



10 November 2012

SCOPING STUDY SUPPORTS DEVELOPMENT POTENTIAL OF COMMONWEALTH HILL IRON ORE PROJECT

HIGHLIGHTS

- Maiden Scoping Study supports potential for a competitive iron ore operation at the Commonwealth Hill Project
- Simple processing and infrastructure paths identified and assessed
- Key study assumptions
 - Mineable inventory of 131Mt Run of Mine (ROM)
 - Strip ratio of 1.1:1 (tonnes of waste per ROM tonne)
 - Open cut mine life of approximately 17 years at 2.5Mtpa sales
 - Sales of 42Mt at 68.8% Fe at an exceptionally coarse sizing of approx. P₈₀ 150µm
- Long-term FOB cash cost of US\$64/t, (dry, 62% Fe, Pilbara FOB_{eq} basis)^{1, 2}
- Direct start-up capital expenditure of US\$333M, including studies
- Strong potential identified to scale the operations up to over a 5Mtpa sales rate for more than 20 years via the processing of iron ore from the Ibis Prospect
- Opportunities identified to further reduce the unit capital and operating costs during the Pre-Feasibility Study stage

Summary

Apollo Minerals Ltd (ASX: AON) (“Apollo” or “the Company”) is pleased to announce the results from its recently completed Scoping Study (the “Study”) for the development of the Sequoia Deposit (and its associated Exploration Target²) at the Company’s 100%-owned Commonwealth Hill Iron Ore Project in South Australia.

The Scoping Study demonstrates that the Project is set to be an economic and technical success.



The Study examined Apollo's plans for onsite processing of the ore into a highly saleable concentrate averaging 68.8% Fe, transporting it to an iron ore export facility at Port Pirie in the Spencer Gulf (owned and operated by Flinders Ports) via the existing, open access, heavy-haulage railway and placing it on ships via self-propelled barges owned and operated by a 3rd party operator.

Planning is now underway to support further exploration and resource definition drilling and a Pre-feasibility Study for the development of an iron ore mine at Commonwealth Hill.

Chief Operating Officer, Dominic Tisdell said: *"We are very pleased to announce that the Commonwealth Hill Iron Ore Project is shaping up to be a viable producer of very high quality iron ore products. The findings from the Scoping Study provide us with reconfirmation that the Project has the ability to be cost competitive from Day 1, and the potential for Apollo to be one of Australia's next iron ore exporters."*

