 2009 |
| Current tax | | |
| Current year | - | - |
| Under/(Over) Provision for Prior Year | - | - |
| Deferred tax | | |
| Origination and reversal of temporary differences | - | (2,735) |
| Under/(Over) Provision for Prior Year | - | 2,735 |
| Total income tax expense per income statement | - | - |
| Numerical reconciliation between tax expense and pre-tax net loss | | |
| Net profit/(loss) before tax | (115,776) | (133,595) |
| Income tax expense/(benefit) on above at 30% | (34,733) | (40,079) |
| Increase in income tax due to tax effect of: | | |
| Non-deductible expenses | 9,125 | 1,178 |
| Under/(Over) Provision for Prior Year | - | 2,736 |
| Movement in unrecognised temporary differences | 4,174 | 14,303 |
| Current year capital losses not recognised | 21 | 31 |
| Current year tax losses not recognised | 22,932 | 22,377 |
| Revaluations and transfers of investments from equity | - | 92 |
| Temporary differences in acquired subsidiaries | - | - |
| Deductible equity raising costs | (1,519) | (638) |
| Income tax expense attributable to entity | - | - |

Notes to the financial statements (Continued)

10. Income tax (continued)

In thousands of AUD

| | Consolidated | |
|---|--------------|----------|
| | 2010 | 2009 |
| Recognised deferred tax assets & liabilities | | |
| Deferred tax assets & liabilities are attributable to the following: | | |
| Assets | | |
| Accruals & Provisions | 2,787 | 3,074 |
| Investments | 17 | 294 |
| Provision for Rehabilitation | 1,513 | 8,938 |
| Mine Development | 343 | 343 |
| Previously expensed borrowing costs | 605 | 676 |
| Previously expensed blackhole costs | - | 18 |
| Other | - | 48 |
| Deferred Tax Assets | 5,265 | 13,391 |
| Liabilities | | |
| Exploration | (3,526) | (5,758) |
| Rehabilitation Assets | (1,729) | (7,630) |
| Unearned Income | (10) | (3) |
| Deferred Tax Liabilities | (5,265) | (13,391) |
| Net Deferred Tax Assets/ (Liabilities) | - | - |
| Deferred tax assets have not been recognised in respect of the following: | | |
| Deductible temporary differences | 28,569 | 16,330 |
| Tax revenue losses | 67,896 | 46,522 |
| Tax capital losses | 108 | 87 |
| | 96,573 | 62,939 |

Notes to the financial statements (Continued)

10. Income tax (continued)

Movement in recognised temporary differences during the year

| <i>In thousands of AUD</i> | Balance at 1 July 2009 | Under/Over | Consolidated Recognised in income | Recognised in equity | Other | Balance at 30 June 2010 |
|-------------------------------------|---------------------------|------------|---|-------------------------|-------|----------------------------|
| Deferred Tax Assets | | | | | | |
| Accruals & 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) | - | - | - |
| | 13,391 | - | (8,127) | - | - | 5,265 |
| Net Deferred Tax Assets | | | | | | |
| Deferred Tax Liabilities | | | | | | |
| Exploration | 5,758 | - | (2,233) | - | - | 3,526 |
| Rehabilitation Assets | 7,630 | - | (5,901) | - | - | 1,729 |
| Unearned Income | 3 | - | 7 | - | - | 10 |
| Net Deferred Tax Liability | 13,391 | - | (8,127) | - | - | 5,265 |

Notes to the financial statements (Continued)

10. Income tax (continued)

Movement in recognised temporary differences during the year

| <i>In thousands of AUD</i> | Balance at 1 July 2008 | Under/Over | Recognised in income | Consolidated Recognised in equity | Other | Balance at 30 June 2009 |
|-------------------------------------|---------------------------|------------|-------------------------|---|-------|----------------------------|
| <i>Deferred Tax Assets</i> | | | | | | |
| Accruals & Provisions | 850 | 1,601 | 623 | - | - | 3,074 |
| Investments | - | - | 294 | - | - | 294 |
| Provision for Rehabilitation | 8,917 | 236 | (215) | - | - | 8,938 |
| Mine Development | 451 | (47) | (61) | - | - | 343 |
| Property, Plant & Equipment | 39 | (39) | - | - | - | - |
| Previously expensed borrowing costs | - | - | 676 | - | - | 676 |
| Previously expensed blackhole costs | 13 | 17 | (12) | - | - | 18 |
| Other | - | - | 48 | - | - | 48 |
| Net Deferred Tax Assets | 10,270 | 1,768 | 1,353 | - | - | 13,391 |
| <i>Deferred Tax Liabilities</i> | | | | | | |
| Prepayments | 1 | - | (1) | - | - | - |
| Investments | 24 | - | (24) | - | - | - |
| Exploration | 1,490 | 4,268 | - | - | - | 5,758 |
| Rehabilitation Assets | 8,681 | 236 | (1,287) | - | - | 7,630 |
| Unearned Income | 74 | - | (71) | - | - | 3 |
| Net Deferred Tax Liability | 10,270 | 4,504 | (1,383) | - | - | 13,391 |

Notes to the financial statements (Continued)

11. Trade and other receivables

| <i>In thousands of AUD</i> | <i>Notes</i> | Consolidated | |
|-----------------------------|--------------|---------------------|--------------|
| | | 2010 | 2009 |
| Current | | | |
| Trade and other receivables | | 91 | 505 |
| Accrued interest receivable | | 34 | 10 |
| GST receivable | | 530 | 938 |
| Prepayments | | 1,162 | 2,971 |
| Gold in metal | | 797 | - |
| Diesel fuel rebate | | 178 | 151 |
| Insurance recoverable | | 3,126 | - |
| Other | | 417 | 561 |
| | | 6,335 | 5,136 |
| Non current | | | |
| Bank guarantees | (i) | 6,039 | 1,774 |
| | | 6,039 | 1,774 |

(i) Bank guarantees are bonds/deposits in relation to the environmental bonds for the Wiluna and Youanmi minesite \$3,538,000 (2009:nil), office premises of \$535,000 (2009:\$430,000), credit card facility of \$108,000 (2009: 108,000) gas contract of \$471,000 (2009: \$471,000), supplier bonds of \$636,000 (2009: \$15,000) and finance lease facility of \$750,000 (2009: \$750,000).

