

AON.AU

17 June 2010
Iron Ore
Australia (WA, SA)
Advanced Exploration
Exchanges: ASX:AON

Apollo Minerals Limited

A\$ 0.15

AON has a A\$4.3m investment and offtake agreement with China Armco Metals over the Mt Oscar Project (magnetite, Pilbara WA), where further drilling will test a target of >500mt iron ore. An initial resource, expected in 2H10 could lead to a market re-rating.

Capital Profile

Share price (A\$)	0.15
52 week range (A\$/share)	0.10 to 0.40
Number of shares (m)	117.8
Number of options (m)	44.1
Convertible notes (m)	0
Number of securities (fully diluted, m)	161.9
Market capitalisation (undiluted, A\$m)	17.7
Debt (A\$m) - Jun 10F	0.0
Enterprise value (A\$m)	16.4
Major shareholders: Tiger Resources(27.3%), Hugo Natural Ent. (10%), Citicorp Nom (10%), Keleve Corporate Services (7.0%)	
Avg monthly volume (m)	2
Cash (A\$m) - Jun 10F	1.3
Price/Cash (x)	13.7
Price/Book (x)	1.3
Listed company options:	AONO

Investment Points

Apollo is 100% focused on iron ore exploration and development.

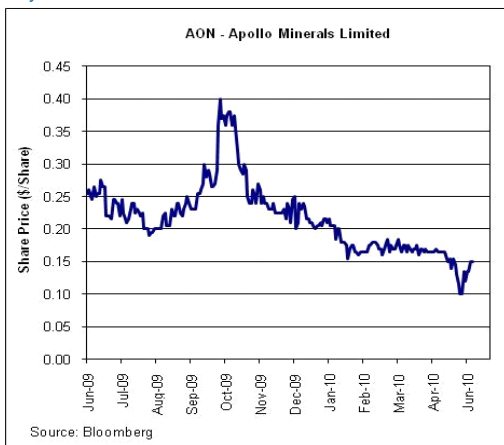
Mt Oscar (WA): magnetite project close to Cape Lambert (1.6bt ore) and Karratha (40km distant) in area well serviced by infrastructure (road, rail, power, port).

Mt Oscar: prospective area 5km x 2km, surface grades 35%-55.8% Fe, target >500mt from 0m-250m depth, not including Mt Oscar East. Resource expected in 2H10.

Davis Tube Recoveries from 4Q09 drilling averaged 58% Fe in 42% mass, with potential to beneficiate to +60% Fe and <10% silica.

Commonwealth Hill Iron Project (SA) has known Fe mineralisation and untested exploration targets.

Well funded after A\$4.3m investment agreement by Chinese ore broker Armco, which will receive +15% of any Mt Oscar offtake.



Production and Financial Forecasts

YEAR END: June	Mar-10a	Jun-10F	2009a	2010F	2011F
Exploration and evaluation (A\$m)	0.25	0.20	1.27	1.44	1.10
Corporate (A\$m)	0.26	0.30	1.47	1.47	1.20
Exploration/(Expl.+ Corporate) (%)	49	40	46	49	48
Funding duration at current burn (years)	3.4	2.6	1.0	0.4	0.5
Shares on issue (pr end) (m shares)	117.8	117.8	103.2	117.8	160.2
Drilling - RAB (m)	0	0	3,500	0	0
Drilling - Other/Diamond (m)	2,000	2,000	9,000	8,000	8,000
Land holding ('000 ha)*	18	18	18	18	18
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	1.18	0.00	0.24	2.87	2.12
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	1.8	1.3	2.7	1.3	1.1
Cash backing (Ac/share)	1.5	1.1	2.6	1.1	0.7
Net asset backing (Ac/share)	11.4	11.2	11.8	11.2	8.8

*Iron Ore prospective tenements only, both held and under application. Quarters stated on calendar year basis.

Company Comment

Overview: Apollo listed on the ASX Oct. '07. It is focused on two iron ore projects, Mt Oscar in the Pilbara (WA), and Commonwealth Hill (SA). Both are close to existing and proposed infrastructure.

