



**Apex Minerals NL**  
**ABN 22 098 612 974**

**Condensed Consolidated Interim Financial Statements**

**31 December 2010**

# CORPORATE DIRECTORY

<b>DIRECTORS</b>	Mark Ashley – Managing Director Kim Robinson – Non Executive Chairman Robin Lee Sing Leung – Non Executive Director
<b>COMPANY SECRETARY</b>	Adrian Di Carlo
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# APEX MINERALS NL

## Director's report

The directors present their report together with the consolidated financial report comprising Apex Minerals NL ("Apex" or "the Company") and its controlled entities ("the Group") for the six months ended 31 December 2010 and the review report thereon.

## Directors

The directors of the Company at any time during or since the end of the interim period are:

<b>Name</b>	<b>Period of directorship</b>
<b><i>Non-executive</i></b>	
Kim Robinson – Chairperson	Chairperson since September 2006
Robin Lee Sing Leung – Non Executive Director	Appointed 17 February 2010
<b><i>Executive</i></b>	
Mark Ashley – Managing Director	Director since April 2006

## Review of operations

The Group continued mining and gold production at Wiluna during the six months ended 31 December 2010. The summary of results is as follows.

### Mining

The majority of mine production during the six months ended 31 December 2010 was sourced from the Burgundy, Calais, Henry 5, Henry 5 North, Golden Age (accessed from the Bulletin decline), and East Lode North (ELN), accessed from the East Lode Decline. Development of the Lennon ore body commenced with the first development ore from the area being hauled during the half year. Development of the ELN and Baldrick declines both progressed during the half year with an additional two levels having been accessed from the Baldrick decline. Stopping was completed in the first block of the Golden Age deposit with stopping of the second block commencing in the December quarter. Stopping commenced in Burgundy at the end of August 2010.

A comprehensive geological and mining review of the deposits at Wiluna was initiated during the half year and changes to the interpretation and classification boundaries of mining models made. This resulted in an immediate re-modelling of two stopes at Henry V North (772 and 747). This has resulted in an increase of 106% of gold designed to be produced from these stopes compared to the previous design (from 32,000 tonnes at 6.15g/t to 82,000 tonnes at 4.84g/t for 12,800 ounces). This additional ore will be mined with effectively no additional development and at minimal cost. Stopping from the 772 level commenced in December and is confirming the robustness of the revised interpretation.

Following the positive results achieved from the re-designed Henry V North stopes, a review and re-modelling of the Burgundy deposit has recently been completed. As a result additional economic ore has been identified beyond the northern extents of the previously completed Burgundy development with work recommencing in this area during the quarter to gain access to this material prior to mining. This additional ore is estimated to contain approximately 8,000 ounces of gold (60,000 tonnes at 4g/t). The additional ore expected to be mined from this area represents an increase of around 36% in contained gold compared to the previous design and requires little additional development. Stopping of this area of the Burgundy deposit is scheduled to commence in the current quarter and the positive impact on production and costs expected to be seen over the next six months.

Total ore mined for the six months ended 31 December 2010 was 223,150 tonnes at 5.54g/t containing 39,727 ounces. Mine development was 2,498 metres with 1,060 metres relating to capital and 1,438 metres relating to operating. Total developed ore stocks ready for stopping were 279,818 tonnes at 5.39 g/t containing 48,513 ounces.

### Processing

Total ore treated during the six months ended 31 December 2010 was 246,953 tonnes at 5.65 g/t with a recovery rate of 87.63%. The total gold ounces sold was 38,940 at an average gold price of \$1,372.34 per ounce generating revenue of \$53,439,000.

## Review of operations (continued)

### Exploration

Exploration activities completed during the reporting period included the following:

- 34 underground resource definition diamond holes for a total of 5,809m.
- 18 underground extensional and new exploration diamond holes for a total of 4,612m.
- Evaluation of additional near mine mineralisation for future testing from surface and underground.
- Geological re-interpretation and extension of ore body models.
- New resource estimations of existing mineralisation and addition of new resources.

Resource definition drilling focussed on infilling previous broader spaced drilling in order to estimate resources and confirm continuity for mining in Burgundy, Henry 5 and Woodley/Bulletin South Deeps. Exploration drilling was targeted to identify repeats south along the Burgundy mineralisation trend and evaluate Brothers Reef and a Quartz-Scheelite vein system, known from previous limited drill intersections.

