



ABN 96 125 222 924

# ANNUAL REPORT



# 2009

# CORPORATE DIRECTORY

## DIRECTORS

Sevag Chalabian (Non-Executive Chairman)

Richard Sealy (Chief Operating Officer)

Anthony Ho (Non-Executive Director)

Wang Jianguang (Non-Executive Director)

## COMPANY SECRETARY

John Hartigan

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## SOLICITORS

DLA Phillips Fox

## AUDITORS

RSM Bird Cameron Partners

## BANKERS

Westpac Banking Corporation

## WEBSITE

[www.apollominerals.com.au](http://www.apollominerals.com.au)

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# REVIEW OF OPERATIONS

In the year ended 30 June 2009 there has been considerable activity in Apollo.

We have focused on our major prospect, the Mt Oscar iron ore project (Pilbara, West Australia). The strategy has been to progress the exploration work and in particular the drilling. At the same time we have carried out an extensive search for a strong new joint venture partner that will be the catalyst that will take this project into full production.

For our second project, Commonwealth Hill (South Australia), our joint venture partner Western Plains (ASX: WPG) is progressing exploration work on these tenements.

The company is well funded with approximately \$3 million in cash at the date of the Annual Report, sufficient for Apollo's current and future planned exploration programmes.

The coming year is expected to see a much more active year on the exploration front.

## MT OSCAR IRON ORE PROJECT (IRON ORE 100%)

Apollo's Mt Oscar iron ore project is located 30 km south of the port of Cape Lambert, close to existing road and rail infrastructure and towns such as the major regional centre of Karratha (**Figure 1**).

The Project is hosted within the Cleaverville Formation which is also the host to the 1.6 billion tonne Cape Lambert magnetite deposit.

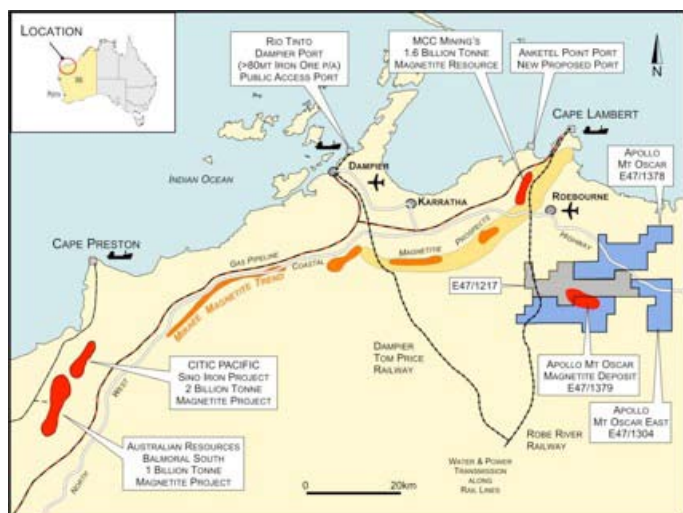


Figure 1: Mt Oscar project location map

At Mt Oscar the Cleaverville Formation outcrops as magnetite rich Banded Iron Formation (BIF) which forms significant upstanding ridges with more than six kilometres of magnetite-prospective strike within the licence area.

In September 2008 the Company signed a Native Title and Aboriginal Heritage Agreement with the Ngarluma People, the traditional landowners of the country in which Apollo's Mt Oscar exploration licences are situated. Signing of this agreement paved the way for the grant of EL47/1378 and EL47/1379 which were granted in January 2009. In February 2009, Apollo moved to 100% ownership of these tenements.

The granting of these tenements was a significant milestone for Apollo.

### Exploration

Exploration efforts have since been dedicated to advancing the Mt Oscar Project to drill ready status.

### Rock Chip Sampling

Apollo completed a rock chip sampling programme over five prominent magnetite prospective ridges, named Units A to G, during October 2008. The location of samples with iron assays (>40% Fe) and the layout of the area are shown in **Figure 2**.