12. Inventories

| <i>In thousands of AUD</i> | Consolidated | |
|---|---------------------|---------------|
| | 2010 | 2009 |
| Gold in circuit – at net realisable value | 8,487 | 9,233 |
| Gold doré – at net realisable value | 1,974 | 2,760 |
| Stores and consumables – at cost | 5,504 | 4,022 |
| Less provision for inventory obsolescence | (1,022) | (163) |
| | 14,943 | 15,852 |

During the year the Group has recorded write downs of product inventory totalling \$43,376,000 (2009: \$16,900,000).

13. Assets available for sale

| <i>In thousands of AUD</i> | Consolidated | |
|---|---------------------|-------------|
| | 2010 | 2009 |
| Current assets | | |
| Investments in listed entities – available for sale | 1,800 | 308 |
| | 1,800 | 308 |

14. Assets and liabilities held for sale

At 30 June 2010, the Group was in the process of selling its Youanmi Project ("Youanmi") including assets and related liabilities of Youanmi.

| <i>In thousands of AUD</i> | Consolidated | |
|----------------------------|---------------------|--------------|
| | 2010 | 2009 |
| Current Assets | | |
| Mine properties | 3,844 | - |
| Exploration | 11,753 | 7,442 |
| | 15,597 | 7,442 |
| Current Liabilities | | |
| Trade payables | 160 | - |
| Provisions | 4,029 | - |
| | 4,189 | - |

At 30 June 2009, the Group classified its exploration assets in Aphrodite as held for sale. The asset was sold in November 2009.

Notes to the financial statements (Continued)

15. Derivative assets

| <i>In thousands of AUD</i> | Consolidated | |
|---------------------------------|--------------|-------|
| | 2010 | 2009 |
| Current | | |
| Options held in listed entities | 610 | |
| Gold put options | - | 1,264 |
| | 610 | 1,264 |
| Non current | | |
| Gold put options | - | 2,732 |
| | - | 2,732 |

Gold put options are fair valued based on independent valuation reports. Refer to Note 29.

16. Property, plant and equipment

| <i>In thousands of AUD</i> | Consolidated | |
|--|---------------|----------------|
| | 2010 | 2009 |
| Plant and equipment | | |
| Cost | 94,883 | 102,977 |
| Depreciation | (34,516) | (11,614) |
| | 60,317 | 91,363 |
| Mine properties | | |
| Cost | 116,914 | 84,599 |
| Amortisation | (35,260) | (12,866) |
| Impairment | (64,122) | (59,282) |
| | 17,532 | 12,451 |
| Leasehold improvements | | |
| Cost | 432 | 432 |
| Depreciation | (139) | (65) |
| | 293 | 367 |
| Office and computer equipment | | |
| Cost | 1,473 | 775 |
| Depreciation | (906) | (226) |
| | 567 | 549 |
| Total property, plant and equipment | 78,709 | 104,730 |

The Group has determined that the date of commissioning for when the Wiluna gold processing facility was ready and installed for use was April 2009. Proceeds from the sale of gold up to this date have been offset against the capitalised mine properties totalling \$18.3 million.

Notes to the financial statements

16. Property, plant and equipment (continued)

Reconciliations

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

In thousands of AUD

| | Consolidated | |
|--|---------------|----------------|
| | 2010 | 2009 |
| Plant and equipment | | |
| Carrying amount at beginning of period | 91,363 | 19,170 |
| Additions | 227 | 80,309 |
| Write-off of equipment | (1,240) | - |
| Transferred from development phase | - | 3,498 |
| Adjustment from legal settlement | (6,000) | - |
| Depreciation | (24,033) | (11,614) |
| Carrying amount at end of period | 60,317 | 91,363 |
| Mine properties | | |
| Carrying amount at beginning of period | 12,451 | 28,935 |
| Additions | 36,210 | 43,057 |
| Transferred from development phase | - | 13,810 |
| Transfer to assets held for sale | (3,844) | - |
| Rehabilitation amortisation | (4,890) | (1,203) |
| Amortisation | (17,555) | (12,866) |
| Impairment (i) | (4,840) | (59,282) |
| Carrying amount at end of period | 17,532 | 12,451 |
| Leasehold improvements | | |
| Carrying amount at beginning of period | 367 | - |
| Additions | 124 | 432 |
| Depreciation | (198) | (65) |
| Carrying amount at end of period | 293 | 367 |
| Office and computer equipment | | |
| Carrying amount at beginning of period | 549 | 345 |
| Additions | 220 | 430 |
| Depreciation | (202) | (226) |
| Carrying amount at end of period | 567 | 549 |
| Total property, plant and equipment | 78,709 | 104,730 |

- (i) During the year ended 30 June 2010, the Group has under taken a review of impairment indicators that affect the cash generating units. For the same reasons set out in Note 2 (e), the Group has formed the view that impairment indicators exist as at 30 June 2010 and therefore the Group's cash generating unit, Wiluna (including Wilsons), has been tested for impairment. The recoverable amount of Wiluna has been determined with reference to its value in use. As a result of performing this impairment test the Group has recognised an impairment loss of \$4,840,000 for the year, being the impairment in the half year. No additional impairment was recognised in the second half of the financial year.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Physicals - gold production was based on life of mine plan to 5 years which include reserves and conversion of reserves to resources.
- Operating and capital costs - have been determined with reference to historical actuals and expected future costs based on a detailed budget process incorporating a restructure of the Wiluna operations.
- Gold price - the life of mine gold price assumption is AUD \$1,345.
- Gold recovery - based on historical and expected gold recoveries.
- Discount rate - a risk adjusted discount rate has been calculated to be 12.0% (real post tax rate) using the Capital Asset Pricing Model. A pre-tax discount rate was applied equivalent to post tax discount rates.