There is significant opportunity to identify additional mineralisation within the Wiluna project area in easily accessible areas of the mine where unexploited mineralisation is present. During the period the following highly prospective areas have been: West Lode South, Golden Age North and Lonehand/Moonlight. In addition several areas adjacent to existing decline development were evaluated and ranked. Upper Burgundy, Lennon and Woodley 80/130 are regarded as having the most potential.

The main mining areas of Burgundy, Calais, Henry 5 and East Lode North are continually updated as information is gathered from ore drive mapping, grade control sampling and drilling information to create a better predictive model for resource estimations and future drill targeting. In addition, new geological models were created to determine the potential of cut back and underground development on as well as near mine underground opportunities.

### Corporate

On 5 August 2010 the Group sold its holding of 600 million Sirius Resources Limited (Sirius) options for \$450,000 to Yandal Investments Pty Ltd. The consideration received for the Sirius options was offset against the guarantee fees owed by the Group under the current Guarantee Arrangement for rehabilitation bonds with the Creasy Group.

On 6 August 2010 the Company raised \$5 million through the placement of 250 million new shares to institutional and sophisticated investors, at \$0.02 per share representing an 8 per cent discount to the 5 and 10 day variable weighted average share price immediately prior to the 4 August 2010 trading halt.

On 8 December 2010 the Group sold 10 million shares of its holding in Aphrodite Gold Limited for \$1 million.

The Group made a profit of \$4,151,000 for the six months ending 31 December 2010. The profit for 2010 includes the revaluation of the Gold Upside Participation ("GUP") notes from \$40.9 million to \$22.1 million resulting in a gain of \$18.8 million.

Details of these transactions are outlined in the financial statements.

#### *Subsequent Events*

The 31 December 2010 statement of financial position shows net assets of \$12.6 million. Subsequent to 31 December 2010 the Directors have initiated a number of transactions to strengthen the statement of financial position (see Notes 1 and 15).

A Prospectus dated 10 February 2011 for the underwritten renounceable pro-rate Rights Issue, which was released to the ASX on 12 February 2011, details these transactions which have also been initiated along with a 2.4 for 1 Rights issue. The Prospectus includes a pro forma statement of financial position in accordance with draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005) which shows the impact of all these transactions on the Company's financial position as at 31 December 2010. The net effect of those transactions as outlined in the Prospectus is to increase the net assets of the Company by approximately \$56.3 million, to \$68.9 million. The Prospectus is available and can be downloaded on the Company's website.

## Review of operations (continued)

The subsequent events note to the Financial Statements (Note 15) sets out those transactions referred to in the Prospectus which have been completed as at the date of this report. The approximate impact of those transactions which have been completed is to increase the net assets by \$41.2 million. The Rights Issue is scheduled to complete on 23 March 2011. On completion of the Rights Issue, an additional \$15.1 million (after transaction costs) will be raised, increasing net assets by this amount.

The underwriting agreement is conditional on certain termination events, which are described in Note 1. The following events have been satisfied:

- The redemption of the GUP notes (which occurred on 18 February 2011)
- The placement of 350 million shares (which occurred on 3 February 2011)
- The sale of Gidgee (which occurred on 18 February 2011)
- The offer document for the Rights Issue being lodged on or before 10 February 2011 (which occurred on 10 February 2011)
- The obligation of the underwriter to underwrite the offer is conditional on the underwriter obtaining binding sub underwriting commitments (which were obtained on 1 February 2011)
- A favourable outcome on the Atlas Copco Statutory Demands (28 February 2011)

There remains a number of other normal commercial events in the underwriting agreement which are set out in Note 1. As at the date of this report the Directors are confident that the Rights Issue will be completed as scheduled.

## Auditor's independence declaration

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the six months ended 31 December 2010.

## Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Perth this 15<sup>th</sup> day of March 2011.

Signed in accordance with a resolution of the directors.



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Mark Ashley  
Director



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Apex Minerals NL

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

*KPMG.*

KPMG

A handwritten signature in black ink, appearing to be 'R Gambitta', written over a horizontal line.