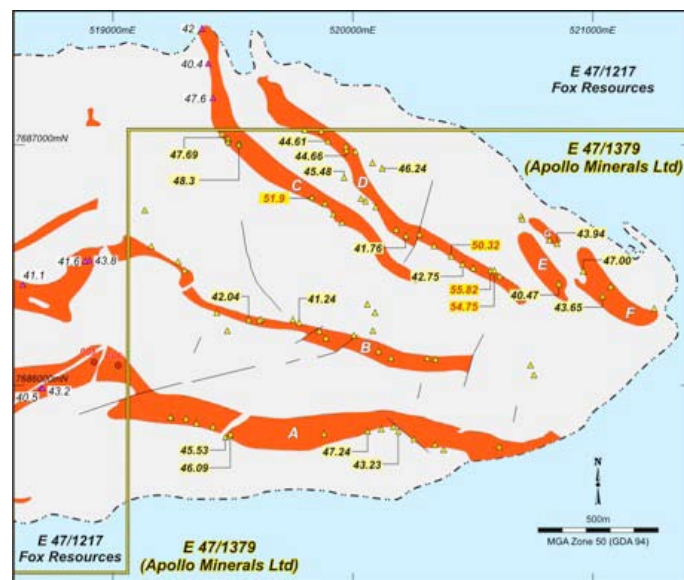


Figure 2: Mt Oscar magnetite horizons and sample results > 40% F

Samples from Units A, B and D returned iron values in excess of 40% Fe. The highest results were from Unit D where three samples returned over 50% Fe, with the best being 55.81% Fe. It appears that iron assays increase from west to east, and the grades are considered high for magnetite mineralisation.

Field observations by the Company's geologists suggest that the most magnetite-rich outcrop was found over Units C, D, E, F and G and these observations are supported by the high iron assay results. The low level aerial magnetic survey completed by Apollo outlined strong magnetic signatures coinciding with these areas.



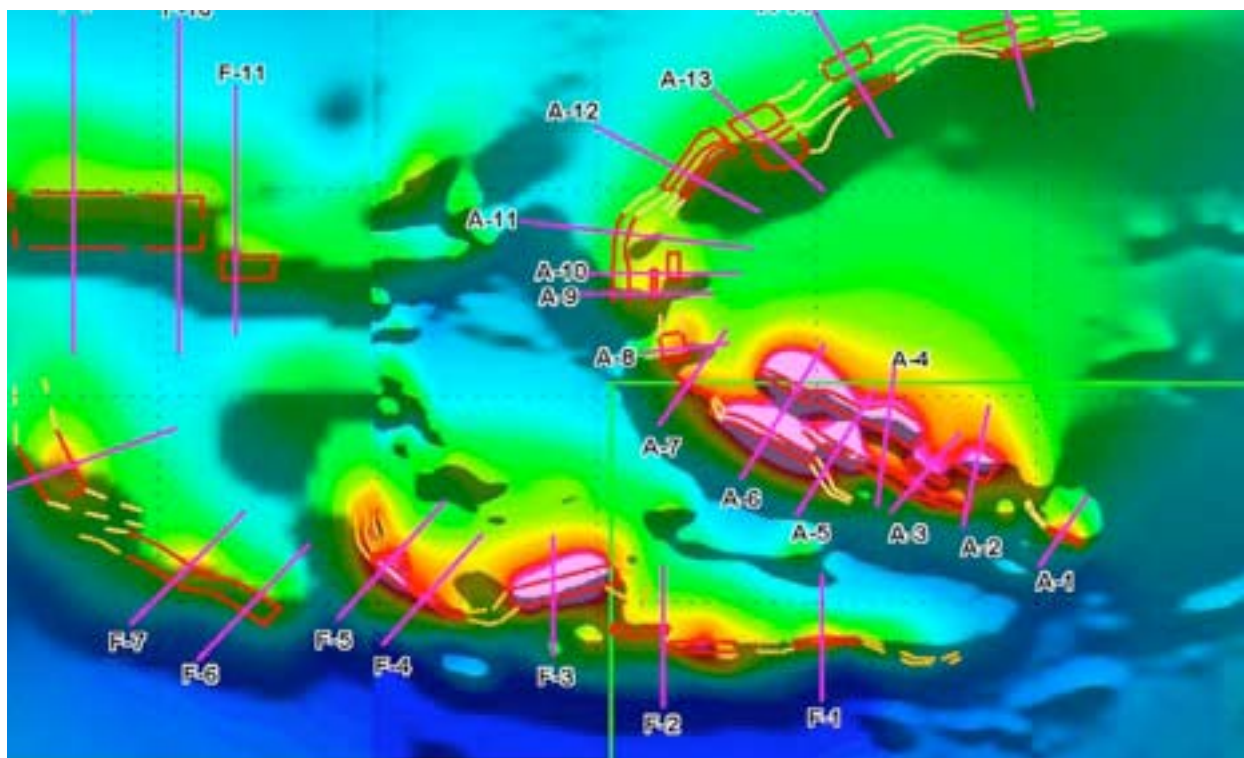


Figure 3: TMI image of the Mt Oscar iron ore project area showing the 26 magnetic models created by Southern Geoscience Consultants

