

June 24, 2009

Apollo Minerals Is In Discussions About The Future Of The Mount Oscar Iron Ore Project With Several Potential Partners From China

By Charles Wyatt

It was a pity that Richard Sealy, chief operating officer of Apollo Minerals, could not give the presentation at our last Minesite Forum, but Roderick Smith, Mining Consultant now living in London, did a good job on his behalf. The fact was that Chinese had shown so much interest in Apollo's magnetite tenements up in the Pilbara region of Western Australia that Richard had stayed on an extra week in Shanghai. One reason for this high level of interest was the huge potential of the project. But another was that he had made meticulous preparations before he went. His documentation was in Mandarin as well as English and he had found a translator who was at ease with technical phrases. The Chinese appreciated the attention to detail and Richard, for his part, appreciated the amount of homework they had put in ahead of meetings. A mutual appreciation society, you might say, but also an ideal background against which to negotiate some sort of partnership deal, which is what Richard was seeking.

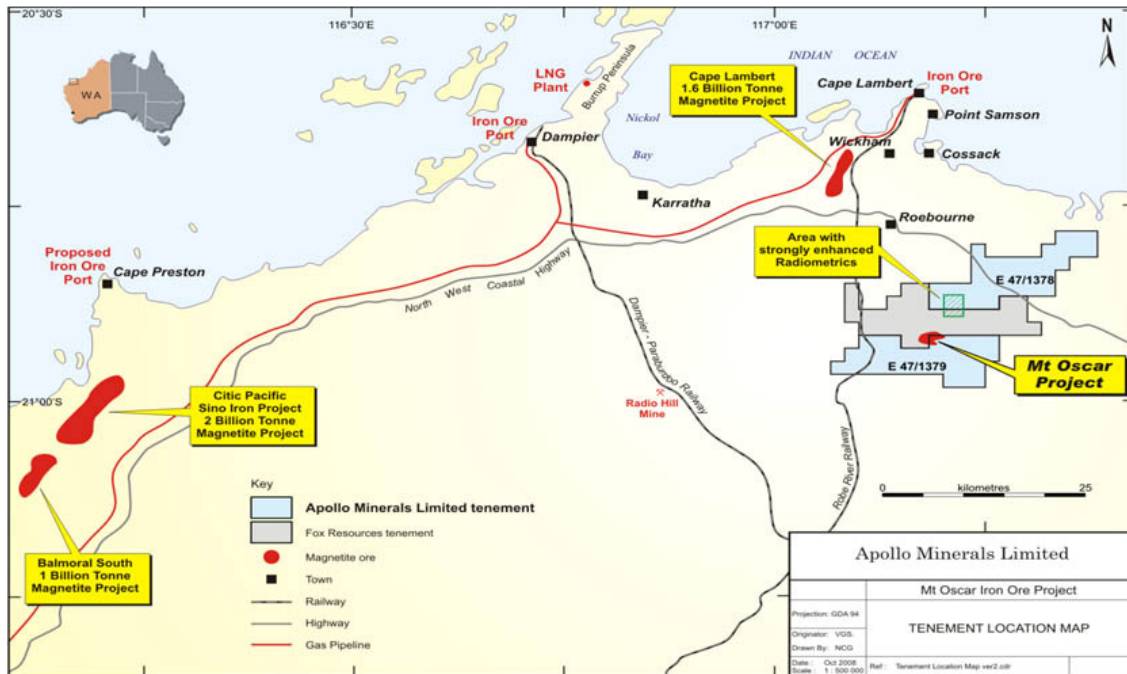
Small wonder the Chinese want to participate as Shanghai is now being virtually re-built, on the same lines as was Beijing for the Olympics last year. Shanghai has to be ready for Expo 2010 when about 70 million visitors are expected, and the theme is "Better City: Better Life" which is designed to highlight the potential for better living in future urban environments. At the same time Rapid Rail is under pressure to carry passengers to every part of China by 2015 so that means thousands of miles of railway lines.

These two projects alone demonstrate why the country is importing over 500 million tonnes of iron concentrate a year to meet the huge demand for steel. The chief executive of one of the biggest producers of iron ore in China told Richard that his company was currently producing 30 million tonnes of iron ore, but it had demand for nearly twice that amount. In fact he predicted that demand would rise to 80 million tonnes per year next year.

Rio Tinto is now well out of favour as a supplier because of the shenanigans it has played with Chinalco, and BHP Billiton is in much the same position for proposing an iron ore monopoly in Western Australia. So it is the smaller iron ore producers that have been brought to the front of the stage, and magnetite producers seem to be favourite. The Chinese, after all, are masters in processing magnetite as they have been in the business for the last 40 years, and higher grade haematite is scarce in China.

These Chinese producers therefore make ideal partners for a company such as Apollo Minerals and Richard Sealy has come back from his trip with commitments from eleven companies to take things further. Most of these are big private companies, so do not need to get permission from the Foreign Investment Review Board for deals involving less than A\$100 million. Apart from actual processing it is transportation that raises the

costs of such operations, but Mt Oscar is only 25 kilometres from Cape Lambert with its port facilities, so there are already built in advantages.



The tenements owned by Apollo cover a large part of the Mount Oscar project in the Pilbara region of Western Australia on which a global exploration target of 800 million tonnes has been put forward. Fox Resources owns the rest. Just as a measure of value, the Cape Lambert iron ore project, just to the north of Mt Oscar, was acquired in July 2008 by the China Metallurgical Group for A\$400 million. At the time the resource was estimated at 1.5 billion tonnes grading an average of 31.2% iron. Mt Oscar is believed to host a similar iron ore unit, but the average grade is between 35% and 39% iron, with the highest grade ore coming in at 55.82% iron. Geological mapping, rock chip sampling, aerial stereo photography, contour mapping, aerial magnetometry and radiometrics have all been completed, and preliminary beneficiation test work suggests that a saleable iron concentrate can be produced using conventional magnetic separation.

A drilling programme is due to start shortly and an initial JORC resource estimate should be announced early next year. This will then be followed by a feasibility study and an updated resource estimate in 2011. Provided the necessary capex can then be found, construction should then start in 2013 with production following in 2014. But it will be the involvement of the Chinese that will be key to achieving all these goals. So far all the right boxes can be ticked as it is a large orebody at surface which is still open at depth, it is only 20 kilometres from gas pipelines, 15 kilometres from the electricity grid, water and a sealed road, and 40 kilometres from Karratha airport. Mining will be by open pit with a low strip ratio and the orebody is vertical. All these are strong plus factors when compared with a hypothetical bigger orebody of higher grade, but stuck 1,000 kilometres from anywhere.

Just for the record, Apollo also holds exploration rights to a portfolio of mineral tenements at Commonwealth Hill in the central Gawler Craton, a mineral-rich region of South Australia. These tenements are located near some of South Australia's world-

class uranium, iron ore and base metal projects, including the iron-oxide-copper-gold-uranium deposits of the Olympic Dam and Prominent Hill mines. At the moment, however, the focus is on Mt Oscar. A further update on progress with the Chinese could well set the share price in motion.

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