R Gambitta  
*Partner*

Perth

15 March 2011



Condensed consolidated statement of comprehensive income  
For the half year ended 31 December 2010

in thousands of AUD	Note	31-Dec-10	31-Dec-09
Revenue		53,439	47,118
Cost of sales before depreciation and amortisation		(41,927)	(46,086)
Depreciation and amortisation		(13,022)	(32,420)
<b>Gross loss</b>		<u>(1,510)</u>	<u>(31,388)</u>
Other income	7	196	4,924
Share based payments		(488)	(691)
Administrative expenses		(3,328)	(2,797)
Exploration expensed		(1,908)	(2,814)
Impairment loss	11	-	(4,840)
<b>Loss from operating activities</b>		<u>(7,038)</u>	<u>(37,606)</u>
Finance income		18,982	234
Finance expenses		(7,793)	(39,048)
<b>Net finance income / (expense)</b>	8	<u>11,189</u>	<u>(38,814)</u>
<b>Profit / (Loss) before income tax</b>		<u>4,151</u>	<u>(76,420)</u>
Income tax expense		-	-
<b>Profit / (Loss) for the period</b>		<u>4,151</u>	<u>(76,420)</u>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		(256)	302
<b>Total comprehensive profit/(loss) for the period</b>		<u>3,895</u>	<u>(76,118)</u>
<b>Earnings per share:</b>			
Basic and diluted earnings/(loss) per share (cents)	16	0.12	(3.98)

Notes to the condensed consolidated financial statements are included on pages 9 to 15.



## Condensed consolidated statement of financial position

As at 31 December 2010

in thousands of AUD	Note	31-Dec-10	30-Jun-10
<b>Assets</b>			
Cash and cash equivalents		1,008	914
Trade and other receivables		3,676	6,335
Inventories		14,827	14,943
Derivative assets		160	610
Assets available for sale		740	1,800
Assets held for sale	9	16,341	15,597
<b>Total current assets</b>		<b>36,752</b>	<b>40,199</b>
Other receivables	10	4,501	6,039
Property, plant and equipment	11	75,774	78,709
<b>Total non-current assets</b>		<b>80,275</b>	<b>84,748</b>
<b>Total assets</b>		<b>117,027</b>	<b>124,948</b>
<b>Liabilities</b>			
Trade and other payables		30,025	26,683
Liabilities held for sale	9	15,620	4,189
Loans and borrowings	12	9,392	7,395
Derivative liabilities		22,100	14,749
Provisions		2,123	1,927
<b>Total current liabilities</b>		<b>79,260</b>	<b>54,943</b>
Loans and borrowings	12	6,840	11,550
Derivatives liabilities		-	26,151
Provisions		18,345	28,854
<b>Total non-current liabilities</b>		<b>25,185</b>	<b>66,555</b>
<b>Total liabilities</b>		<b>104,445</b>	<b>121,498</b>
<b>Non assets</b>		<b>12,582</b>	<b>3,450</b>
Equity			
Share capital	13	300,109	295,359
Reserves		30,214	29,983
Retained earnings		(317,741)	(321,892)
<b>Total equity</b>		<b>12,582</b>	<b>3,450</b>

Notes to the condensed consolidated financial statements are included on pages 9 to 15.



Condensed consolidated statement of changes in equity  
For the half year ended 31 December 2010