Notes to the financial statements (Continued)

16. Property, plant and equipment (continued)

The value in use calculation as at 30 June 2010 has resulted in a surplus of discounted cashflows above the carrying value of \$78.7 million the Wiluna cash-generating unit. A 10% adverse movement in the following key assumptions, gold production or gold price, or a 14% increase in operating costs would result in a value in use equalling the carrying value.

17. Exploration and evaluation

In thousands of AUD

Costs carried forward in respect of areas of interest in:
Exploration and evaluation phase

Exploration and evaluation phase

Carrying amount at beginning of period
Expenditure incurred during the year
Exploration expenditure written off
Transferred to assets held for sale (i)
Transferred from development phase
Impairment loss (refer note 16)
Balance at end of year

| Consolidated | |
|--------------|----------|
| 2010 | 2009 |
| - | 11,753 |
| - | 11,753 |
| 11,753 | 19,195 |
| 6,112 | 9,740 |
| (6,112) | (9,740) |
| (11,753) | (7,442) |
| - | 10,429 |
| - | (10,429) |
| - | 11,753 |

(i) Refer to note 14

18. Trade and other payables

In thousands of AUD

Current

Trade payables and accrued expenses
Short term facility
GUP payable
Underwritten shares
Other trade payables

Non Current

Other payables

| Note | Consolidated | |
|------|--------------|--------|
| | 2010 | 2009 |
| | 24,026 | 29,953 |
| | - | 4,000 |
| | 2,657 | 752 |
| | - | 9,202 |
| | - | 1,018 |
| | 26,683 | 44,925 |
| | - | 9 |
| | - | 9 |

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

Notes to the financial statements (Continued)

19. Loans and borrowings

In thousands of AUD

Current

Finance leases

Non current

Finance leases

Senior Secured Notes (refer to Note 29)

| Consolidated | |
|--------------|--------|
| 2010 | 2009 |
| 7,395 | 6,750 |
| 7,395 | 6,750 |
| 11,550 | 18,969 |
| - | 27,519 |
| 11,550 | 46,488 |

Finance leases relate to plant and equipment purchased for the term of 5 years. The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

20. Derivative liabilities

In thousands of AUD

Current

Gold Upside Participation Notes (GUP)

Non current

Gold Upside Participation Notes (GUP)

(i)

(i)

| Consolidated | |
|--------------|--------|
| 2010 | 2009 |
| 14,749 | 6,531 |
| 26,151 | 18,069 |
| 40,900 | 24,600 |

(i) Refer to Note 29 for fair value of the GUP instrument.

21. Provisions

Employee benefits

In thousands of AUD

Current

Provision for annual leave

Rehabilitation provision

In thousands of AUD

Balance at beginning of year

Reassessment of provision

Unwinding of discount and effect of changes in discount rate

Transfer of provision to held for sale liability (refer Note 14)

Balance at end of year

| Consolidated | |
|--------------|---------|
| 2010 | 2009 |
| 1,927 | 1,456 |
| 1,927 | 1,456 |
| 30,033 | 29,722 |
| 1,427 | (1,203) |
| 1,423 | 1,514 |
| (4,029) | - |
| 28,854 | 30,033 |

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.

Notes to the financial statements (Continued)

22. Capital and reserves

| <i>In thousands of shares</i> | Consolidated | |
|-------------------------------|--------------|---------|
| | 2010 | 2009 |
| Issued capital | | |
| Fully paid ordinary shares | 3,317,820 | 555,791 |
| Partly paid shares | 19,125 | 19,125 |

Share 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) No calls may be made by the Group for the partly paid shares currently on issue to be fully paid up, for 5 years from the date of the general meeting held on 22 June 2006.
- (2) After the first anniversary date of this General Meeting, the holder of partly paid shares may request that a call be made by the Company to pay up the uncalled capital on no more than half of the partly paid shares held by that shareholder.
- (3) After the second anniversary of the date of this General Meeting, the holder of partly paid share may request that call be made by the Company to pay up the uncalled capital on all of the remaining partly paid shares held by that shareholder or from time to time a proportion thereof.

Reconciliation of movement in capital and reserves attributable to equity holders

| | Number of Shares | | 2010 \$'000 | 2009 \$'000 |
|---|------------------|-------------|----------------|----------------|
| | 2010 | 2009 | | |
| Balance at beginning of the year: | 555,791,374 | 389,748,712 | 198,226 | 162,967 |
| Issues | | | | |
| 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 | - |
| Shares issued on options exercised @ \$0.06 per share | 1,905 | - | - | - |
| Payment of outstanding balance on partly paid shares of \$0.20 per share for cash | - | 605,000 | - | 121 |
| Placement at \$0.27 per share for cash | - | 72,490,000 | - | 19,572 |
| Placement at \$0.20 per share for cash | - | 69,426,556 | - | 13,885 |
| Rights issue at \$0.20 per share for cash | - | 23,521,106 | - | 4,705 |
| Cost of issues | - | - | (14,696) | (3,024) |
| Balance at year end | 3,317,819,909 | 555,791,374 | 295,359 | 198,226 |

Notes to the financial statements (Continued)

22. Capital and reserves (continued)

Available for sale asset reserve

In thousands of AUD

| | Consolidated | |
|---|--------------|-------|
| | 2010 | 2009 |
| Balance at beginning of year | 135 | (208) |
| Revaluation | 688 | 135 |
| Impairment losses | - | 284 |
| Transfer to income statement on part sale of investment | - | (76) |
| Balance at year end | 823 | 135 |

The asset revaluation reserve is in relation to the available for sale assets held within the Group. Where a revalued financial asset is sold, that portion of that reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in profit or loss.