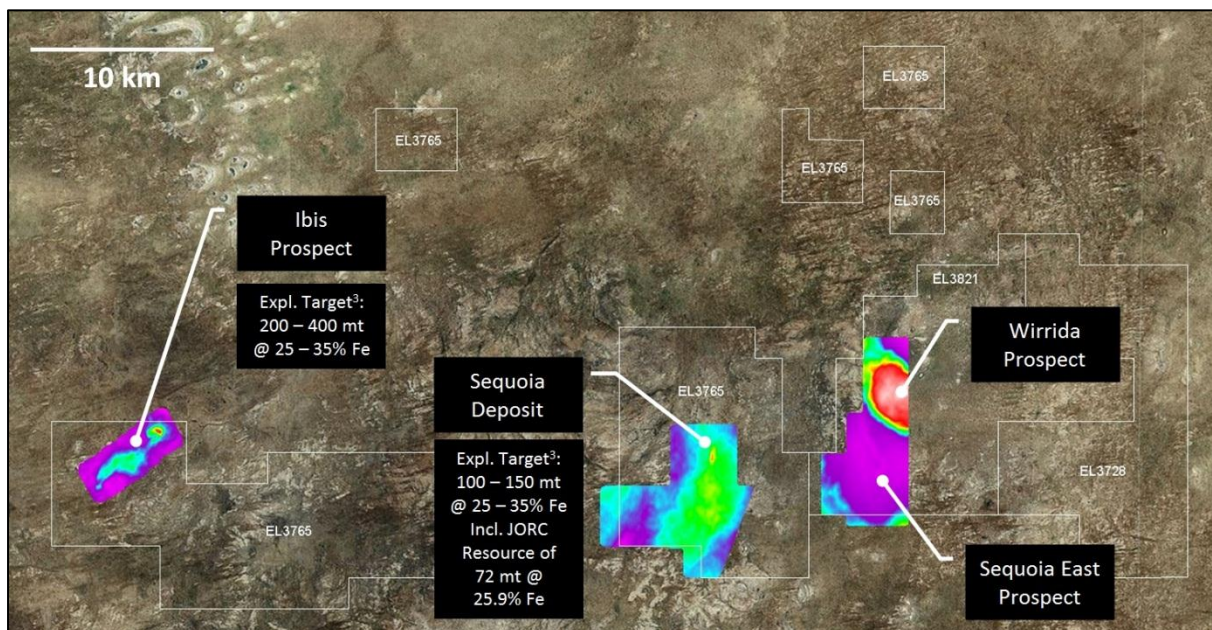


Figure 1: Commonwealth Hill tenements and location of the Sequoia Deposit

Project inputs

Following the recent completion of the initial Sequoia Mineral Resource estimate by Widenbar and Associates, Apollo engaged expert consultants including Battery Limits Pty Ltd and Parsons Brinckerhoff Australia Pty Ltd to complete processing and infrastructure studies respectively. The Company subsequently integrated these studies and completed industry standard Lerchs-Grossman pit optimisation to evaluate the economic potential of the Project and better understand its risks and opportunities.



Independent consultants and service providers to the Scoping Study include:

Role	Provider
Resources	Widenbar & Associates
Mining, product loading and haulage	Pybar Mining Services
Processing	BatteryLimits
Railing	SCT Logistics
Port services	Flinders Ports
Transshipment services	Flinders Ports & CSL Australia
Infrastructure	Parsons Brinckerhoff Australia
Economic model audit	RFC Ambrian

Capital costs are expressed using an accuracy of +/-40%, operating costs +/-35%.

Potential mineable ore quantities and the mining process

The Scoping Study is based on the recent geological model of the Sequoia Deposit, a JORC compliant mineral resource estimate of 72Mt at 25.9% including 19.4Mt at 27.7% Indicated and 52.6Mt at 25.3% Fe Inferred (using a 15% Fe cut-off) and its associated 'at-depth' Exploration Target³ of 100 - 150Mt at 25 – 35% Fe. This target sits within a larger Exploration Target² for the Commonwealth Hill project area of 300 - 550Mt at 25 – 35% Fe.

Apollo is confident the initial JORC-compliant resource can be increased sufficiently through drilling, both at Sequoia, and at other prospects including Ibis which is yet to be drilled by Apollo.



Figure 2: Sequoia drill hole collars and pit design



Mining would be by conventional open cut mining employing drill & blast, excavation and trucking to the processing plant, stockpiles and waste dump via heavy duty, rear-dump mining trucks. Mining services would be provided by a mining services contractor with Apollo providing management input.

The economic pit limits have been defined using industry standard Lerchs-Grossman pit optimisation software. An ultimate pit was outlined being approximately 1,400m long by 650m wide with a maximum depth of approximately 400m with a maximum overall pit slope of 50°. The potential mineable inventory was estimated at 131Mt ROM @ 27.9% Fe at a strip ratio of 1.1:1 (t:t). The Company is currently planning geotechnical and resource extension drilling to verify these parameters.