in thousands of AUD

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Quoted Options Reserve	Available For Sale Reserve	Warrants Reserve	Total Equity
<b>Balance as at 1 July 2009</b>	198,226	(206,116)	8,205	-	135	3,600	4,050
Loss for the period	-	(76,420)	-	-	-	-	(76,420)
<b>Other comprehensive income</b>							
Net change in fair value of available-for-sale assets	-	-	-	-	302	-	302
Total comprehensive income for the period	-	(76,420)	-	-	302	3,600	(76,118)
<b>Transactions with owners, recorded directly in equity</b>							
Issue of ordinary shares	111,829	-	-	-	-	-	111,829
Costs of issuing capital	(14,698)	-	-	-	-	-	(14,698)
Share-based payment transactions	-	-	691	-	-	-	691
Issue of options	-	-	-	15,609	-	-	15,609
Total contributions by and distributions to owners	97,131	-	691	15,609	-	-	113,431
<b>Balance at 31 December 2009</b>	<b>295,357</b>	<b>(282,536)</b>	<b>8,896</b>	<b>15,609</b>	<b>437</b>	<b>3,600</b>	<b>41,363</b>
<b>Balance at 1 July 2010</b>	295,359	(321,892)	9,951	15,608	823	3,600	3,450
Profit for the period	-	4,151	-	-	-	-	4,151
<b>Other comprehensive income</b>							
Transfer to comprehensive income statement on sale of investment	-	-	-	-	(765)	-	(765)
Net change in fair value of available-for-sale asses	-	-	-	-	509	-	509
Total comprehensive income for the period	-	4,151	-	-	(256)	-	3,895
<b>Transactions with owners, recorded directly in equity</b>							
Issue of ordinary shares	5,000	-	-	-	-	-	5,000
Costs of issuing capital	(250)	-	-	-	-	-	(250)
Share-based payment transactions	-	-	488	-	-	-	488
Total contributions by and distributions to owners	4,750	-	488	-	-	-	5,238
<b>Balance at 31 December 2010</b>	<b>300,109</b>	<b>(317,741)</b>	<b>10,439</b>	<b>15,608</b>	<b>567</b>	<b>3,600</b>	<b>12,582</b>

Notes to the condensed consolidated financial statements are included on pages 9 to 15



**Condensed consolidated statement of cash flows**  
**For the half year ended 31 December 2010**

in thousands of AUD

**31-Dec-10**    **31-Dec-09**

**Cash flows from operating activities**

Receipts from customers	54,235	47,118
Payments to suppliers and employees	(43,630)	(57,714)
Interest received	204	228
Interest paid	(839)	(2,169)
<b>Net cash from (used in) operating activities</b>	<b>9,970</b>	<b>(12,537)</b>

**Cash flows from investing activities**

Proceeds from sale of exploration assets	-	5,846
Proceeds for investments	1,000	-
Payments for property, plant and equipment	(1,160)	(576)
Payments for mine properties	(9,640)	(18,976)
<b>Net cash used in investing activities</b>	<b>(9,799)</b>	<b>(13,706)</b>

**Cash flows from financing activities**

Proceeds from issue of share capital	5,000	68,790
Payments for capital raising costs	(250)	(8,140)
Proceeds from borrowings	-	10,000
Proceeds from cash backed guarantees	868	-
Net payments for cash backed guarantees	-	(4,201)
Repayment of Senior Secured Notes	-	(28,156)
Repayment of borrowings	(1,029)	(4,000)
Repayment of finance lease liabilities	(4,666)	(3,304)
Proceeds from sale of gold put options	-	3,091
<b>Net cash from (used in) financing activities</b>	<b>(77)</b>	<b>34,080</b>

Net increase (decrease) in cash and cash equivalents	94	7,837
Cash and cash equivalents at 1 July	914	10,320

<b>Cash and cash equivalents at 31 December</b>	<b>1,008</b>	<b>18,157</b>
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Notes to the condensed consolidated financial statements are included on pages 9 to 15.



## Condensed notes to the consolidated interim financial statements

### 1. Reporting entity

Apex Minerals NL (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial statement of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at level 1, 10 Ord Street, West Perth, WA 6005 or at [www.apexminerals.com.au](http://www.apexminerals.com.au).

#### Going concern

The Group has generated a profit of \$4,151,000 in the six months ended 31 December, 2010 (2009 loss \$76,420,000), and has a working capital deficit of \$42,508,000 (30 June, 2010 \$14,744,000). The Group has received cash flows from operations of \$9,970,000. The Group's net assets as at 31 December 2010 are \$12,582,000 (30 June 2010 \$3,450,000). The results of the half year have improved due to:

- Higher production, lower cash costs and lower depreciation and amortisation for the period
- An \$18.8 million revaluation of the Gold Upside Participation ("GUP") derivative liability from \$40.9 million to \$22.1 million as a result of a lower gold price used in the Black and Scholes valuation model. The AUD gold price used at 31 December 2010 is \$1,374.00 compared to the AUD gold price of \$1,479.00 used at 30 June 2010
- A reduction in the finance expense from 2009 due to the repayment of the Senior Secured Notes in November 2009.