Mt. Oscar Project: (WA, Iron Ore, 100% since Jan '09) Located 20km south of the 1.56bt @ 31.2% Fe Cape Lambert magnetite project (MMC, Evraz) and 40km SE of Karratha. The project is mid-stage and targets magnetite banded iron formations (BIF), which straddles tenements of both AON and Fox Resources (ASX:FXR) in an area of ~5km x ~2km. The magnetite units are near-surface, up to 100m thick, vertical and open at depth. Surface grades range from 35% to 55.8%. Independent modelling of regional magnetic anomalies (TMI) has provided a global exploration target for **AON's part of Mt Oscar** of 350-650mt grading 30-37% Fe, with **>500mt from 0-250m depth**. In terms of map area, ~40% of the total anomaly is on AON's tenement (E47/1379). There is potential for haematite/goethite overlying the magnetite sequence at depth. Recent drilling (5 holes, 1,440m), along 1.6km strike, intersected 768m of magnetite mineralisation, which exceeded modelling-based expectations (560m) by 37%. Results include **139m @ 36% Fe from 14m depth**. Composite assays returned up to 43.8% Fe. The deposit remains open along strike, and at depth below 300m. Further drilling and resource definition is planned for 2010. Davis Tube recoveries (DTR; Feb '10) show **average concentrate grades of 58% Fe and up to 64% Fe, with average mass recovery 42%**. Additional metallurgical testwork (Promet) improved the concentrate, achieving 61.6% Fe with 10.9% silica (80% passing 15 microns in size). AON is confident that with further work, a saleable concentrate (with silica <= 7.5%) can be produced. Mt Oscar is close to ports, (e.g. 30km to Cape Lambert and the proposed multi-user Port Ankatell), sealed roads (15km), power (15km), gas pipeline (20km) and water supply (15km). RIO's Robe River Railway adjoins the project area and a ~10km branch line could be built to Mt Oscar. More advanced magnetite projects in the district have forecast cash costs of US\$37-42/t. The BIF outcrops as ridges, which could lower the cost of mining. **Development schedule:** geological and metallurgical studies 1H10 (Promet); JORC resource 2H10; feasibility study, resource upgrade 2011; production 2014. **Mt Oscar East:** 10km from Mt Oscar, adjacent to the North West Highway. The project has 300m outcropping BIF and 4.5km magnetic anomalies under cover. Rock samples 31%-47% Fe. A ground magnetic survey is planned.

Commonwealth Hill Project: (SA, 100%): The project covers 760km² in the Gawler Craton. The **Sequoia** prospect (Commonwealth Hill East) is 5km from the Adelaide - Darwin railway. PIRSA found magnetite BIF averaging 28.4% Fe and defined 22mt mineralisation (non JORC compliant). Mineralisation is coarse grained and readily beneficiated to ~70% Fe. Ground magnetic and gravity surveys have identified seven new iron targets near to Sequoia. Other targets in the project area include **Ibis** (4km-long magnetic anomaly) and **St Andrews** (28m intercept @ 53.4% Fe).

Investment by China Armco Metals: In June 2010, AON announced that China-based metallic ore supplier Armco (AMEX:CNAM) would invest A\$4.3m at A\$0.15/share to gain 19.9% of AON (with provisions to prevent dilution), in return for +15% of any future Mt Oscar production (market rates). Armco conducted extensive due diligence on Mt Oscar and is a strong strategic partner for Apollo.

Investment Comment: Now that funding is available the ongoing geological and geochemical investigation at Mt Oscar should quickly lead into a drill-out and an initial resource announcement in 2H10 (target of 350-650mt). This should result in a market re-rating of AON, especially in view of the favourable metallurgy and as iron ore infrastructure in the Pilbara continues to develop.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Iron (Fe)	Classification	Project	Ore	Fe	Cut Off	Fe	Fe Equity
		Equity	mt	%	%	mt	mt
Reserves						0.0	0.0
Resources						0.0	0.0
Mineralised Material (est., non compliant with JORC)							
Commonwealth Hill (Sequoia)	100%		22.0	28.4		6.2	6.2

