

AON.AU

8 December 2010
Iron Ore
Australia (WA,SA)
Advanced Exploration
Exchanges: ASX:AON

Apollo Minerals Limited

A\$ 0.08

Results of Stage 2 drilling at the Mt Oscar Project (magnetite, Pilbara WA) are expected in 1Q11. AON is testing a target of ~500mt iron ore; an initial resource is possible 1H11. The Wirrida Complex (SA, 8km strike) will be an exploration focus in 2011.

Capital Profile

Share price (A\$)	0.08
52 week range (A\$/share)	0.08 to 0.25
Number of shares (m)	157.1
Number of options (m)	58.0
Convertible notes (m)	0
Number of securities (fully diluted, m)	215.1
Market capitalisation (undiluted, A\$m)	12.6
Debt (A\$m) - Dec 10F	0.0
Enterprise value (A\$m)	10.6
Major shareholders: Tiger Res. (19.1%), China Armcoc Metals (18.6%) Kongoni (9.4%), Hugo Natural Enterprises (6.1%)	
Avg monthly volume (m)	3
Cash (A\$m) - Dec 10F	2.0
Price/Cash (x)	6.4
Price/Book (x)	0.8
Listed company options:	AONO

Investment Points

Apollo is 100% focused on iron ore exploration.

Mt Oscar (WA): magnetite project close to Cape Lambert (1.9bt ore) and Karratha (40km distant) in area well serviced by infrastructure (road, rail, power, port).

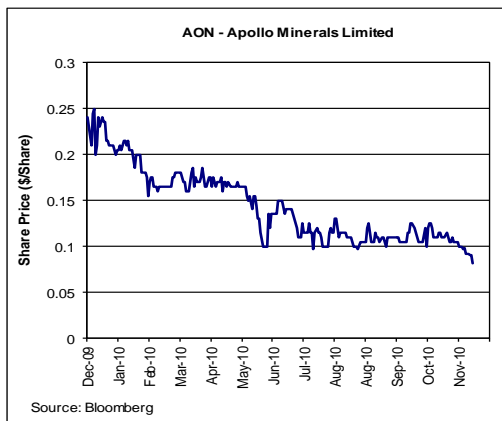
Mt Oscar: prospective area 5km x 2km, surface grades 35%-55.8% Fe, target >500mt from 0m-250m depth, not including Mt Oscar East. Resource expected in 1H11.

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

Commonwealth Hill Iron Project (SA) has known Fe mineralisation and untested exploration targets (8km magnetic anomaly at Wirrida Complex).

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

Comparable transaction values theoretical 100mt Mt Oscar resource at A\$53m or ~A\$0.34/share.



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Production and Financial Forecasts

YEAR END: June	Sep-10a	Dec-10F	2010a	2011F	2012F
Exploration and evaluation (A\$m)	0.35	0.89	1.58	2.23	2.00
Corporate (A\$m)	0.57	0.25	1.44	1.32	1.00
Exploration/(Expl.+ Corporate) (%)	38	78	52	63	67
Funding duration at current burn (years)			0.4	1.4	3.4
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)	5,000	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)	4.39	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)	3.4	2.0	1.1	4.9	10.3
Cash backing (Ac/share)	2.1	1.3	0.9	2.7	4.7
Net asset backing (Ac/share)	10.1	9.8	10.7	10.6	12.2

*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 1.92bt @ 30.7% Fe Cape Lambert magnetite project (MMC, Evraz) and 40km SE of Karratha. The project is mid-stage exploration and targets **magnetite** banded iron formations (BIF), 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 1** drilling along 1.6km strike, intersected 768m of magnetite mineralisation, which exceeded modelling-based expectations by 37%. The deposit remains open along strike, and at depth below 300m. Results include **192m @ 35.9% Fe from 25m depth**. Composite assays returned up to 43.8% Fe (average 35.2%). Davis Tube recoveries (DTR; Feb '10) show **average concentrate grades of 58% Fe and up to 64% Fe**. 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 a saleable concentrate (with silica <= 7.5%) can be produced. Stage 2 drilling (4 holes for 721m 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. **Assays and met. results expected in 1Q11**. 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 adjoins the project area and a ~10km branch line could be built to Mt Oscar. The BIF outcrops as ridges, which could lower mining opex. **Development schedule:** initial resource and upgrade, and feasibility study 2011; possible production 2014. **Mt Oscar East:** 10km from Mt Oscar, is 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), which is coarse grained and beneficiable to ~70% Fe. There are several iron targets near Sequoia. Recent magnetic modelling of the **Wirrida Complex** has revealed 8km strike of magnetite-bearing horizons = an aeromagnetic survey and ground exploration are planned for 2011.

Investment by China Armcoc Metals: In July 2010, China-based metallic ore supplier Armcoc (AMEX:CNAM) invested 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).

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: Results from Stage 2 drilling at Mt Oscar, expected 1Q11, should feed into an initial resource (target of 350-650mt) in 1H11. As we stated in September, with a low market cap of ~A\$12m there is significant upside for AON in defining a resource at Mt Oscar, which is in a world class iron ore province. Exploration of the Wirrida Complex in 2011 could provide a key to unlocking the value of Commonwealth Hill.