### Geophysical Interpretation and Modelling

Geophysical interpretation and modelling was undertaken over the magnetite mineralisation at Mt Oscar inclusive of EL47/1217. High resolution magnetic data obtained from a survey flown by Apollo during September 2008 was merged with a multi-client data set and this was utilised to provide the magnetic coverage over the Global Mt Oscar Project (being the total Mt Oscar deposit, of which Apollo's tenements form a part).

A total magnetic intensity (TMI) image of the merged data set over Mt Oscar is shown in **Figure 3**. High-order magnetic anomalies are located over the magnetite prospective Units C and D. The amplitude of these magnetic anomalies is very high at some 60,000 nanotesla above the background ambient magnetic field.

Southern Geoscience Consultants undertook the magnetic modelling and created twenty six forward magnetic models and one 3D inversion model to provide an estimate of the altitude and thickness of the magnetic units and facilitate volumetric and tonnage calculation. The section lines for the magnetic models are shown in **Figure 3**.

Strong remnant magnetism provided uncertainty to the modelling procedure however the veracity of the geometry and tonnage estimation was checked satisfactorily against the previously announced drilling and resource estimate on EL47/1217.

The magnetic modelling provided a 3D geological body from which:

- A volumetric determination and (using a notional bulk density of 3.5t/m<sup>3</sup>) a conceptual tonnage of 800 million tonnes was estimated for the magnetite mineralisation within the Global Mt Oscar Project Area;
- The dip of the modelled magnetic units though steep in outcrop was found to be shallow at depth. This shallowing at depth has been realised by drilling at a similar deposit in the West Pilbara;
- A recommendation was made to drill test the magnetite mineralisation in Units C and D on section line A6, A5 and A4 with five holes.

Recent geological mapping has verified the surface outcrop of the magnetic units and has provided an understanding of the structural setting which was found to confirm what was inferred from the magnetic modelling.

# REVIEW OF OPERATIONS

## Drilling programme

Drilling is the next step in an orderly approach to exploration at Mt Oscar and an initial first-pass programme comprising four RC holes for approximately 1,000m has been designed. The drilling will provide the first test of grade and geometry of the magnetite rich horizon below the near-surface oxidation of Units C and D. As such the drilling will provide some test of the veracity of the 3D geological model developed from magnetic interpretation as well as early metallurgical appraisal.

The drill programme is focused on the very high amplitude magnetic response over Units C and D and is located in the vicinity of section lines A5 and A6 as shown in **Figure 4**.

The drilling location has been optimized to achieve intersections of Units C and D at depth on sites that are amenable for drill pad preparation in terrain that is locally very steep. A conceptual drill section based on the magnetic modelling shows the geometry of Units C and D and the possible intercepts of the planned drilling for section line A6 (**Figure 5**). The drilling on section line A5 is along strike from planned hole A6N and will similarly test Units C and D.

By the time that this report has been published the initial drilling programme is expected to have been completed and the results of the first 4 drill holes published on the ASX.