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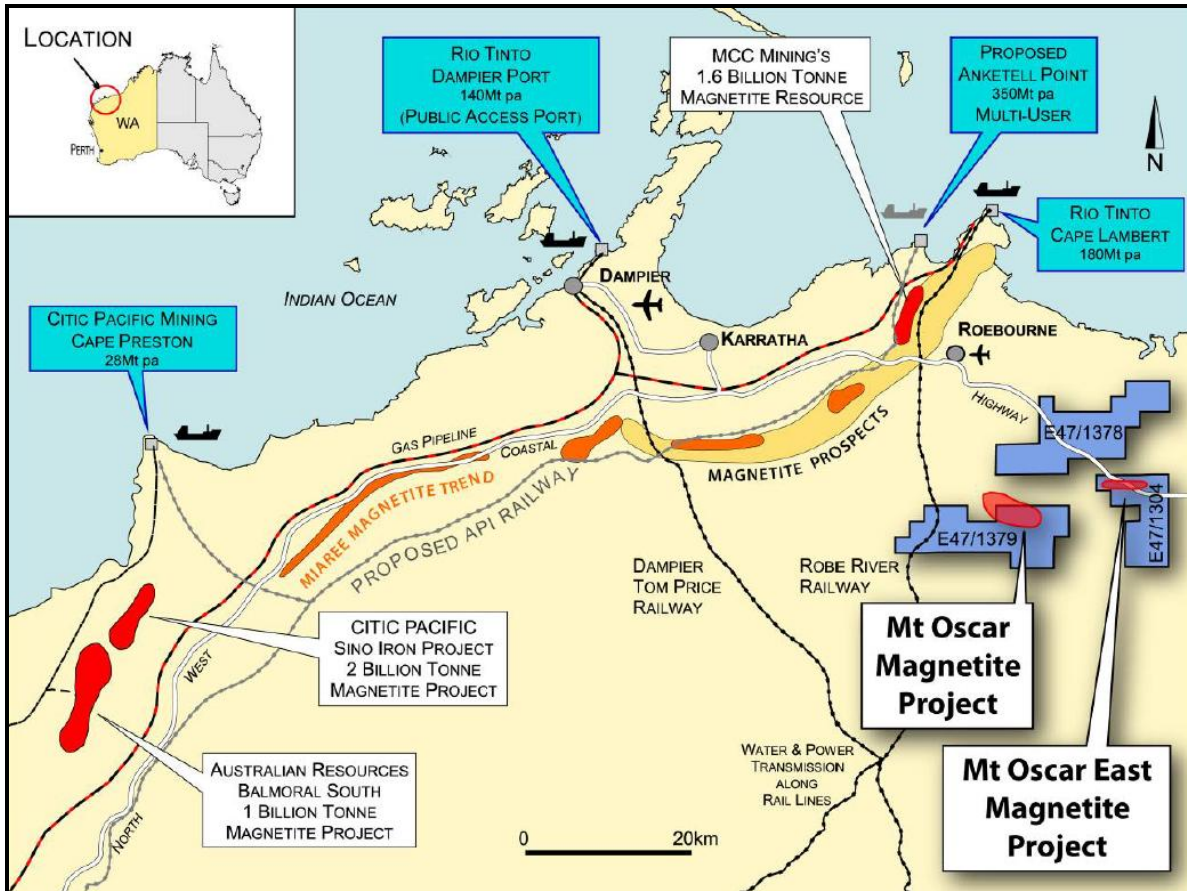
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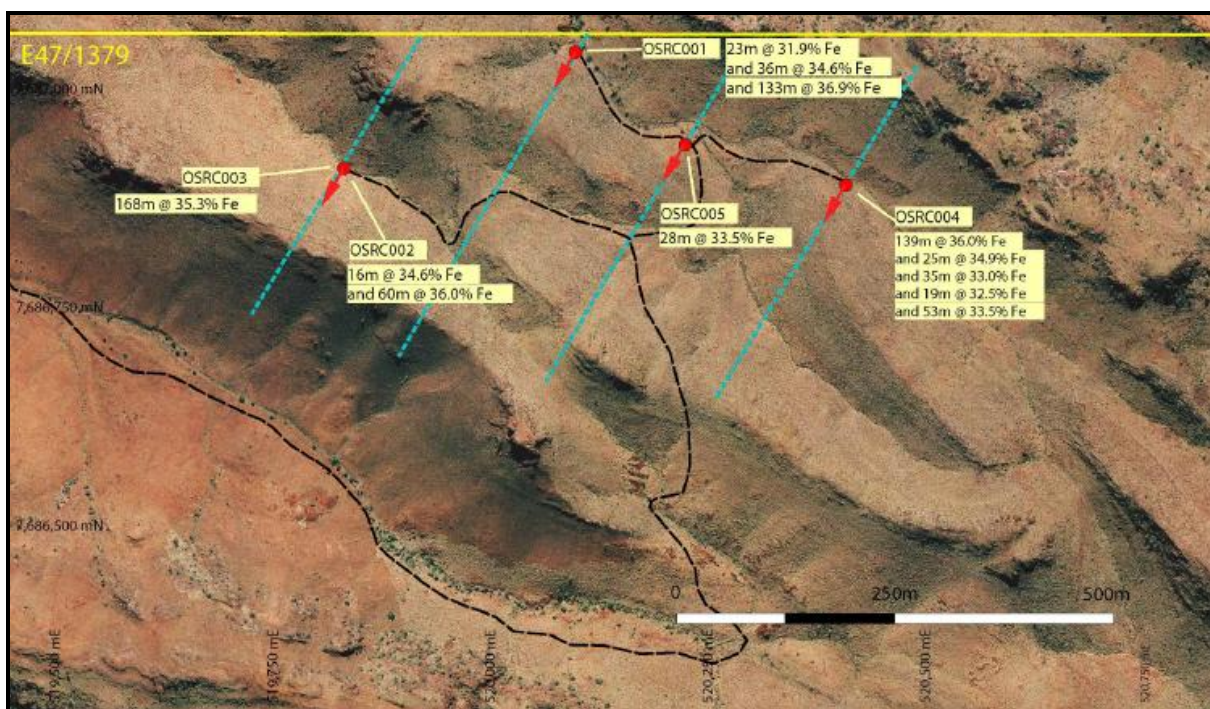
Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Mt Oscar	100%	Fe	na	BIF (Fe)	Convntl	Mid Expl	Aus (WA)
Commonwealth Hill	100%	Fe	na	BIF (Fe)	Convntl	Mid Expl	Aus (SA)

Mt Oscar Iron Ore Project (WA): The deposit adjoins a heavy rail line, and is 30km from the deep water port at Cape Lambert and the proposed multi-user port at Anketell. Surface grades range from 35% to 55.8% Fe (magnetite). There is an exploration target of >500mt ore, to 250m depth.



Mt Oscar RC drillhole layout and results superimposed on colour aerial photograph: drilling in 4Q09 found Fe mineralisation exceeded modelled thicknesses by 37%. The deposit is open below 300m and along strike. Follow-up drilling and a maiden JORC resource are expected in 2010.



Disclosure and Disclaimer

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