Reserves and Resources/Mineralised Material

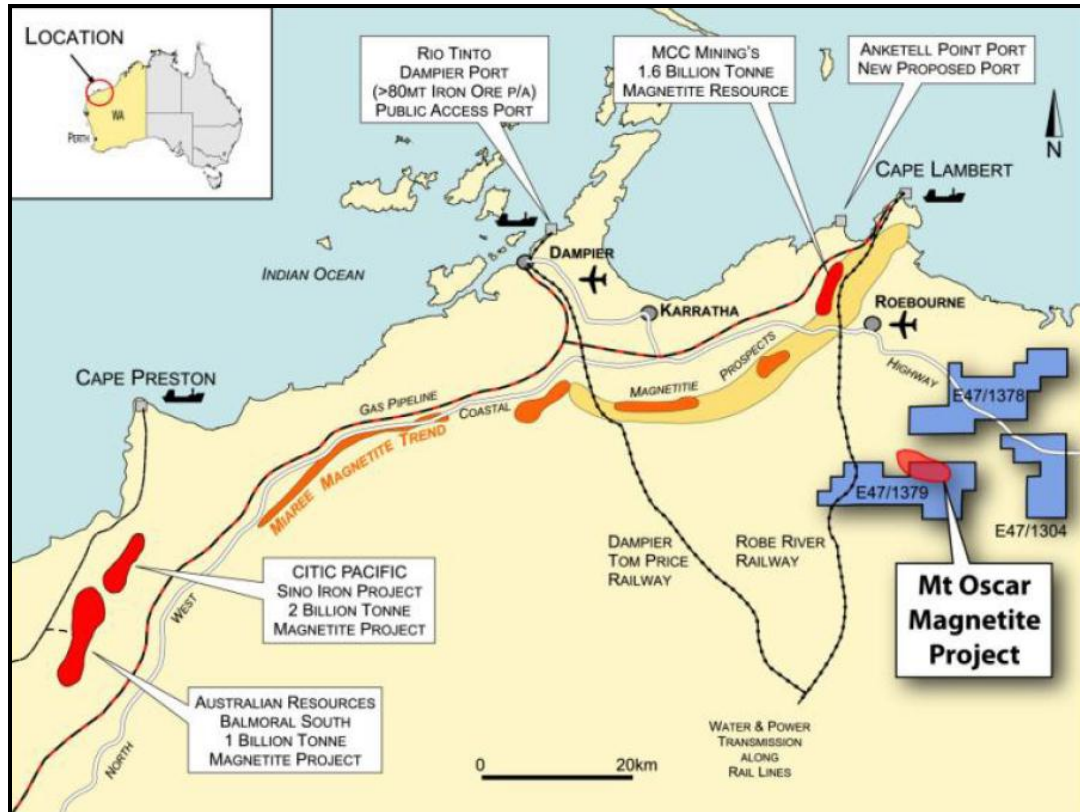
Code for reporting mineral resources - Australian: (JORC)

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

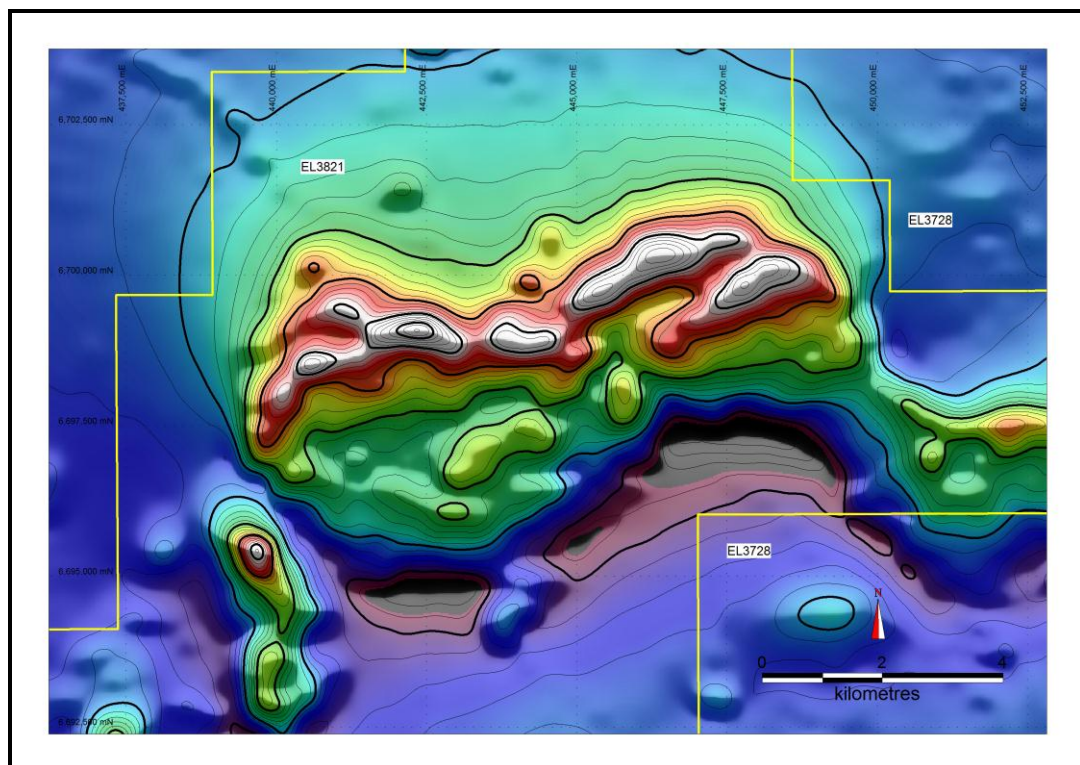
Key Projects

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



Total Magnetic Intensity Image (TMI) of Wirrida Complex at Commonwealth Hill (SA): the 8km-anomaly at Wirrida will undergo a detailed aeromagnetic survey and ground exploration in 2011. The withdrawal of WPG Resources from a JV has returned control of the project to AON.



Disclosure and Disclaimer

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