Share based payments reserve

In thousands of AUD

| | Consolidated | |
|-----------------------------------|--------------|-------|
| | 2010 | 2009 |
| Balance at beginning of year | 8,205 | 4,732 |
| Options issued to facility lender | - | 450 |
| Options issued to employees | 1,746 | 3,023 |
| Balance at year end | 9,951 | 8,205 |

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 options pursuant to capital raisings conducted by the Company

In thousands of AUD

| | Consolidated | |
|---------------------------------------|--------------|------|
| | 2010 | 2009 |
| Balance at beginning of year | - | - |
| Noteholders | 1,955 | - |
| Priority and general sub underwriters | 7,410 | - |
| General shareholders | 6,243 | - |
| Balance at year end | 15,608 | - |

Warrants reserve

The balance of the warrants reserve is \$3,600,000 (2009: \$3,600,000). Warrants entitle the holders to subscribe for a total of 44.99 million ordinary shares. The exercise price is calculated according to a specified formula based on the time of exercise. The exercise price may not in any circumstance 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 at 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.

Notes to the financial statements (Continued)

22. Capital and reserves (continued)

Warrants reserve (continued)

The fair value assumptions of the Warrants made when the Warrants were issued:

| | As at 29 September 2008 (date of issue) | As at 26 June 2009 (final reset date) |
|---------------------------------------|--|--|
| Apex share price | \$0.415 | \$0.155 |
| Apex share price volatility | 80% | 80% |
| Risk free rate | 5.19% | 5.04% |
| Dividend yield | 0% | 0% |
| Fair value per warrant – 121 warrants | \$111,126 | \$29,752 |
| Total amount (\$'000) | \$13,446 | \$3,600 |

23. Earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of \$115,776,000 (2009: \$133,595,000) and a weighted average number of ordinary shares outstanding of 2,328,280,285 (2009: 425,271,425), calculated as follows:

Profit attributable to ordinary shareholders

In thousands of AUD

Net loss for the period

| Consolidated | |
|--------------|-----------|
| 2010 | 2009 |
| Total | Total |
| (115,776) | (133,595) |

Weighted average number of ordinary shares

In thousands of shares

Issued Ordinary shares at 1 July

Issue of partly paid shares

Effect of shares issued in July

Effect of shares issued in August

Effect of shares issued in November

Effect of shares issued in February

Effect of shares issued in March

Effect of shares issued in May

Effect of shares issued in June

Weighted average number of ordinary shares at 30 June

| Consolidated | |
|--------------|---------|
| 2010 | 2009 |
| 555,791 | 389,749 |
| 47,058 | - |
| - | 549 |
| 1,725,430 | - |
| - | 22,093 |
| - | 5,015 |
| - | 7,608 |
| - | 258 |
| 2,328,280 | 425,271 |

Diluted earnings per share is the same as basic loss per share as it does not result in an inferior position.

24. Accumulated losses

In thousands of AUD

Accumulated losses at beginning of year

Net loss attributable

Accumulated losses at end of year

| Consolidated | |
|--------------|-----------|
| 2010 | 2009 |
| (206,116) | (72,521) |
| (115,776) | (133,595) |
| (321,892) | (206,116) |

Notes to the financial statements (Continued)

25. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2010 the parent company of the Consolidated entity was Apex Minerals NL

| <i>In thousands of AUD</i> | Company | |
|---|--------------|--------------|
| | 2010 | 2009 |
| Result of the parent entity | | |
| Profit/(Loss) for the period | (112,504) | (130,105) |
| Other comprehensive income | (77) | (328) |
| Total comprehensive income for the period | (112,581) | (128,777) |
| Financial position of parent entity at year end | | |
| Current assets | 1,686 | 12,530 |
| Total assets | 49,074 | 71,743 |
| Current liabilities | 19,400 | 24,248 |
| Total liabilities | 45,625 | 69,836 |
| Total equity of the parent entity comprising of: | | |
| Share capital | 295,359 | 198,226 |
| Reserves | 28,854 | 11,940 |
| Retained earnings/(Accumulated losses) | (320,764) | (208,259) |
| Total Equity | 3,449 | 1,907 |

Parent entity contingencies and commitments

The parent entity has cash backed bonds required to guarantee supplier payments, which are included in trade and other receivables note. At 30 June 2010 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 \$3,919,000 over the next financial year (\$5,039,000).

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. The lease terms for the various items of office equipment vary between 2010 to 2011.

Non-cancellable operating lease rentals are payable as follows:

| <i>In thousands of AUD</i> | Consolidated | |
|----------------------------|--------------|-------|
| | 2010 | 2009 |
| Less than one year | 572 | 634 |
| Between one and five years | 1,216 | 1,657 |
| | 1,788 | 2,291 |

Notes to the financial statements (Continued)

27. Contingent Liabilities

Atlas Copco issued two Statutory Demands in May and June 2010 demanding the payment of monies claimed to be owing under the Maintenance Agreement totalling \$4.4 million which Atlas Copco and Apex mutually terminated on 2 August 2010. Apex has commenced legal proceedings to have the Statutory Demands set aside. Apex deny's that it is liable for the amounts claimed and has indicated that it has a number of counter claims.

28a. Cash and cash equivalents

For the purposes 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:

In thousands of AUD

Bank balances

Cash and cash equivalents

| Consolidated | |
|--------------|--------|
| 2010 | 2009 |
| 914 | 10,320 |
| 914 | 10,320 |

28b. Reconciliation of cash flows from operating activities

In thousands of AUD

Cash flows from operating activities

Profit/(loss) for the period

Adjustments for:

Depreciation

Employee entitlements

Share based payments

Inventory provisions

Profit on sale of investments

Impairment of non current assets

(Reversal of) impairment losses on property, plant & equipment

Impairment loss on derivatives

Write off of equipment

Impairment losses on assets classified as held for sale

Non cash net finance expense

(Gain)/loss on sale of exploration assets

Operating profit/(loss) before changes in working capital

(Increase)/Decrease in receivables

(Increase)/Decrease in other assets and liabilities

Increase/(Decrease) in payables

Net cash from operating activities

| Consolidated | |
|--------------|-----------|
| 2010 | 2009 |
| (115,776) | (133,595) |
| 46,878 | 24,771 |
| 471 | 985 |
| 1,745 | 3,023 |
| 859 | - |
| - | (415) |
| 4,840 | 69,711 |
| - | (10) |
| 4,795 | - |
| 1,240 | - |
| - | 1,555 |
| 56,893 | 14,506 |
| (5,828) | 56 |
| (3,883) | (19,413) |
| (1,199) | (3,456) |
| - | (13,880) |
| (5,028) | 21,476 |
| (10,110) | (15,273) |

Notes to the financial statements (Continued)

28c. Financing facilities

In thousands of AUD

Unsecured guarantee facility (i)

Amount used

Amount unused

Total facility

Senior Secured Notes (ii)

| Consolidated | |
|--------------|--------|
| 2010 | 2009 |
| 2,838 | 6,002 |
| 265 | 2,055 |
| 3,103 | 8,057 |
| - | 27,519 |

- (i) Government environmental bonds are guaranteed over assets owned by a third party. An agreement which was extended in August 2010 until January 2011 with Mark Creasy enables the Group to use third party assets to guarantee the bonds for an interest payment of 11% per annum.
- (ii) Refer to Note 29.