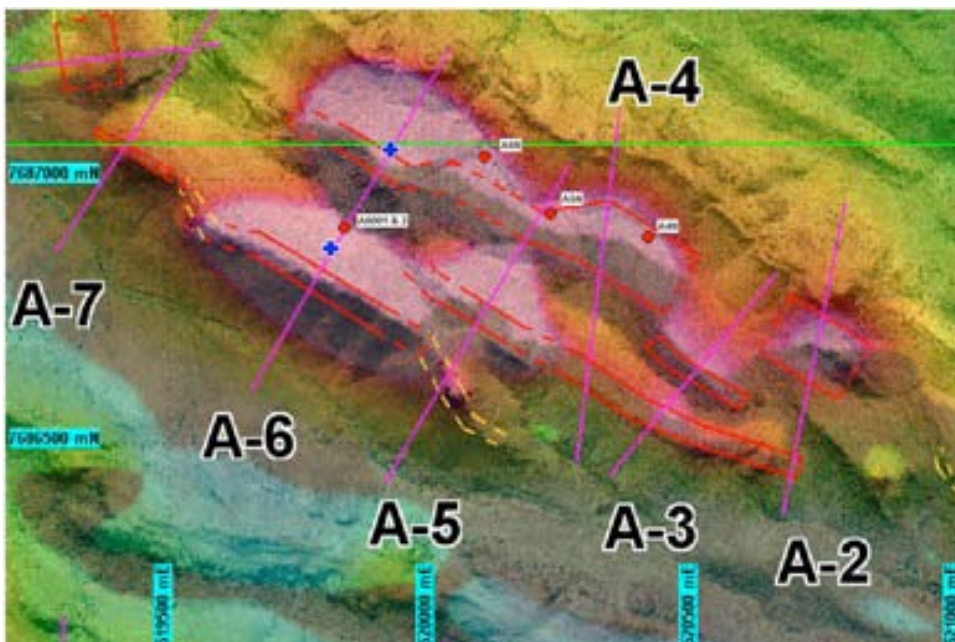


Figure 4: Magnetic model section lines and drill-hole locations over Units C and D within the area of very high amplitude magnetic response

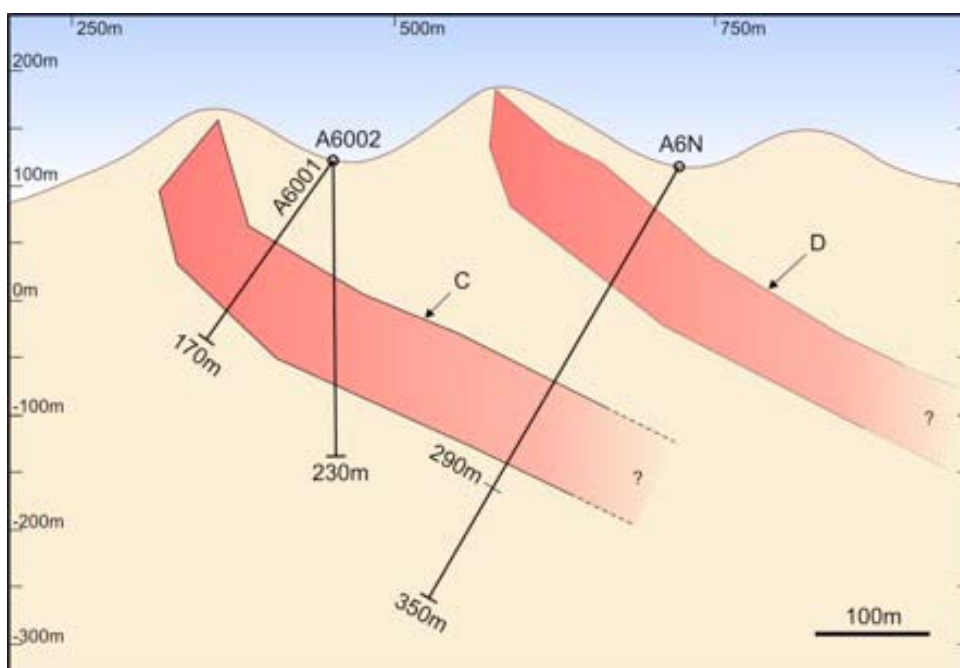


Figure 5: Modelled magnetite units showing planned drilling on Section A6 (Conceptual only)

## Water Supply Scoping Study

Apollo Minerals commissioned a water supply study as part of a scoping study of its Mt Oscar magnetite project. Groundwater Resource Management (GRM) undertook the study and analysed open file geological and hydrogeological data and various mining industry research as well as providing an assessment of the hydrogeology of the Roebourne area in terms of its potential to supply a long-term sustainable groundwater source for the project.

The investigation found that water demand for magnetite projects with major water use by mineral processing and magnetite slurry transport is of the order of 1.5 GL per Mtpa of ore production; or 7.7 GL per annum for 5 Mt of ore production. The likely water quality limits for magnetite processing will vary in a range up to 4,000 to 6,000 mg/L total dissolved solids (TDS).

Analysis of geological and hydrogeological data has found that potential exists in the wider project region to target fractured rock and possibly alluvial aquifer systems, which combined may have significant supplies of fresh to brackish (up to 6,000 mg/L TDS) groundwater.

Exploration for ground water resources would target the fractured rock aquifer systems initially as follows:

- The Sholl Shear Zone which has evidence from previous groundwater exploration drilling of potentially hosting a significant aquifer system; and
- Fracture zones in the granitic complex to the north and east of the project area (covered in part by tenement EL47/1378) particularly along the margins of dolerite intrusive.