The working capital deficiency of \$42,508,000 includes:

- Current derivative liabilities of \$6.1 million which represents the September and December quarterly liabilities to the GUP Note Holders. These liabilities were included in the GUP Note redemption payment of \$18.0 million which was made on 18 February 2011 (refer to note 15);
- The assets and liabilities of the Gidgee Project were re-classified from non current to current assets and liabilities held for sale. The increase in liabilities held for sale represents the Gidgee asset retirement obligation of \$11.2 million;
- The remaining GUP derivative liability totalling \$22.1 million has been reclassified to current liabilities to reflect that the liability is due for settlement within 12 months. These liabilities were also included in the GUP note redemption payment of \$18.0 million noted above which was made on 18 February 2011 (refer note 15);
- Included in the trade and other payables is an amount owing for statutory taxes. The Group has entered into an arrangement with the Australian Taxation Office (ATO) in respect of statutory tax obligations. The total amount of these obligations is \$6.6 million. The Company has agreed that these amounts will be paid on or before 31 March 2011 and will be paid via the capital raising contemplated below;
- Atlas Copco Australia Pty Ltd (Atlas Copco) issued two Statutory Demands on the Group in mid 2010. These Statutory Demands were challenged by the Group and have been set aside by a court judgement on 28 February 2011. The ultimate resolution of Atlas Copco's claims will likely be the subject of further litigation as the Group has a number of counter claims against Atlas Copco which it intends to pursue.

The Group acknowledges that there are various risks that may provide uncertainty over the Company's ability to continue as a going concern. However the Directors' believe that the Group will continue as a going concern and base this view on a number of material events, risks, and factors that are set out below.

#### Capital Raising and Asset sales

The Company has entered into a number of transactions to improve its financial position, and reduce liabilities. In addition it has undertaken an operational review with the goal of increasing production and lowering costs.



## Condensed notes to the consolidated interim financial statements

### 1. Reporting entity (continued)

The Company made a placement on 3 February 2011 of 350 million shares at \$0.018 per share to raise \$6.3 million. The placement was made to institutional and sophisticated investors under the Company's 15% placement facility.

The Group completed the sale of its Gidgee Exploration Project in Western Australia on 18 February 2011 to Panoramic Resources Limited ("Panoramic") for \$15.5 million cash. Panoramic will also replace environmental bonds totalling \$2 million, releasing Apex of this obligation. The sale excludes the tenement that contains the existing Wilson's underground deposit, which will be retained by Apex. The release of these bonds also releases the security provided by The Creasy Group under the Guarantee Agreement. The remaining \$1.5 million of security provided under this facility will be released at the end of March 2011.

On 18 February 2011 the Company paid out the past and future obligations under the GUP derivative liability. The consideration paid to the holders of the GUP Notes comprised \$18.0 million in cash and the issue of 174,049,587 unlisted three year warrants exercisable at \$0.035 per share (Warrants). An additional 5,950,413 Warrants are to be issued to Mr Kim Robinson (director) in his capacity as a GUP Note Holder subject to shareholder approval being obtained. The 45 million warrants currently held by GUP Note holders will be cancelled for no additional consideration. Under ASX requirements, the cancellation of these warrants requires shareholder approval which will be sought in due course in conjunction with the approval for the issue of the Warrants to Mr Kim Robinson. These transactions will result in the settlement of current liabilities totalling \$28.2 million as at 31 December 2010.

The Company has executed an Underwriting Agreement with Azure Capital Limited ("Underwriter") for a fully underwritten 1 for 2.4 renounceable Rights Issue at \$0.01 per share ("the Rights Issue"). The Rights Issue is expected to be completed in late March 2011 and is expected to raise net of costs \$15.3 million. The fulfilment of the Underwriting Agreement was conditional upon the completion of:

- The redemption of the GUP notes (which occurred on 18 February 2011)
- The placement of 350 million shares (which occurred on 3 February 2011)
- The sale of Gidgee (which occurred on 18 February 2011)
- The offer document for the Rights Issue being lodged on or before 10 February 2011 (which occurred on 10 February 2011)
- The obligation of the underwriter to underwrite the offer is conditional on the underwriter obtaining binding sub underwriting commitments (which were obtained on 1 February 2011)

and is conditional on certain termination events not occurring.