29. Financial instruments

Senior Secured Notes and Gold Upside Participation ("GUP") Notes

During the year ended 30 June 2010 the Group completed the repurchase of 121 Senior Secured Notes holding with Goldman Sachs JB Were Pty Ltd at \$440,000 per note. The note holders received \$28,156,951 cash, 627,076,219 shares at \$0.04 per share and 62,707,622 free attaching options at an exercise price of \$0.06 expiring 11 November 2012. The note holders also received 45,000,000 options at an exercise price of \$0.06 expiring 11 November 2012 as a fee for sub underwriting part of the November 2009 rights issue.

The Group also received short term notes of \$10,000,000 in October 2009 which were repaid in November 2009. The repayment consisted of 250,000,000 shares at \$0.04 per share and free attaching options of 25,000,000 at an exercise price of \$0.06 expiring 11 November 2012. The lender also received 40,000,000 options at an exercise price of \$0.06 expiring 11 November 2012 as a fee for the underwriting portion of the short term funding. All of the above options have been accounted for at \$0.023 per option which was the market value at the date of issue.

| | Carrying value 30 June 2010 | Carrying value 30 June 2009 |
|--------------------------------|-----------------------------------|-----------------------------------|
| <i>In thousands of AUD</i> | | |
| Secured Notes – amortised cost | - | 27,519 |
| - Less costs | - | - |
| GUP Notes (i) | 40,900 | 24,600 |
| Total Financial instruments | 40,900 | 52,119 |

- (i) The GUP Notes entitle the holders to be paid quarterly amounts (which may be zero) calculated by reference 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 remain outstanding as at 30 June 2010. The GUP Notes are 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 are 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. During the reporting period a quarterly payment was made past the due date, with the prior verbal consent of the GUP note holders. The amended payment date was approved by the GUP note holders by way of unanimous resolution which formally cured any technical default.

Notes to the financial statements (Continued)

29. Financial instruments (continued)

The GUP Notes are accounted for as derivatives. They have been initially recognised at fair value and subsequently re-measured at fair value each reporting date with movements recognised in profit and loss.

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

| | As at 30 June 2010 | As at 30 June 2009 |
|-------------------------|--------------------|--------------------|
| Gold spot price (AUD) | \$1,480 | \$1,159 |
| AUD/USD spot price | 0.8408 USD/AUD | 0.8064 USD/AUD |
| Volatility of gold | 25% | 25% |
| Risk free interest rate | 4.09% to 4.21% | 3.06% to 4.66% |
| Gold lease rate | 0.0% | 0.63% |

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.

Exposure to credit risk

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

| <i>In thousands of AUD</i> | <i>Note</i> | Carrying amount | |
|-------------------------------------|-------------|------------------------|---------------|
| | | 2010 | 2009 |
| Cash and cash equivalents | 28a | 914 | 10,320 |
| Trade and other receivables | 11 | 6,335 | 6,910 |
| Derivative assets | 15 | - | 3,996 |
| Available-for-sale financial assets | 13 | 1,800 | 308 |
| | | <u>9,049</u> | <u>21,534</u> |

Notes to the financial statements (Continued)

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.

| Consolidated In thousands of AUD | 2010 | | | | | | | 2009 | | | | | | |
|--------------------------------------|-----------------|------------------------|------------------|-------------|-----------|-----------|-------------------|-----------------|------------------------|------------------|-------------|-----------|-----------|-------------------|
| | 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 | | | | | | | | | | | | | | |
| Senior Secured Notes | - | - | - | - | - | - | - | 27,519 | (77,515) | (3,403) | (3,403) | (6,806) | (63,903) | - |
| Finance leases | 18,945 | (21,210) | (4,387) | (4,387) | (8,774) | (3,662) | - | 25,719 | (30,293) | (4,651) | (4,651) | (17,681) | (3,310) | - |
| Short term facility | - | - | - | - | - | - | - | 4,000 | (4,162) | (4,162) | - | - | - | - |
| Deferred Consideration | - | - | - | - | - | - | - | 3,000 | (3,000) | - | (3,000) | - | - | - |
| Trade and other payables | 26,683 | (26,683) | (26,683) | - | - | - | - | 40,934 | (40,934) | (40,911) | (14) | (9) | - | - |
| | 45,628 | (47,893) | (31,070) | (4,387) | (8,774) | (3,662) | - | 101,172 | (155,904) | (53,127) | (11,068) | (24,496) | (67,213) | - |
| Derivative financial liabilities | | | | | | | | | | | | | | |
| GUP Notes | 40,900 | (40,900) | (4,834) | (9,915) | (22,309) | (3,842) | - | 24,600 | (24,600) | (2,939) | (3,701) | (8,926) | (9,034) | - |
| Total | 86,523 | (88,793) | (35,904) | (14,302) | (31,083) | (7,504) | - | 125,772 | (180,504) | (56,066) | (14,769) | (33,422) | (76,247) | - |

Notes to the financial statements (Continued)