Given the quantities of groundwater extraction required to service a significant magnetite operation, a reasonable amount of aquifer recharge is required to maintain sustainability of supply. It is considered likely that sufficient recharge will occur to the fractured rock aquifer systems, particularly in the vicinity of the Harding River, due to cyclones that cross the Pilbara coast annually.

Investigations also show that the target areas most likely to host significant aquifers are not constrained by any current native title claims, designations of environmental sensitivity or drinking water source protection areas.

The study concluded that subject to hydrogeological drilling and testing, it is likely that a sustainable groundwater resource of sufficient size and suitable quality could exist in the project area capable of supporting a magnetite mining, processing and slurry transport operation in the range of 5 to 10 Mtpa.

## Mt Oscar East

In July 2009, Apollo agreed to purchase from Thundelarra Exploration Limited tenement E47/1304, known as Mt Oscar East, with respect to all mineral rights (see **Figure 6**). This expansion of Apollo's iron ore interests in the Pilbara now gives Apollo a second iron ore project which is prospective for magnetite and haematite and adjacent to its existing interests at Mt Oscar. The combination of Mt Oscar East with Mt Oscar gives Apollo a greater scope to delineate an economic resource in the area.

Mt Oscar East is 10 km east of Apollo's existing Mt Oscar Project (see **Figure 6**) and is prospective for magnetite and haematite iron ore. Mt Oscar East has excellent infrastructure, being adjacent to the sealed North West Highway and 40km to the south east of the Port of Cape Lambert.

The main Mt Oscar East BIF occurrence outcrops in two areas over a 300 m strike length. Rock chip sampling has returned assays ranging from 31% to 46.84%. The remaining 4.5 kilometre strike extent is under shallow cover and is inferred from airborne magnetics.

Mt Oscar East covers several areas of Banded Iron Formation (BIF) of the Cleaverville Formation which display a strong magnetic signature in airborne magnetic surveys and comprise magnetite rich BIF with potential for secondary haematite occurrences.

A full geophysical interpretation and modelling study of the airborne magnetics is being carried out with a view to determining what kind of tonnage target of iron ore may be present on the tenement.

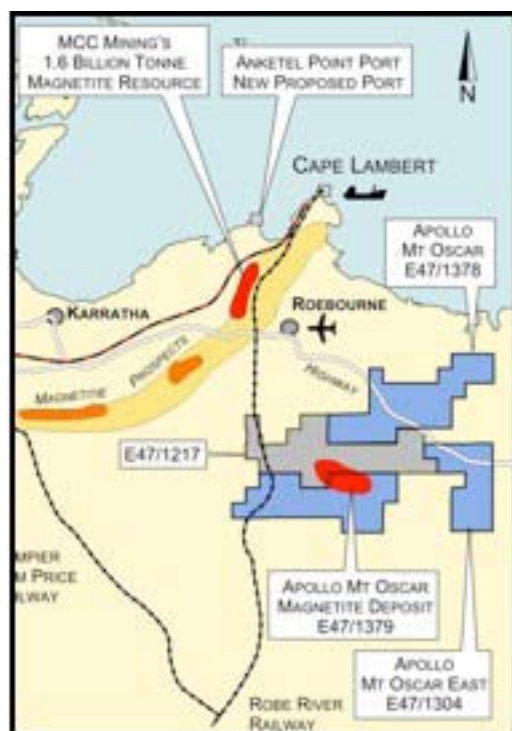


Figure 6: Mt Oscar East tenement location map

## Potential Joint Venture Partners

During the year under review your Directors took a decision to look for a joint venture partner to assist with bringing expertise and finance to the project. Because the Chinese have significant knowledge of magnetite processing techniques and appear to have an appetite to fund these projects, it seemed sensible to look for such a partner in China.

During the course of 3 months of roadshows, the Company found considerable interest from major operators in the Chinese iron ore and steel industries. A number of these parties have commenced due diligence on Apollo and Mt Oscar and discussions are ongoing.



# REVIEW OF OPERATIONS

## COMMONWEALTH HILL

### (WESTERN PLAINS RESOURCES FARM-IN)

Apollo initially held six tenements in the Gawler Craton region of South Australia, covering an area of 1,829 km<sup>2</sup>. Subsequent to annual tenement renewal, Apollo now holds five tenements covering a reduced area of 1,427 km<sup>2</sup> as shown in **Figure 7**.

