



Apollo Minerals

Apollo Minerals has much to gain from China Armco Mining's investment

By Richard Badauskas, Wednesday 16 June 2010

Australian Apollo Minerals (ASX:AON) is prying its way into the multi billion dollar iron ore export business with its tenements at Mount Oscar that host a very significant exploration target, located immediately next to major shipping ports and excellent infrastructure at Cape Lambert port in Western Australia.

Mining iron ore is a very high volume business that requires massive amounts of capital for ports, rail, road and energy links to make it work. Fortunately for Apollo Minerals, Mount Oscar sits on the rail line to the port at Cape Lambert, which is only 19 miles away, so limited infrastructure capital will be required as the area has already been developed by Rio Tinto (ASX:RIO, LON:RIO, NYSE:RTP) one of the largest iron ore miners in the world.

Rio Tinto has recently upgraded the port to handle 80 million tonnes of iron ore per year and has new approvals to increase that amount to 130 million - with early plans to eventually push that to 320 million tonnes from all of its operations in the Pilbara. The massive increases in port capacity will also help open up export routes for small independent iron ore players looking to tap into China's seemingly endless appetite for raw materials.

The Planned Development of Mount Oscar

China Armco Mining (AMEX:CNAM) recently took up a shareholding of 12.5 million shares for 19.9% in AON for A\$4.3 million and off-take rights for 15% of the iron ore produced at market price. CNAM is engaged in metals recycling and the distribution of metal ore, steel scrap, and non-ferrous metals within China.

CNAM sees this as an opportunity to develop a substantial iron ore resource and to profit from its development and sale of ore. The money injected into AON will be spent on a major exploration program that will fully define the resource potential and prepare for a full feasibility study.

The CNAM investment would seem to have removed near term funding risk from AON.

AON has defined a 5.6 kilometer long magnetite bearing banded iron formation at Mount Oscar and Mount Oscar East by aeromagnetic imaging, visual observations, sampling and some drilling which has generated a conceptual resource target of between 350 – 650 million tonnes of ore grading 31-37% iron.

An additional small part of this system crosses into the adjoining tenement owned by Fox Resources (ASX:FXR) where FXR has defined a tonnage resource of 72.4 million tonnes grading 34% iron. Early tests on crushing and concentrating the ore indicate that high iron content can be obtained. A detailed geological mapping program across the entire extent of the banded iron formation ("BIF") has been completed. Detailed sampling has commenced and consultants have been hired to advance

Price: 0.115

Market Cap: 13.54M

1 Year Share Price Graph



Share Information

Code: AON
Listing: ASX
52 week High: 0.40
52 week Low: 0.10

Sector: Materials

Website: www.apollominerals.com.au

Company Synopsis:

Apollo Minerals is an ASX listed Australian Iron Ore Company (ASX:AON). Apollo has a large iron ore deposit located close to existing port, rail, electricity and water infrastructure. Apollo's major focus is on Mt Oscar which is prospective for magnetite iron ore. It has been determined by geophysical interpretation that there may be an 800Mt global target deposit which outcrops at surface and is open at depth.

Apollo also has 6 tenements in the Gawler Craton region of South Australia at Commonwealth Hill. These tenements are prospective for iron ore, gold and copper because of their proximity to operating mines in these minerals. The company has a Joint venture with Western Plains Resources Limited to develop these tenements.

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exploration and development studies. Assuming that AON's timeline is successful a JORC resource should be available by the end of this year.

Apollo's Big Iron Ore Play

Apollo's project is in a region dotted with large iron projects, including the Sino Iron project (CITIC): 2 billion tonnes, the Cape Lambert project (MCC): 1.6 billion tonnes and Balmoral South (Australasian Resources ASX: ARH): 1 billion tonnes.

To put in perspective the potential of Apollo Minerals Mount Oscar, a simple comparison can be made to Aquila Resources (ASX:AQA), a A\$2.78 billion market-capped company which has developed an iron ore resource of 742 million tonnes as a first stage from a much larger project inventory that is located about 165 miles from the Cape Lambert area.

AQA has already spent considerable resources on infrastructure studies that include a mine, rail line and new port at Anketell Point which is located next to Cape Lambert. To develop this project to production will cost AQA approximately A\$4 billion and will export 30 million tonnes of iron ore per year. The total capacity of the port will be up to 350 million tonnes and it will service the export needs of new iron ore mines from independent operators that could include Apollo if they complete positive feasibility studies and get funding to go into production.

The port has received both State approval and the Federal Government recently granted major project facilitation status to help speed up the development which is currently planned to ship its first ore in 2013. The port and its infrastructure require additional support which will probably come from the Chinese who are trying to diversify their ore sourcing from BHP and RIO as they try to level a perceived oligopoly. AQA is supported by the Metallurgical Corporation of China who own a 1.6 billion tonne magnetite resource located about 5 miles from the proposed port.

Iron Ore market in the Pilbara

Australia exports 96% of its iron ore production from hematite style ores because they have higher iron content than other iron ores and are cheaper to mine. The worldwide situation is different as these high grade ores only account for about 50% of annual production.

Magnetite ores are more plentiful but have lower iron content and require grinding and concentration to make them suitable for steelmaking. This cost disadvantage led them to be ignored by the major Australian iron ore miners allowing new players to enter the market. This cost disadvantage for magnetite ore tends to disappear for projects very close to infrastructure which tends to rebalance the processing price disadvantage. This can be seen in the development of new magnetite projects all located within a few miles of Port facilities, towns, rail and roads with Mount Oscar being the potential next candidate amongst that small select group.

The first magnetite mine in Australia will be the Citic Sino Iron Project which will be one of the world's largest mines with 2 billion tonnes of ore and is being developed at a cost of A\$6.1 billion / US\$5.2 billion planned to export 27.6 million tonnes of ore per year. MCC Mining's 1.6 billion tonne Cape Lambert project is also Chinese owned.

AON has outlined a conceptual target at Mount Oscar that is measured at between 350 to 650 million tonnes and although it may be a little smaller than its neighbors it still represents a project that will carry a very substantial capitalization, assuming that the planned exploration program, feasibility studies and financing will be successful.

It is interesting to note, in a recent comparison within its immediate peer group represented by 16 local iron ore explorers with valuations as high as A\$800 million, Apollo carried the lightest valuation... food for thought, or should we say iron?

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