29. Financial instruments (continued)

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 <i>In thousands of AUD</i> Financial Assets | 2010 | | | | 2009 | | | |
|--|------------------------|---------------------|----------------------|-----------------|------------------------|---------------------|----------------------|------------------|
| | Floating interest rate | Fixed interest rate | Non-interest bearing | Total | Floating interest rate | Fixed interest rate | Non-interest bearing | Total |
| Cash and cash equivalents | 914 | - | - | 914 | 10,320 | - | - | 10,320 |
| Trade and other receivables | - | 6,309 | 6,336 | 12,375 | - | 1,769 | 5,141 | 6,910 |
| Derivative assets | - | - | - | - | - | - | 3,996 | 3,996 |
| Assets available for sale | - | - | 1,800 | 1,800 | - | - | 308 | 308 |
| | 914 | 6,309 | 8,136 | 15,089 | 10,320 | 1,769 | 9,445 | 21,534 |
| Financial Liabilities | | | | | | | | |
| Trade and other payables | - | - | 26,683 | 26,683 | - | 4,000 | 40,934 | 44,934 |
| Loan and borrowings | - | 18,945 | - | 18,945 | - | 53,238 | - | 53,238 |
| Derivative liabilities | - | - | 40,900 | 40,900 | - | - | 24,600 | 24,600 |
| Deferred consideration | - | - | - | - | - | - | 3,000 | 3,000 |
| | - | 18,975 | 67,583 | 86,528 | - | 57,238 | 68,534 | 125,772 |
| Net Financial Assets/(Liabilities) | 914 | (12,636) | (59,447) | (71,439) | 10,320 | (55,469) | (59,089) | (104,238) |

Notes to the financial statements (Continued)

29. Financial instruments (continued)

Interest rate risk (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 2010.

Cash flow sensitivity analysis for variable rate instruments

The Group is not materially exposed to variable rate instruments as at 30 June 2010.

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 profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

GUP Notes – derivative

| Sensitivity | 2010 | | 2009 | |
|--------------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Value (\$'000) | Change in value (\$'000) | Value (\$'000) | Change in value (\$'000) |
| 10% increase in gold price | 54,700 | 13,800 | 35,900 | 11,300 |
| 10% decrease in gold price | 27,900 | (13,000) | 15,000 | (9,100) |
| 5% increase in gold price volatility | 42,100 | 1,200 | 28,000 | 3,400 |
| 5% decrease in gold price volatility | 40,100 | (900) | 21,300 | (3,300) |

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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In thousands of AUD

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|----------|---------|----------|
| 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) |
| 30 June 2009 | | | | |
| Available for sale financial assets | 308 | - | - | 308 |
| Derivative financial assets | - | 3,996 | - | 3,996 |
| | 308 | 3,996 | - | 4,304 |
| Derivative financial liabilities | - | (24,600) | - | (24,600) |
| | 308 | (20,604) | - | (20,296) |

Notes to the financial statements (Continued)

29. Financial instruments (continued)

There have been no transfers of financial assets and liabilities between levels during the year ended 30 June 2010 or 30 June 2009.

30. Auditors' remuneration

| <i>In AUD</i> | Consolidated | |
|---------------------------------------|----------------|----------------|
| | 2010 | 2009 |
| Audit services | | |
| Auditors of the Company | | |
| <i>KPMG Australia:</i> | | |
| Audit and review of financial reports | 260,000 | 120,531 |
| Under accrual of audit fee from 2009 | 65,000 | - |
| | <u>325,000</u> | <u>120,531</u> |
| Non audit services | | |
| <i>KPMG Australia:</i> | | |
| Forensic services | 10,000 | - |
| | <u>10,000</u> | <u>-</u> |

31. Related party disclosures

(a) Key management personnel compensation

The key management personnel compensation is as follows:

| <i>In thousands of AUD</i> | Consolidated | |
|------------------------------|--------------|--------------|
| | 2010 | 2009 |
| Short-term employee benefits | 1,699 | 2,075 |
| Post-employment benefits | 130 | 180 |
| Share based payments | (224) | 1,519 |
| | <u>1,605</u> | <u>3,774</u> |

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 section 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.

(b) Remuneration options: Granted and vested during the year

Directors and key executives were granted options during the year.

Refer to note 32 granted and vested during the year ended 30 June 2010.

Notes to the financial statements (Continued)

31. Related party disclosures (continued)

(c) Shareholdings of Directors and Key Executives

| 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 | - |

| Options | Held at 1 July 2009 | Purchases | Granted | Options Forfeited | Held at resignation | 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.

Notes to the financial statements (Continued)

31. Related party disclosures (continued)

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

| Fully paid ordinary shares | Held at 1 July 2008 | Purchases | Sales | Held at 30 June 2009 |
|----------------------------|----------------------------|----------------|------------------|-----------------------------|
| (i) Directors | | | | |
| Mark Ashley | 16,800,000 | 375,000 | - | 17,175,000 |
| Mark Bennett | 1,472,414 | 25,000 | - | 1,497,414 |
| Glenn Jardine | 2,315,000 | 308,668 | - | 2,623,668 |
| Kim Robinson | 5,800,000 | 250,000 | - | 6,050,000 |
| Stephen John Lowe | 171,201 | 62,495 | - | 233,696 |
| Todd Bennett | - | 402,334 | - | 402,334 |
| (ii) Key Executives | | | | |
| Graham Anderson | 135,001 | - | - | 135,001 |
| Grant Brock | 60,000 | - | - | 60,000 |
| Anna Neuling | 5,000 | - | - | 5,000 |
| Rod Jacobs | - | - | - | - |
| Mike Walsh | - | - | - | - |
| William Dix | 840,000 | - | - | 840,000 |
| Options | | | | |
| | Held at 1 July 2008 | Granted | Exercised | Held at 30 June 2009 |
| (i) Directors | | | | |
| Mark Ashley | 2,500,000 | - | - | 2,500,000 |
| Mark Bennett | 2,850,000 | - | - | 2,850,000 |
| Glenn Jardine | 2,850,000 | - | - | 2,850,000 |
| Kim Robinson | 1,300,000 | - | - | 1,300,000 |
| Stephen John Lowe | 800,000 | - | - | 800,000 |
| Todd Bennett | - | 750,000 | - | 750,000 |
| (ii) Key Executives | | | | |
| Graham Anderson | 200,000 | - | - | 200,000 |
| Grant Brock | 500,000 | - | - | 500,000 |
| Anna Neuling | 240,000 | - | - | 240,000 |
| Rod Jacobs | - | 500,000 | - | 500,000 |
| Mike Walsh | - | 300,000 | - | 300,000 |
| William Dix | 1,440,000 | - | - | 1,440,000 |