The Directors believe the termination events within the Underwriting Agreement are acceptable and are in accordance with market practice for underwriting agreements. The key termination events beyond the control of Apex are as follows:

- Material adverse change; there is a material adverse change in the assets, liabilities, financial position or performance, profits, Losses or prospects of the Group.
- Insolvency; a member of the Group is Insolvent or there is an act or omission which is likely to result in a member of the Group becoming Insolvent.
- Director; a director of the Company is charged with an indictable offence relating to any financial or corporate matter or any regulatory body commences any public action against the director in his or her capacity as a director of the Company or announces that it intends to take any such action
- Investigation; any person is appointed under any legislation in respect of companies to investigate the affairs of a member of the Group.
- Judgment against a related corporation; a judgment in an amount exceeding \$50,000 is obtained against a member of the Group and is not set aside or satisfied within 7 days.
- Force majeure; a Force Majeure occurs, which affects the Company's business or any obligation under this agreement lasting in excess of 7 days.



## Condensed notes to the consolidated interim financial statements

### 1. Reporting entity (continued)

- Calamity; the occurrence of any calamity or crisis or any change in financial, political or economic conditions or currency exchange rates or controls in Australia or any restriction or limitation on the nature/basis of trading of equities on ASX.
- ASX All Ordinaries market fall; the ASX All Ordinaries of ASX is for 5 consecutive Business Days at any time prior to 4.00pm on the Settlement Date at a level which is greater than or equal to 10% below 4,850 points.
- Gold Price; the AUD price of gold as at 5.00pm is for 5 consecutive Business Days at any time prior to the Settlement Date at level which is greater than or equal to 10% below its price as at 5.00pm on the Business Day immediately preceding the date of this agreement (\$1,332.22).
- Sub-underwriters; any of the sub-underwriters do not comply with their respective obligations under the sub-underwriting agreements or threaten to not comply with their respective obligations under the sub-underwriting agreements.
- Litigation; litigation, arbitration, administrative or industrial proceedings are after the date of this agreement commenced or threatened against any member of the Company or a Related Body Corporate, other than any claims foreshadowed in the Offer Document or in any ASX Materials.
- Disruption in financial markets; any of the following occurs:
  1. a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Hong Kong or Singapore is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  2. trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange or NASDAQ is suspended or limited in a material respect; or
  3. the occurrence of any other adverse change or disruption to financial, political or economic conditions, currency exchange rates or controls or financial markets in Australia, a member of the European Union, the United States of America, Hong Kong or Singapore or any change or development involving a prospective adverse change in any of those conditions or markets.
- Change in law; there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Agency that such a law or regulation will be introduced or policy adopted (as the case may be).
- Hostilities not existing at the date of this agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, Canada, any member state of the European Union, North or South Korea, Indonesia, Japan, Russia or the Peoples Republic of China, or a national emergency is declared by any of those countries, or a significant terrorist act is perpetrated anywhere in the world.
- The Takeovers Panel makes a declaration of unacceptable circumstances in relation to the Offer under section 657A of the Corporations Act or an interim order in relation to the Offer under section 657E of the Corporations Act.
- Change in shareholdings; there is a material change in the controlling shareholdings of the Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company.
- Change in management; a change in the senior management or board of directors of the Company is announced or occurs.
- Statutory Demands; the group's applications to set aside the Statutory Demands are dismissed and an amount equal to or greater than \$2,000,000 (or such other greater amount in the Underwriter's absolute discretion) is held to be due and payable to Atlas Copco.

The Underwriting Agreement also includes a number of procedural type conditions and termination events including regulatory approvals, which will need to be fulfilled. Notwithstanding these conditions, the directors are confident that the Rights Issue will be completed.



## Condensed notes to the consolidated interim financial statements

### 1. Reporting entity (continued)

#### Operational cash flow forecasts

The directors have prepared a cash flow forecast for the Group which anticipates a net cash flow surplus sufficient to recover the carrying value of property, plant and equipment and development assets and settlement of liabilities in the normal course of business. The cash flow forecast and the ability to recover the carrying value of property, plant and equipment and development assets is dependent upon the ability of the Group to achieve its targets from the Wiluna mine, particularly gold production and AUD price of gold. The forecast gold production assumes output from different sources of ore production within the Wiluna mine. It is also dependent on achieving operating costs in line with this forecast. The Directors are confident that the Wiluna mine will achieve its revenue, production and costs forecasts allowing the Group to recover the carrying value of its assets and to meet its obligations in the normal course of business and at the amounts stated in the financial report.