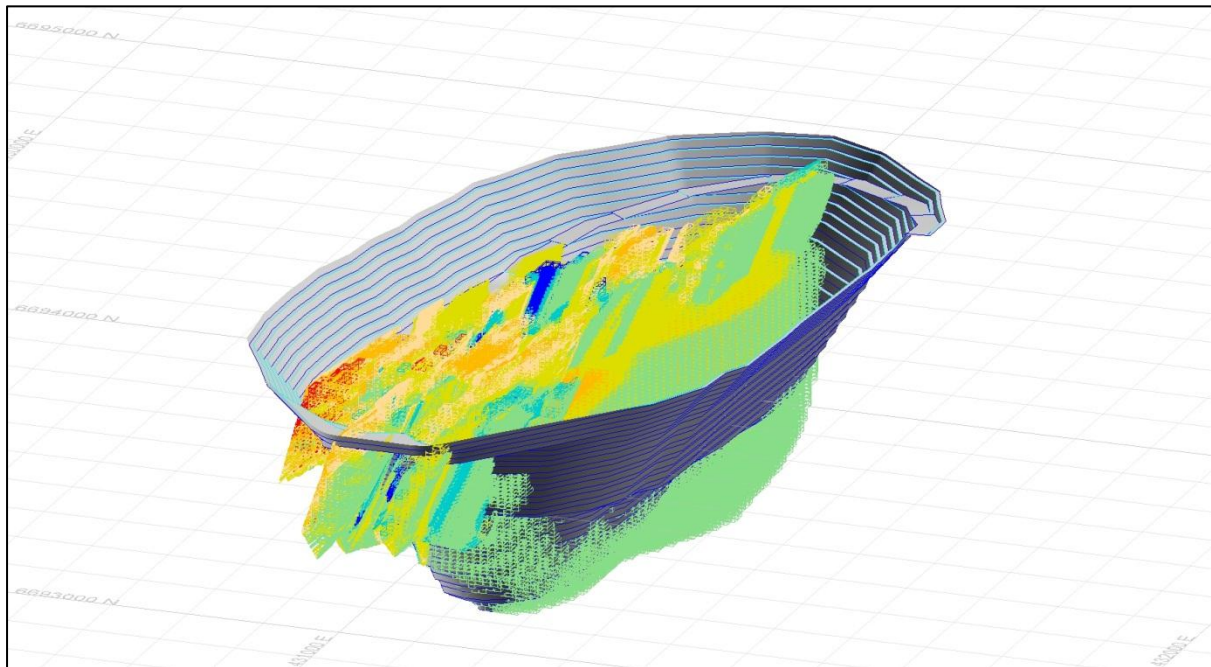


Figure 3: 3D perspective of the Sequoia pit design showing iron mineralisation

The potential mineable inventory and waste quantities within each cutback stage (i.e. incremental quantity) and the ultimate pit are set out in the table below.

Cutback	Ore	ROM Fe	Waste	Strip Ratio
	(Mt)	(Wgt %)	(Mt)	(t:t)
1	14	30.7	6.1	0.5
2	35	29.7	35.2	1
3	37	28.7	42.8	1.2
4	46	25.2	64.9	1.4
Total Pit	131	27.9	149.1	1.1

The open-pit development involves a series of cutbacks designed to target higher margin ore earlier in the mine life and defer waste movements for as long as possible to deliver a better economic



outcome. Due to the favourable deposit geometry, there is no waste pre-strip and mineralisation is expected to be able to be fed to the plant immediately.

Mining and rehabilitation operating costs are estimated at US\$19.1 / t product.

Production potential

Key outcomes of the Life of Mine (LOM) production schedule include:

Study Outcomes	
Mine life	17 years
Production rate	2.5Mtpa
Product quality	68.8% Fe
Overall pit slope	50°
JORC-derived Mineable Ore	47Mt @ 28.7% Fe
At-depth ¹ Exploration Target ³ -derived Mineable Inventory	84Mt @ 27.5% Fe
Mineralisation density	3.17 t/m ³
Waste density	3.07 t/m ³
Annual sales	2.5Mtpa
Initial strip ratio	0.5:1
LOM strip ratio	1.1:1

Processing

The Study is based on metallurgical test-work sufficient for a Scoping Study. Further testing will be required for more detailed planning studies and to assess other processing configurations that may result in increased project value.

Processing is expected to commence with the existing Sequoia JORC-compliant Mineral Resource. It is also assumed that additional tonnages will be sourced from the at-depth extension to the Sequoia Resource (previously announced Sequoia Exploration Target³).

