

# AON.AU

28 March 2011  
Iron Ore  
Australia (WA,SA)  
Advanced Exploration  
Exchanges: ASX:AON

## Capital Profile

Share price (A\$)	0.07
52 week range (A\$/share)	0.07 to 0.18
Number of shares (m)	157.1
Number of options (m)	61.0
Convertible notes (m)	0
Number of securities (fully diluted, m)	218.1
Market capitalisation (undiluted, A\$m)	11.0
Debt (A\$m) - Mar 11F	0.0
Enterprise value (A\$m)	8.9
Major shareholders: Tiger Res. (19.1%), China Armco Metals (18.6%) Kongoni (9.4%), Hugo Natural Enterprises (6.1%)	
Avg monthly volume (m)	4
Cash (A\$m) - Mar 11F	2.1
Price/Cash (x)	5.3
Price/Book (x)	0.7
Listed company options:	AONO

## Investment Points

Apollo is 100% focused on iron ore exploration.

**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).**

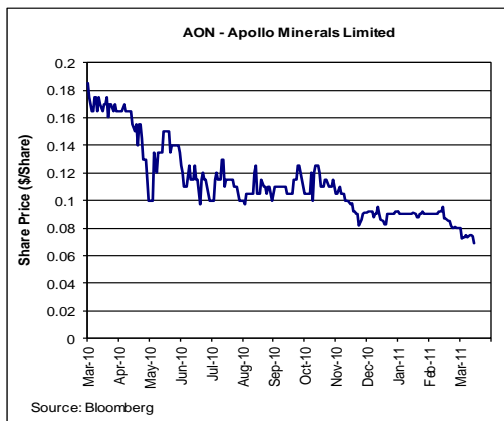
**Mt Oscar: prospective area 5km x 2km, target 350-650mt from surface. Wide intersections from Stage 2 drilling: 112m @ 33.9% Fe. Resource possible 2011.**

**Davis Tube Recoveries from 4Q09 drilling averaged 58% Fe in 42% mass, with potential to beneficiate to +60% Fe and <10% silica. Phase 2 met. results expected 1Q11.**

**Exploration upside at Mt Oscar East, surface samples average 35.6% Fe, i.e. similar to Mt Oscar. Exploration target 50-150mt @ 31-37% Fe.**

**Commonwealth Hill Iron Project (SA) has known Fe mineralisation, including 8km magnetic anomaly at Wirrida Complex. Exploring subject to WPA review.**

**Funded by A\$4.3m from Chinese ore broker Armco, will receive +15% of any Mt Oscar offtake.**



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# Apollo Minerals Limited

A\$ 0.07

**Stage 2 drilling at the Mt Oscar Project (magnetite, Pilbara WA) has proved encouraging (112m @ 33.9% Fe), as has sampling at Mt Oscar East. AON is testing a target of 350-650mt iron ore; an initial resource is possible in 2011.**

## Production and Financial Forecasts

YEAR END: June	Dec-10a	Mar-11F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	0.31	0.33	1.58	1.31	1.32
Corporate (A\$m)	0.36	0.34	1.44	1.51	1.00
Exploration/(Expl.+ Corporate) (%)	46	49	52	46	57
Funding duration at current burn (years)			0.4	2.3	6.0
Shares on issue (pr end) (m shares)	157.1	157.1	117.8	182.1	219.1
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	2,000	2,000	8,000	14,000	20,000
Land holding ('000 ha)*	18	18	18	18	18
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.00	0.00	2.87	9.39	9.39
Funding from JV partners (A\$m)	0.0	0.0	0.0	0.0	0.0
Cash (A\$m)	2.7	2.1	1.1	6.5	13.9
Cash backing (Ac/share)	1.7	1.3	0.9	3.6	6.4
Net asset backing (Ac/share)	9.9	9.7	10.7	11.0	13.1