Should the Group not be successful in achieving its operational forecasts, and completing the Rights Issue the Group may not be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

### 2. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and comply with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2010.

This consolidated interim financial report was approved by the Board of Directors on 15<sup>th</sup> March, 2011.

### 3. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2010.

### 4. Estimates

The preparation of interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

### 5. Financial risk management

Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2010.



## Condensed notes to the consolidated interim financial statements

### 6. Operating segments

#### *Identification of reportable segments*

The Group has identified its operating segment (Wiluna operations) on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

In thousands of AUD	<b>Wiluna Operations</b>	<b>Reconciliation to financial statements</b>	<b>Total</b>
<b>(i) Segment Performance</b>			
31 December 2010			
Revenue	53,439	-	53,439
Segment result	(4,156)	8,307	4,151
31 December 2009			
Revenue	48,256	(1,138)	47,118
Segment result	(36,563)	(39,857)	(76,420)
<b>(ii) Segment assets</b>			
31 December 2010			
Segment assets	100,721	16,306	117,027
30 June 2010			
Segment assets	104,371	20,577	124,948

### 7. Other income

in thousands of AUD	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Profit on sale of Aphrodite Shares	196	-
Loss on sale of Aphrodite tenements	-	(1,550)
Profit from sale of Apex Nickel Australia tenements	-	7,378
Loss on sale of gold put options	-	(905)
Profit on sale of fixed assets	-	1
	<u>196</u>	<u>4,924</u>

### 8. Net finance income (expenses)

in thousands of AUD	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Interest on creditor accounts	(192)	(687)
Interest on guarantees	(15)	(497)
Interest on short term loan	-	(19)
Interest on obligations under finance leases	(685)	(1,120)
Interest on Senior Secured Notes and early repayment	-	(29,321)
Change in fair value of derivative options	-	(2,971)
Unwinding of the discount rate of rehabilitation provision	(807)	(694)
Change in fair value of GUP Notes	18,800	(1,900)
GUP Notes Expense	(6,095)	(1,307)
Impairment loss on available-for-sale assets	-	(532)
Interest revenue	182	234
	<u>11,189</u>	<u>(38,814)</u>



## Condensed notes to the consolidated interim financial statements

### 9. Assets and liabilities held for sale

At 31 December 2010 the Group was in the process of selling its Gidgee and Youanmi Projects including their assets and related liabilities. The Gidgee Project was sold subsequent to 31 December 2010 (refer note 15).

in thousands of AUD	31-Dec-10	31-Dec-10	30-June-10
	Gidgee	Youanmi	Youanmi
Current Assets			
Mine Properties	713	3,875	3,844
Exploration	-	11,753	11,753
	713	15,628	15,597
Current Liabilities			
Trade Payables	-	263	160
Provisions	11,225	4,132	4,029
	11,225	4,395	4,189

### 10. Other receivables

The Group is required to hold bonds/deposits in relation to the environmental bonds for the Wiluna mine site of \$2,873,000 (June 2010: \$3,538,000), office premises of \$377,000 (June 2010: \$535,000), credit cards of \$20,000 (June 2010: \$108,000), gas contract of \$450,000 (June 2010: \$471,000), finance lease facility of \$750,000 (June 2010: \$750,000), and supplier bonds of \$30,000 (June 2010: \$636,000).

### 11. Property, plant and equipment

During the six months ended 31 December 2010 the Group acquired assets with a cost of \$10,780,000 (six months ended 31 December 2009: \$19,624,000), including capitalisation of development costs of \$9,640,000 and additions to property, plant and equipment of \$1,140,000.

#### Impairment

At 31 December 2010, the Group has reviewed the carrying amounts of the cash generating unit and has performed an impairment test. The results of the impairment test have confirmed that no impairment charge is required to its cash generating unit.