Metallurgical test-work has demonstrated the ability to upgrade the oxidised (haematite / goethite) surface mineralisation using gravity spirals separation (spirals) to produce a product of up to approximately 60% Fe and 4.5% SiO₂ from a final grind F80 sizing of 250µm. Fresh, magnetic mineralisation (magnetite) has demonstrated the ability to be upgraded to approximately 69% Fe and 1.5% SiO₂ via low-intensity wet magnetic separation (LIMS) to produce magnetic concentrates at a P₈₀ product sizing of approximately 150µm from a final F₈₀ grind of 125µm. Both products contain very low levels of impurities and are generally thought to be of high to very high quality.

The study assumes both products are sold separately although there may be additional value in combining them into a single product for sale. This option will be further evaluated during a Pre-Feasibility Study.

For the purposes of this Study, the metallurgical process flow-sheet consists of crushing of ROM ore



followed by single stage dry magnetic separation (DMS or coarse cobbing) designed to reject waste early in the process. Oxide (haematite / goethite) ore bypasses this circuit and reports directly to the ball mill. The ball mill grinds the remaining ore to a sizing of F_{80} 250 μ m. This ground material is treated via LIMS followed by regrinding of the primary magnetic concentrate to a target size of F_{80} 125 μ m before further separation by LIMS to produce a final magnetite concentrate. The magnetite concentrate is thickened, filtered and conveyed to a product stockpile for transport.

The 250 μ m non-magnetic material is separated via up-flow classification with slimes reporting to tailings, and coarse and fine concentrates reporting to separate spiral banks for gravity concentrate recovery. Gravity concentrate is also filtered and stockpiled for transport.

Total metal (Fe) recovery is estimated at 74% and mass yield at 30% based on Scoping Study level test-work. The DMS mass yield is estimated at 60%. Further work with diamond drill core will be required to confirm this parameter.

The direct capital cost of the processing plant is estimated at US\$182M and associated onsite infrastructure including tailings dam, offices and buildings etc at US\$91M. The processing operating cost is estimated at US\$19.4/t of product, inclusive of a 20c/kWh electricity price.

Supporting infrastructure and logistics

The site is well located for access to key transport infrastructure. Access to and from the site may be gained by upgrading the existing road between the site and the Challenger Mine Access Road at a length of approximately 20km.

Site power is assumed to be sourced from the national grid via construction of a 125km 20MVA spur of power lines and associated distribution system between Sequoia and Prominent Hill. As yet, no discussions have been held with the regulators or owners of the existing power network concerning the viability of this connection.

Water is assumed to be sourced from the recently identified paleochannel at Sequoia East at which exploration drilling in January 2012 was terminated due to flooding by groundwater. Geochemical assaying of groundwater samples indicates that the raw water is moderately saline (6,000 – 12,000 TDS) and will require some low pressure reverse osmosis processing. A detailed ground water study is still required to verify that there is sufficient supply capacity available for the Project.

Accommodation will be provided on site in industry standard, relocatable buildings. No allowance has been made for upgrading of an airfield as it is noted that there are two significant airstrip complexes within working distance of site; one at Commonwealth Hill, the second at the Challenger Mine. As yet, no agreements have been entered into for the use of these facilities.

Beneficiated products would be dewatered and transported by road train approximately 25km to a balloon-loop rail siding build and serviced by Apollo at the nearby, open-access, heavy haulage Adelaide-Darwin railway. Industry-standard, bottom-dump rail wagons would be loaded by front-end loader before railing via 1.78km long consists to Port Pirie for storage within an enclosed



warehouse before export.

In May, 2012 Apollo signed an MOU for port services with Flinders Ports for export of iron ore concentrates via Port Pirie. Subsequent work has focused on the development of a Stage 1 port development of 5Mtpa at Port Pirie from which Apollo would contract 2.5Mtpa. Currently Port Pirie handles approximately 500kt of bulk commodities each year including coal and concentrates.