\*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%) Located 20km south of the 1.56bt @ 31.2% Fe Cape Lambert magnetite project and 40km SE of Karratha. The project is mid-stage exploration and targets magnetite banded iron formations (BIF) of the Cleaverville Formation, which straddle 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. Independent modelling of 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**. There is potential for hematite/goethite overlying the magnetite sequence at depth. **Stage 2** drilling (4 holes for 732m on 1.4km strike) in conjunction with metallurgical testing was completed Nov '10, in the south of the project area (BIF Unit A). It encountered ~50m-85m true widths of BIF, comprised of alternating bands of jasper-rich material and intergrown fine-to-coarse grained magnetite and silica. **Assay results include 101m @ 33.6% Fe**. These results support those of the Stage 1 program (on 1.6km strike), which included 192m @ 35.9% Fe from 25m depth and averaged 35.2% Fe. **Metallurgy:** Stage 1 Davis Tube recoveries (DTR; Feb '10) showed average concentrate grades of 58% Fe and up to 64% Fe. Additional testwork (Promet) achieved 61.6% Fe with 10.9% silica (80% passing 15 microns in size). **Stage 2 met. results are expected in 1Q11** - if these also are encouraging, further drilling will be planned for 2011. In terms of **infrastructure**, 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 crosses the project area: a ~10km branch line could be built to Mt Oscar, subject to access. The BIF outcrops as ridges, which could lower mining opex. **Mt Oscar East:** 10km from Mt Oscar, is adjacent to the North West Highway. The project has 300m outcropping BIF of similar tenure to Mt Oscar, and 4.5km magnetic anomalies under cover. One of the two largest anomalies (Anomaly B) was sampled in Nov '10: grades ranged 32.8%-41.4% Fe with low P, Al and S. The average grade is 35.6% Fe. There is an exploration target of 50-150mt @ 31-37% Fe. Further work is planned.

**Commonwealth Hill Project:** (SA, 100%): 760km<sup>2</sup> in the Gawler Craton. The **Sequoia** prospect (Commonwealth Hill East) is 5km from the Adelaide to Darwin railway. PIRSA found magnetite BIF averaging 28.4% Fe and defined 22mt mineralisation (non JORC), coarse grained and beneficiable to ~70% Fe. Recent magnetic modelling of the nearby **Wirrida Complex** has revealed 8km strike of magnetite-bearing horizons. An aeromagnetic survey and ground exploration are planned, subject to results of a Government review of the Woomera Protected Area (WPA), in which the tenements lie.

**Significant transaction:** In Aug '10, Fox Resources agreed to a JV over its area of Mt Oscar, which includes a 72.4mt inferred resource at 34% Fe. Breeton Pty Ltd (associated with QLD investor Sam Chong) can earn 60% for A\$3m upfront and A\$20m in development over 5 years, and subscribing for A\$5.07m in shares. This implies a value for FXR's resource of ~A\$0.53/t, excluding the shares. Using this multiple, a conservative 100mt resource could be worth A\$53m or A\$0.34/share to AON.

**Investment Comment:** AON is focused on testing the Mt Oscar mineralisation ahead of a potential resource announcement this year (target of 350-650mt). The share price has continued to decline since 4Q10, partly due to the recent Japan crisis. This trend can be arrested by a resource statement for Mt Oscar and potentially Mt Oscar East; favourable Mt Oscar metallurgical results and the resumption of exploration at Commonwealth Hill could also serve as catalysts. At ~A\$11m, market cap is 63% below its 12-month high, so there is room for a rebound. Further working capital will be required mid-2011.

## Reserves and Resources/Mineralised Material

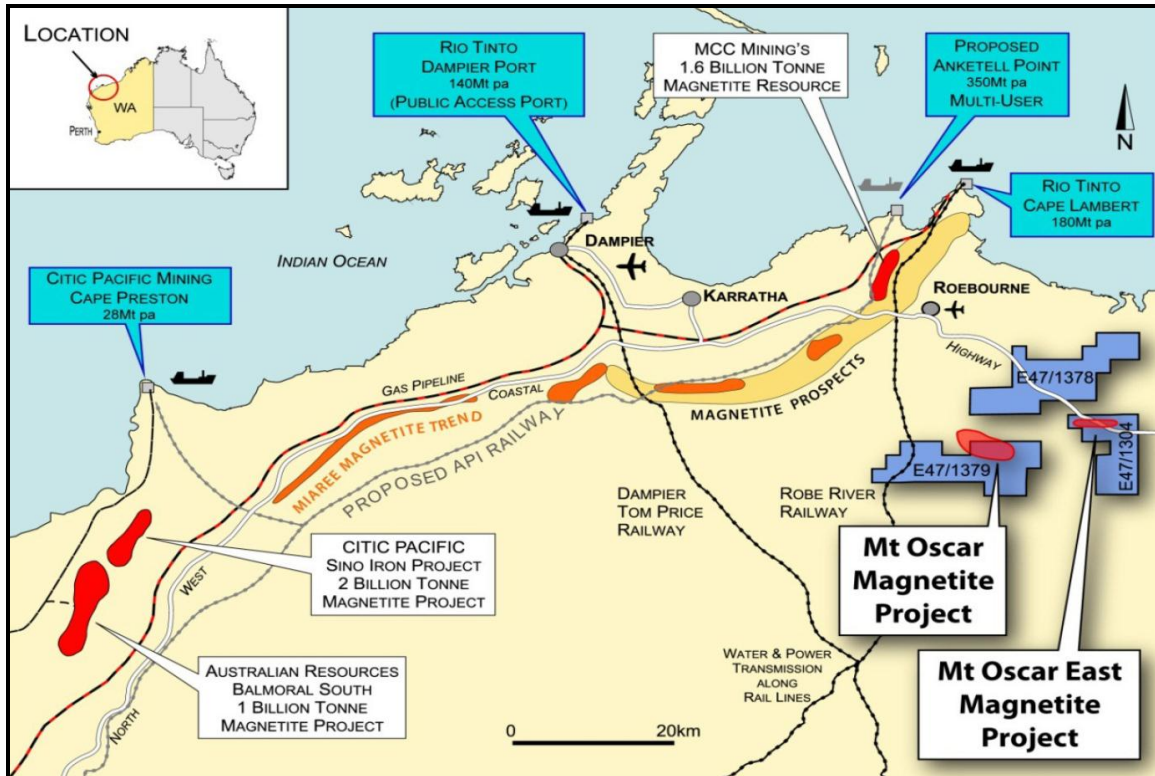
Code for reporting mineral resources - Australian: (JORC)