Notes to the financial statements (Continued)

31. Related party disclosures (continued)

(d) Other transactions with Directors and Director-related entities

- (i) During the year the Group paid taxation and business consulting fees of \$68,867 (2009: \$55,149) excluding GST to MKT at normal professional rates an accounting firm of which Mr Stephen J Lowe is non-executive Director.
- (ii) The Group has also provided business analyst services of \$52,048 (2009: \$23,237) for Kagara Zinc Ltd whom Kim Robinson is an executive Director.
- (iii) During the year the Group entered into the following transactions with Mr Kim Robinson the Chairman and a Director of the Company:

A Noteholders 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 4 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 New Options per Note (being a total of 44,999,900 New Options).

The issue of New Options to Mr Robinson is conditional upon shareholder approval. 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.

- (iv) The following employees are related to Directors of the Company:

- Jordan Ashley
- Jeremy Robinson

These employees are contracted to the Company at standard commercial terms.

Notes to the financial statements (Continued)

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 payments arrangements existed at the end of the current period:

| Options series | Number | Grant date | Expiry date | Exercise Price \$ | Fair value at Grant date \$ |
|------------------------------|------------|------------|-------------|-------------------|-----------------------------|
| (1) Issued 3 July 2006 | 1,500,000 | 3/07/2006 | 3/07/2011 | 0.20 | 0.22 |
| (2) Issued 20 July 2006 | 5,500,000 | 22/06/2006 | 20/07/2011 | 0.14 | 0.23 |
| (3) Issued 20 July 2006 | 350,000 | 24/04/2006 | 20/07/2011 | 0.14 | 0.24 |
| (4) Issued 20 July 2006 | 1,000,000 | 7/05/2006 | 20/07/2011 | 0.14 | 0.23 |
| (5) Issued 20 July 2006 | 350,000 | 29/05/2006 | 20/07/2011 | 0.14 | 0.22 |
| (6) Issued 18 August 2006 | 250,000 | 18/08/2006 | 17/08/2011 | 0.30 | 0.10 |
| (7) Issued 15 September 2006 | 250,000 | 4/09/2006 | 14/09/2011 | 0.35 | 0.26 |
| (9) Issued 1 November 2006 | 1,500,000 | 13/10/2006 | 1/11/2011 | 0.35 | 0.23 |
| (10) Issued 15 November 2006 | 275,000 | 20/11/2006 | 30/11/2011 | 0.45 | 0.14 |
| (11) Issued 15 November 2006 | 300,000 | 1/09/2006 | 30/11/2011 | 0.45 | 0.14 |
| (13) Issued 1 June 2007 | 2,825,000 | 1/06/2007 | 1/06/2012 | 0.65 | 0.34 |
| (14) Issued 18 July 2007 | 2,600,000 | 18/07/2008 | 1/06/2012 | 0.65 | 0.76 |
| (15) Issued 31 July 2007 | 1,325,000 | 31/07/2007 | 30/07/2012 | 1.00 | 0.72 |
| (16) Issued 16 October 2007 | 200,000 | 16/10/2007 | 15/10/2012 | 1.30 | 0.85 |
| (17) Issued 31 October 2007 | 200,000 | 31/10/2007 | 30/10/2012 | 1.30 | 0.83 |
| (18) Issued 12 November 2007 | 200,000 | 12/11/2007 | 11/11/2012 | 1.30 | 0.78 |
| (21) Issued 12 May 2008 | 1,066,000 | 12/05/2008 | 11/05/2013 | 1.30 | 0.45 |
| (22) Issued 2 October 2008 | 50,000 | 2/10/2008 | 1/10/2013 | 0.50 | 0.29 |
| (23) Issued 18 July 2008 | 1,000,000 | 18/07/2008 | 18/07/2013 | 0.70 | 0.44 |
| (25) Issued 2 December 2008 | 750,000 | 2/12/2008 | 1/12/2013 | 0.70 | 0.14 |
| (26) Issued 30 January 2009 | 2,500,000 | 30/01/2009 | 29/01/2012 | 0.30 | 0.18 |
| (27) Issued 10 February 2009 | 1,110,000 | 10/2/2009 | 9/02/2014 | 0.45 | 0.18 |
| (28) Issued 22 June 2009 | 1,355,000 | 22/6/2009 | 21/06/2014 | 0.30 | 0.11 |
| (29) Issued 9 April 2010 | 78,500,000 | 09/04/2010 | 08/04/2013 | 0.045 | 0.024 |

Notes to the financial statements (Continued)

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 78,500,000 options (issued to employees) in Series 29 which both vested immediately. The options are expensed over the two year vesting period being \$1,382,461 in the year ended 30 June 2010. The 2,500,000 options in series 26 which vested immediately were issued to Yandal Investments Pty Ltd as part of the Facility Agreement were valued at \$450,000.

The weighted average exercise prices of share options granted during the financial year is \$0.045 (2009: \$0.44).