The tenements are considered highly prospective for a number of commodities including iron ore, gold and uranium. Five known iron ore prospects - Sequoia, Sequoia East, Ibis, St Andrews and Wirrida - are located within the tenements.

The farm-in agreement with Western Plains Resources Limited allows them to earn a 51% interest in the tenement package (for iron ore only) by spending \$750,000, including a minimum commitment of \$90,000. Western Plains can then increase its interest to 75% by expenditure of an additional \$750,000. Apollo retains all rights in relation to non-iron ore mineralisation.

### Ground Magnetic and Gravity Traverses

Western Plains Resources Limited completed a total of 18 ground-magnetic and gravity traverses to test specific geological contacts prospective for DSO hematite and magnetite BIF (iron) mineralization. The survey commenced in March 2009 and the field component was completed in early April 2009.

Within the Commonwealth Hill East tenement EL3821, a total of eight north-south oriented traverses and two east-west oriented traverses for a total of 19.1 km were surveyed with ground magnetics and gravity. Interpretation of the results suggests the presence of relatively thick magnetite rich horizons, probably BIF. The results of the ground survey were extended over a 7 km to 8 km strike on the western side of the Wirrida Complex with the interpretation and support of aeromagnetic data.

At Wirrida, the potential for DSO hematite is encouraging due to the broad gravity anomaly which is semi-coincident with the magnetics (see **Figure 8**). However further ground reconnaissance of the geology and topography is required to better interpret the gravity results.

Eight ground magnetic and gravity traverses for a total of 13.6 km were completed across two parts of the Ibis anomaly (see **Figure 9**). Like the Wirrida results the surveys at Ibis indicate the presence of substantial quantities of possible magnetite-rich BIF and a gravity response that could be due to the presence of hematite.

Following on from the success of the initial ground geophysics at Wirrida and Ibis another campaign of ground magnetic and gravity surveys is planned for later this year. The survey will focus on five discrete areas in the vicinity of Sequoia and St Andrews.

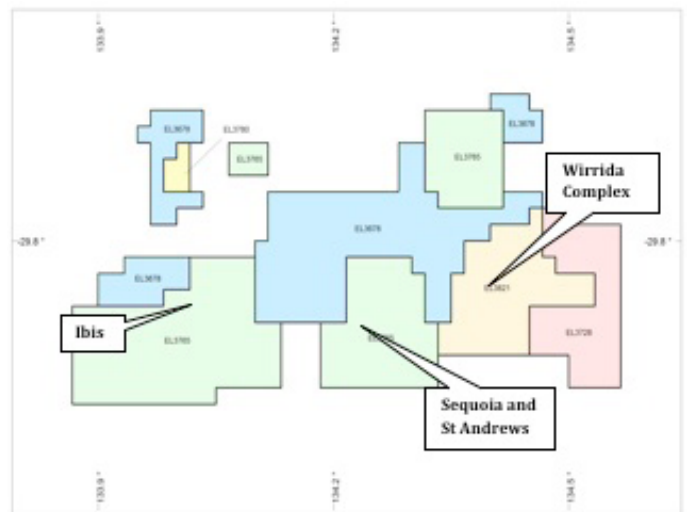


Figure 7: Commonwealth Hill location map

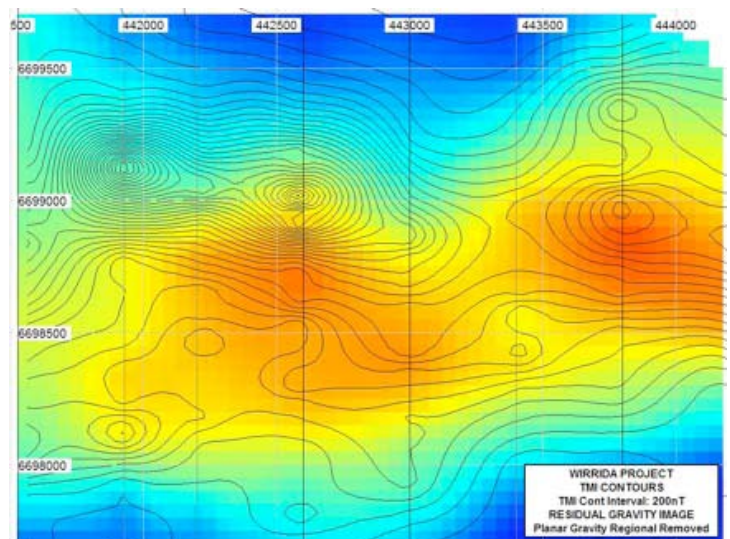


Figure 8: Broad gravity anomaly with semi-coincident magnetic intensity anomalous at Wirrida Complex