Apollo's iron ore concentrates are expected to be automatically unloaded from bottom-dump rail wagons and conveyed into an enclosed warehouse for storage prior to shipping. When needed, product would be conveyed from the warehouse to a ship loader situated on the existing landside port site which would in turn discharge into 12,500t -15,000t self-propelled barges. Apollo expects to be charged a service access tariff for port services that would include both the operating cost as well as a capital recovery cost component. Flinders Ports would be responsible for financing, building and operating the facility.

Transshipment services would be financed and operated by an independent operator. Apollo expects to be charged a service access tariff for transshipment services that would include both the operating cost as well as a capital recovery cost component. It is expected that self-propelled barges of 12,500 – 15,000t would be loaded at a rate of 2,000tph from shore before travelling a distance of 23 nautical miles to the transshipment point. Transfer from the barge to capesize ocean going vessels (OGV) is assumed to be at a rate of 3,000tph. Each OGV cargo is expected to be approximately 170,000t requiring a fully laden draft of 18.0m.

The direct capital cost of the supporting infrastructure including roads, camp, rail, head office attributable to Apollo is estimated at US\$44M. Supporting infrastructure and logistics operating costs are estimated at US\$29.6 / t product.

Start-up capital and operating costs

The estimated pre-production capital expenditure is outlined below:

Start-up capital items	Cost (US\$M)
Resource definition, studies and approvals	16
Process plant	182
Process associated infrastructure	91
Supporting infrastructure and logistics	44
DIRECT TOTAL	333
EPCM and contingency	100

The average FOB cash cost (before taxes) is estimated to be US\$70.2/t product ex-Port Pirie.



Risks and opportunities

The Project is currently at an early stage of planning and assessment, and as such, risks remain that are associated with the estimates of key parameters. However, so far, no technical issues have been identified that would prevent the Project from advancing to a Pre-Feasibility Study.

Key risks requiring further evaluation and agreement include:

- detailed assessment by drilling of the Sequoia 'at-depth' Exploration Target
- metallurgical test-work designed to test the full variability of the orebody, with particular attention to the amenability of the ore to upgrading via dry magnetic separation
- design and approval of a Port Pirie iron ore export facility
- connection to the national electricity network
- approval of a mining lease proposal, including heritage agreement, and
- process water supply.

High potential opportunities include:

- confirmation of large tonnages of higher grade iron ore at the Ibis Prospect which would enable a:
 - significant extension to the mine life
 - higher annual sales rates, and
 - lower unit capital and operating costs
- definition of further iron ore resources at other iron ore prospects including Sequoia East, Wirrida, Commonwealth Hill and others
- replacement of traditional crushing and grind with high pressure grinding rolls (HPGR) optimised to reduce energy consumption and electricity costs
- access to lower cost electricity sources, and
- lower product transport costs associated with installation of a circa 25km rail spur to the mine site.

Further studies

The key conclusion to this initial Scoping Study is that the Project is considered to have positive economic potential and worthy of further evaluation.

Additional exploration and studies are now required to increase confidence in the Project parameters and economics.

In the near-term, the Company expects to conduct further drilling, and will assess the opportunities to further improve the project economics to maximise shareholder value and its plans for a Pre-feasibility Study.



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Notes:

Costs¹: All costs are expressed in US dollars based on forecast USD AUD exchange rates of 2013: 1.025, 2014: 1.025, 2015: 1.000, 2016: 0.950, 2017: 0.900, 2018 onwards: 0.850

Dry, 62% Fe, Pilbara FOB_{eq} basis costs²: These Sequoia product cash costs are expressed as equivalent cash costs assuming the product is being exported from Port Hedland at a grade of 62% Fe. Adjustments to the costs are made to reflect the fact that the Sequoia products are much higher grade and are being exported from Port Pirie. Typically, Australian iron ore products are priced relative to the 62% Fe index ex-Port Hedland.

Exploration Targets³: The estimates of Exploration Target sizes mentioned in this announcement should not be misunderstood or misconstrued as estimates of Mineral Resources. The potential quantity and grade of the exploration targets are conceptual in nature and there has been insufficient exploration to define a Mineral Resource, and it is uncertain if further exploration will result in the determination of a Mineral Resource.