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

| | Series 1 | Series 2 | Series 3 | Series 4 | Series 5 | Series 6 | Series 7 | Series 9 | Series 10 | Series 11 | Series 13 |
|------------------------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|------------|------------|
| Grant Date Share Price | 0.31 | 0.30 | 0.30 | 0.31 | 0.30 | 0.27 | 0.40 | 0.36 | 0.36 | 0.35 | 0.56 |
| Exercise Price | 0.20 | 0.14 | 0.14 | 0.14 | 0.14 | 0.30 | 0.35 | 0.35 | 0.45 | 0.45 | 0.65 |
| Expected volatility | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 70% |
| Option life | 30/07/2011 | 20/07/2011 | 20/07/2011 | 20/07/2011 | 20/07/2011 | 17/08/2011 | 14/09/2011 | 1/11/2011 | 30/11/2011 | 30/11/2011 | 1/06/2012 |
| Dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Interest rate | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% | 6.5% |
| | Series 14 | Series 15 | Series 16 | Series 17 | Series 18 | Series 22 | Series 23 | Series 25 | Series 26 | Series 27 | Series 28 |
| Grant Date Share Price | 1.06 | 1.10 | 1.33 | 1.30 | 1.24 | 0.62 | 0.68 | 0.30 | 0.31 | 0.29 | 0.18 |
| Exercise Price | 0.65 | 1.00 | 1.30 | 1.30 | 1.30 | 1.30 | 0.70 | 0.70 | 0.30 | 0.45 | 0.30 |
| Expected volatility | 70% | 70% | 70% | 70% | 70% | 70% | 70% | 75% | 85% | 85% | 85% |
| Option life | 1/06/2012 | 30/07/2012 | 15/10/2012 | 30/10/2012 | 11/11/2012 | 19/06/2013 | 18/07/2013 | 1/12/2013 | 29/01/2012 | 9/2/2014 | 21/06/2014 |
| Dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Interest rate | 6.28% | 6.27% | 6.5% | 6.50% | 6.50% | 7.25% | 7.25% | 4.25% | 4.25% | 3.25% | 3.25% |
| | Series 29 | | | | | | | | | | |
| Grant Date Share Price | 0.024 | | | | | | | | | | |
| Exercise Price | 0.045 | | | | | | | | | | |
| Expected volatility | 90% | | | | | | | | | | |
| Option life | 08/04/2013 | | | | | | | | | | |
| Dividend yield | 0% | | | | | | | | | | |
| Interest rate | 5.29% | | | | | | | | | | |

Notes to the financial statements (Continued)

32. Share-based payments (continued)

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

| | 2010 | | 2009 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of Options | Weighted average exercise price | Number of Options | Weighted average exercise price |
| Balance at the beginning of the financial year | 32,086,000 | 0.54 | 23,136,000 | 0.57 |
| Granted during the financial year | 78,500,000 | 0.045 | 10,225,000 | 0.41 |
| Exercised during the financial year (i) | - | - | - | - |
| Forfeited/Cancelled during the financial year (ii) | (5,630,000) | 0.61 | (1,275,000) | 1.09 |
| Balance at the end of the financial year | 104,956,000 | 0.19 | 32,086,000 | 0.54 |
| Exercisable at end of the financial year | 100,691,000 | 0.14 | 18,570,000 | 0.34 |

(i) **Exercised during the year**

No options were exercised during the year.

(ii) **Forfeited/Cancelled during the year**

For the year ended 5,630,000 options were cancelled/forfeited due to employee resignations and terminations.

33. Interest in joint ventures

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 ventures agreements are listed as follows:

| | Percentage of Interest % | |
|---|--------------------------|-------|
| | 2010 | 2009 |
| 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 W.A. | 80 | 80 |

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

Notes to the financial statements (Continued)

34. Group entities

Parent and ultimate controlling party

| | Equity Holding | |
|--|----------------|-----------|
| | 2010 % | 2009 % |
| 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 Xinjiang | | |
| 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

On 6 August 2010 the Company completed a \$5 million share placement. The placement of 250 million new shares has been made to institutional and sophisticated investors, at 2 cents a share representing an 8 per cent discount to the 5 and 10 day VWAP (weighted average share price) immediately prior to the 4 August 2010 trading halt.

On 5 August 2010 the Group sold its holding of 600,000,000 Sirius options for \$450,000 to Yandal Investments Pty Ltd. The consideration payable for the Sirius options was offset against the guarantee fees owed by the Group under the current Guarantee Arrangement with the Creasy group. The sale of Sirius options realised a book loss on disposal of \$4,795,000. In addition to the sale the Creasy Group agreed to extend the Guarantee Arrangement to \$4,000,000 under certain conditions. At the date of this report a total of \$3,500,000 was drawn down under this arrangement. Other conditions on the extended Guarantee Arrangements are:

- Specific repayment dates if the remaining \$500,000 is drawn down under this Arrangement
- The Extended Guarantee Arrangement will end on 31 January 2011. If the facility funds are not repaid to the Creasy Group by 28 February 2011 the Group must grant the Creasy Group a second ranking charge over its assets to the extend of the outstanding guarantee amount and any outstanding fees at that time.

On 3 August the Company entered into an agreement with Orex Mining Pty Ltd (Orex) to sell calcine tailings located at the Wiluna mine site. Settlement is conditional on Orex obtaining the necessary regulatory approvals to move the tailings to a specified special purpose tenement. The sale included the immediate payment to Apex of \$20,000 plus a royalty payment of \$4 per tonne treated by Orex on settlement. Orex will pay to Apex \$900,000 as an advanced royalty payment.

The Company has valued the Gold Upside Participation Notes (GUPs) using a gold price of \$1,352 being the AUD gold price at the date of this report compared to the price of \$1,479 per ounce used at 30 June 2010. This valuation shows that:

- The total derivative liability has reduced from \$40.9 million at 30 June 2010 to \$28.4 million; and
- The current portion has reduced from \$14.7 million to \$8.7 million


The effect of this valuation on the 30 June 2010 working capital position would have been a reduction of the working capital deficit by \$6.0 million and an increase in the net asset position of \$12.5 million in the absence of any other adjustments. The value of the GUPs at a point in time is highly dependent on the gold price assumption which is used.

Directors' declaration

1. In the opinion of the Directors of Apex Minerals NL (the "Company"):
 - (a) the financial statements and notes, and the Remuneration report in the Directors' report set out on pages 6 to 13, 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 2010 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 and chief financial officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors:

Dated at Perth this 30th day of September 2010.



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 the Group comprising Apex Minerals NL (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, 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, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a 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*.



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 2010 and of its performance for the 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).

Material uncertainty regarding continuation as a going concern

Without qualification to the opinion provided above, we draw attention to note 2(e) of the 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 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG.

KPMG

R Gambitta
Partner

Perth

30 September 2010



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 2010 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

A handwritten signature in black ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta
Partner

Perth

30 September 2010