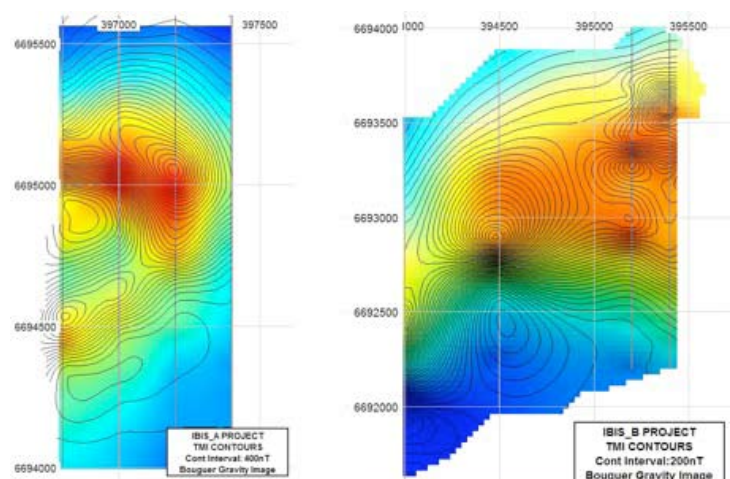


Figure 9: Magnetic Intensity and Gravity Anomalism at Ibis Prospect

## SCHEDULE OF TENEMENTS

Mining Tenements	Location	Percentage Interest
EL 3678	South Australia	100%
EL 3728	South Australia	100%
EL 3765	South Australia	100%
EL 3780	South Australia	100%
EL 3821	South Australia	100%
EL 4096	South Australia	100%
ELA 47/1304	Western Australia	100%
ELA 47/1378	Western Australia	100%
ELS 47/1379	Western Australia	100%

EL – Exploration Licence; ELA – Exploration Licence Application

### Corporate and Administration

The Board is now made up of Mr. Sevag Chalabian as Non Executive Chairman, Mr. Tony Ho and Mr. Wang Jianguang as non-executive directors and Mr. Richard Sealy as an executive director.

The Company continues to monitor any further opportunities to invest directly and indirectly in mineral resource projects which have the potential to increase shareholder value. Apollo will continue to seek, identify and invest in mineral projects in Australia and overseas through acquisition or joint venture.

In a year of turmoil in the markets, the Company is focused on a responsible exploration program of its tenements in the Pilbara and Commonwealth Hill whilst otherwise preserving its cash to ensure it is in a secure position over the coming years.

We would like to thank the directors, consultants and staff for all their efforts throughout the year and the directors are especially appreciative of the continued support of its shareholders and in particular its major shareholder Hugo Natural Enterprises as it continues to fulfil its mandate of maximising its shareholders' wealth.



Richard Sealy  
Chief Operating Officer  
Sydney 29 September 2009



Sevag Chalabian  
Chairman  
Sydney 29 September 2009

The information in this Report that relates to Exploration Results is based on information compiled by John Bridson who is a member of the Australian Institute of Mining and Metallurgy. John Bridson 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'. John Bridson consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

# CORPORATE GOVERNANCE

The Apollo Minerals Limited group ("Apollo"), through its Board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with Apollo. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

In August 2007, the ASX updated its corporate governance principles and companies were given a period of time to report against what became 8 principles. This statement outlines the main corporate governance practices of Apollo during the financial year against those new requirements, which are captured now under the heading Corporate Governance Principles and Recommendations, published in August 2007 by the ASX Corporate Governance Council.

## ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The 8 Corporate Governance Principles and Recommendations on how to achieve best practice for each principle are set out in a different format to that used previously, with a comment for each recommendation identifying whether Apollo's approach conformed to the 8 principles. It should be noted that Apollo is currently a small cap listed company and that where its processes do not fit the model of the 8 principles, the Board believes that there are good reasons for the different approach being adopted.

Reporting against the 8 Principles, we advise as follows:

### Principle 1: Lay solid foundations for management and oversight

#### 1.1 *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The primary responsibilities of Apollo's board include:

- (i) the establishment of long term goals of the company and strategic plans to achieve those goals;
- (ii) the review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a monthly basis;
- (iii) the appointment of the Chief Operating Officer;
- (iv) ensuring that the company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- (v) the approval of the annual and half-yearly statutory accounts and reports.