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

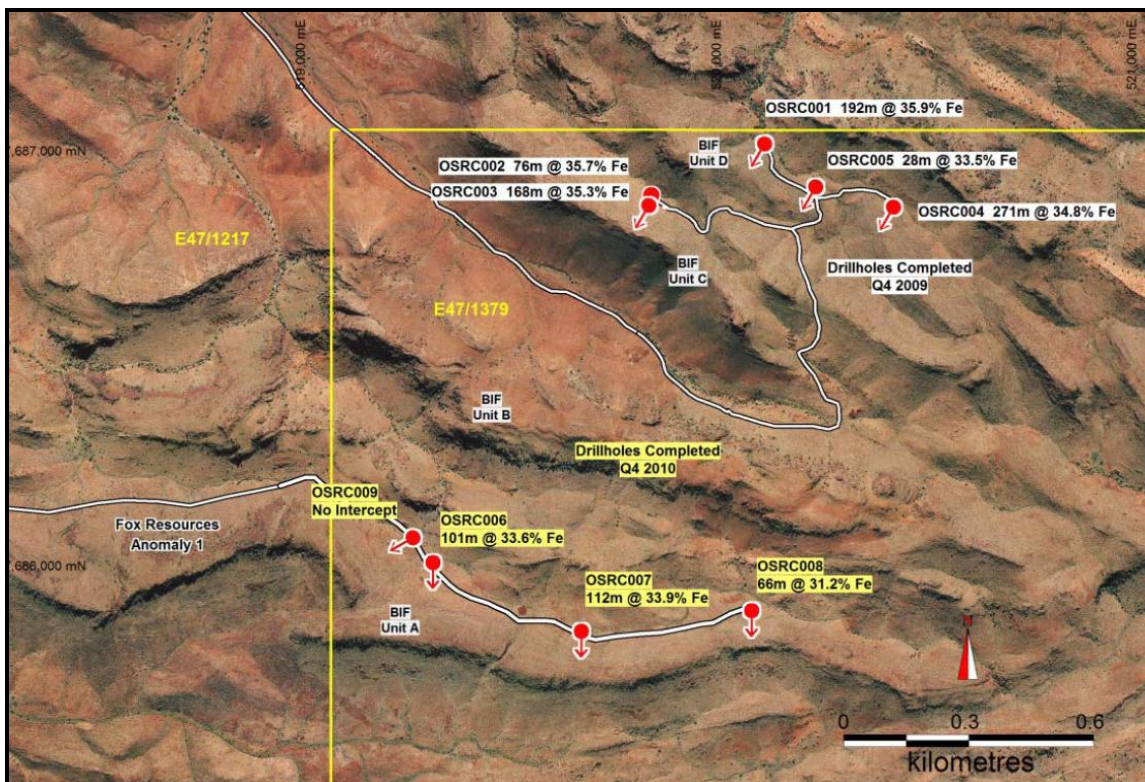
## Key Projects

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. There is an exploration target of 350mt-650mt magnetite mineralisation, to 250m depth



**Drilling locations and assay results at Mt Oscar:** Stage 2 drilling focused on BIF Unit A, returning thicknesses of mineralisation consistent with those found in Stage 1 (Units C, D). Ongoing metallurgical testing will determine the future course of exploration.



## Disclosure and Disclaimer

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