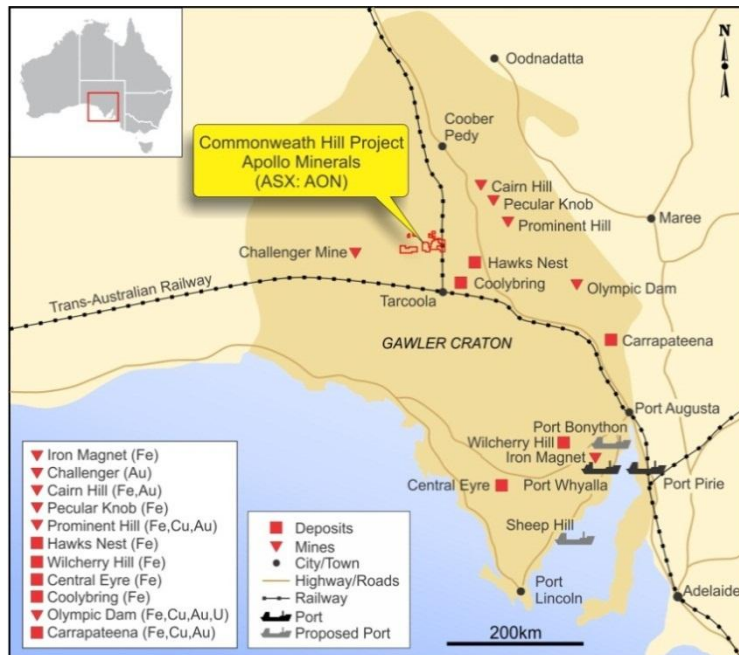
COMPETENT PERSON DECLARATION

The information in this Report that relates to Exploration Results is based on information compiled by Mr Derek Pang who is a member of the Australasian Institute of Mining and Metallurgy. Derek has over 15 years' experience in mineral exploration and is a full time employee of Apollo Minerals Ltd. Derek has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Derek consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.



ABOUT APOLLO MINERALS

Apollo Minerals Ltd (ASX Code: AON) is an iron ore and minerals explorer and developer with projects in South Australia, Western Australia and Gabon, western central Africa. The Company's key focus is to develop an iron ore project at each of Apollo's project sites, initially at Commonwealth Hill, SA.



The **Commonwealth Hill Project** lies on the northwest margin of the Gawler Craton in South Australia and is situated close to existing infrastructure including the Darwin-Adelaide railway line, Stuart Highway, Port Pirie and Port Adelaide.

Drilling has identified a coarse grained iron ore deposit hosting an Indicated and Inferred mineral resource estimated at 72Mt at 25.9% Fe including 19.4Mt at 27.7% Fe Indicated and 52.6Mt at 25.3% Fe Indicated (at 15% Fe cut-off). Previous work has highlighted the

possibilities of producing a premium quality iron concentrate and sinter fines product.

The **Mt Oscar Iron Project** is located in north-western part of the Pilbara Craton in north-west Western Australia, and is approximately 30 km from the coast. The iron rich horizons are strike-continuous for up to 5.5km and are locally up to 160m thick with an average interpreted thickness in excess of 60 meters. Recent metallurgical work has demonstrated that the production of marketable products is possible i.e. >60% Fe, <8% ($\text{Al}_2\text{O}_3 + \text{SiO}_2$).

Apollo has a 70% interest in the **Kango North exploration licence in Gabon, West Africa**, which comprises of rocks from the northern portion of an Archaean craton, recognized as the North Gabon Massif. These rocks are known to host a number of iron-ore deposits in Gabon and in neighbouring countries including - Belinga, M'Bilan, Mbalam, Avima, Kango, Zanaga, Mayoko and Mayoko-Moussondji projects.

The Company is actively pursuing exploration across its tenements with the aim of furthering development and adding growth to shareholder value.