### 12. Loans and borrowings

The following loans and borrowings (current and non-current) were repaid during the six months ended 31 December 2010.

in thousands of AUD	Interest rate	Carrying Amount	Year of maturity
Balance at 1 July 2010			
Finance lease liabilities	8.99%	18,945	2014
<b>Additions</b>			
Short term borrowings	3.35%	2,982	2011
		21,927	
<b>Repayments</b>			
Finance lease liabilities	8.99%	(4,666)	2014
Short term borrowings	3.35%	(1,029)	2011
Balance at 31 December 2010		16,232	



## Condensed notes to the consolidated interim financial statements

### 13. Share capital

#### Reconciliation of movement in capital attributable to equity holders:

	No. of shares	\$
Balance at 1 July 2010	3,317,819,909	295,359,000
Share issue @ \$0.02 per share (i)	250,000,000	5,000,000
Shares issued on options exercised @ \$0.06 per share	6	-
Cost of issues		(250,000)
<b>Balance at 31 December 2010</b>	<b>3,567,819,915</b>	<b>300,109,000</b>

(i) On 6 August 2010, 250,000,000 shares were placed to institution and sophisticated investors at \$0.02 per share. Therefore, the proceeds of the placement were \$5,000,000 less transaction costs of \$250,000.

### 14. Related parties

Arrangements with related parties continue to be in place on the same basis as at 30 June 2010. The details of these arrangements are disclosed in the consolidated financial report as at and for the year ended 30 June 2010.

### 15. Subsequent events

On 28 January 2011 the Company reached agreement with the GUP Note holders to payout all outstanding obligations for \$18.0 million, plus the issue of 180 million unlisted warrants exercisable at \$0.035 per share at any time on or before 18 February 2014. The redemption of the GUP notes was completed on 18 February 2011 and all security interests over assets of the Company held by the GUP note holders were released. 5,950,413 of these warrants are to be issued to Mr Kim Robinson in his capacity as a GUP note holder subject to shareholder approval being obtained. In conjunction with the payout of the GUP Notes, 44.99 million warrants currently held by the GUP Note holders will be cancelled. The cancellation is subject to Apex shareholder approval.

On 31 January 2011 the Company announced the sale of its Gidgee Exploration Project in Western Australia to Panoramic Resources Limited ("Panoramic") for \$15.5 million cash. Panoramic will also replace environmental bonds totalling \$2 million, releasing the Company of this obligation. The sale excludes the tenement that contains the existing Wilson's underground deposit, which will be retained by the Company. The sale was completed on 18 February 2011.

On 2 February 2011 the Company completed a share placement of 350 million shares at \$0.018 per share under the Company's 15% placement capacity to institutional and sophisticated investors raising a total of \$6.3 million.

On 2 February 2011 Apex announced it would be undertaking a renounceable 1-for-2.4 rights issue at \$0.01 per share to raise \$16.3 million. The rights issue is fully underwritten, subject to certain terms and conditions, by Azure Capital Limited as well as being sub-underwritten by a number of new and existing sophisticated and institutional investors.

The Group has a Guarantee Arrangement with the Creasy Group whereby the Creasy Group provides security for \$3,583,000 of performance bonds. On 18 February 2011, \$2,094,000 was released following the sale of the Gidgee Project. The balance of \$1,489,000 will be released following the completion of the Rights Issue.

### 16. Earnings per share

The basic and dilutive earnings per share at 31 December 2010 is 0.12 cents per share. The Company considers that there are no dilutive shares on issue as all options and warrants are considered to be "out of the money" as their respective exercise prices are above the 6 month average Apex share price of \$0.02.

# Apex Minerals NL

## Director's declaration

In the opinion of the directors of Apex Minerals NL ("the Company")

1. the financial statements and notes set out on pages 5 to 15, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the six month period ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated Perth this 15th day of March 2011

Signed in accordance with a resolution of the directors:

  

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Mark Ashley  
Director



## **Independent auditor's review report to the members of Apex Minerals NL**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Apex Minerals NL, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the interim financial report*

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Apex Minerals NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Apex Minerals NL is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material uncertainty regarding continuation as a going concern*

Without qualification to the conclusion provided above, we draw attention to note 1 of the financial report regarding the ability of the Group to continue as a going concern. As a result of the matters set out in note 1, a material uncertainty exists which may cast significant doubt about the ability of the Group to continue as a going concern and whether the Group is able to realise its assets and extinguish its liabilities at the amounts recorded in the financial report.

KPMG.

KPMG

R Gambitta  
*Partner*

Perth

15 March 2011