The board meets on a regular basis, normally monthly, to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled monthly board meetings, each board member is provided with a formal board package containing appropriate management and financial reports.

The responsibilities of senior management including the Chief Operating Officer are contained in letters of appointment and job descriptions given to each appointee on appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

- (i) Achieve Apollo's objectives as established by the Board from time to time;
- (ii) Operate the business within the cost budget set by the Board;
- (iii) Ensure that Apollo's appointees work with an appropriate Code of Conduct and Ethics.
- (iv) Ensure that Apollo appointees are supported, developed and rewarded to the appropriate professional standards

#### 1.2 *Companies should disclose the process for evaluating the performance of senior executives and appointees.*

The performance of all senior executives and appointees is reviewed at least once a year. The performance of the Chief Operating Officer is reviewed by the Chairman on an annual basis, and the performance of other senior executives is reviewed by the Chief Operating Officer, in conjunction with the board's remuneration and nominations committee. They are assessed against personal and company key performance Indicators established from time to time as appropriate for Apollo.



### 1.3 *Companies should provide the information indicated in the Guide to reporting on Principle 1.*

A performance evaluation for each senior executive has taken place in the reporting period in line with the process disclosed.

A statement covering the primary responsibilities of the Board is set out in 1.1 above.

A statement covering the primary responsibilities of the senior executives is set out in 1.1 above.

The Apollo Corporate Governance Charter is available on the Apollo web site, and includes sections that provide a board charter. The Apollo board reviews its charter when it considers changes are required.

## Principle 2: Structure the board to add value

### 2.1 *A majority of the Board should be independent directors.*

Apollo operates in a market where it finds that it must regularly seek investor support to raise additional capital. As a consequence, Board members themselves often have a significant interest in the company. During the reporting period, the Apollo Board consisted of three non-executive directors, and one Chief Operating Officer. Only Messrs Chalabian and Ho are considered to be independent directors.

### 2.2 *The Chairperson should be independent.*

Sevag Chalabian, the non executive chairman, is independent.

### 2.3 *Chief Executive Officer should not be the same as Chairman.*

During the period under review, Michael Drew and subsequently Richard Sealy held the position of Chief Operating Officer.

### 2.4 *A nomination committee should be established.*

As Apollo is a small cap company, the Board has decided that responsibilities of a nominations committee should be handled by the full Board.

### 2.5 *Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The Apollo board has only a few board members, who are in regular contact with each other as they deal with matters relating to Apollo's business. The board uses a personal evaluation process to review the performance of directors, and at appropriate times the Chairman takes the opportunity to discuss board performance with individual directors and to give them his own personal assessment. The Chairman also welcomes advice from directors relating to his own personal performance. The remuneration committee determines whether any external advice or training is required. The Board believes that this approach is most appropriate for a company of the size and market cap of Apollo.

### 2.6 *Companies should provide the information indicated in the Guide to reporting on Principle 2*

A description of the skills and experience of each director is contained in the 2009 Directors Report. Sevag Chalabian and Tony Ho (appointed 13 July 2009) are all considered to be independent non executive directors. Wang Jianguang is associated with a major shareholder (Hugo Natural Enterprises Limited) and, under the ASX 2.1 guidance, is not considered to be independent. Richard Sealy is an executive director being Chief Operating Officer.

Directors are able to take independent professional advice at the expense of the company, with the prior agreement of the Chairman.

The nomination responsibilities are handled by the full board under the guidance of the Chairman.

An evaluation of the board of directors took place during the reporting period and was in accordance with the process described in 2.5 above.

New directors are selected with consultation of all board members and their appointment voted by the board. Each year, in addition to any board members appointed to fill casual vacancies during the year, one third of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

There is no board charter for nominations. As is appropriate in a small cap listed company that must raise funds from shareholders and investors to fund its activities, there is some informality in the board appointment process.

# CORPORATE GOVERNANCE

## Principle 3: Promote ethical and responsible decision-making

3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- *the practices necessary to maintain confidence in the company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

Apollo's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the company's ethical standards. The code of conduct is contained in the Apollo Corporate Governance Charter.

3.2 *Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

3.3 *Companies should provide the information indicated in the Guide to reporting on Principle 3.*

Apollo's shares are listed on the Australian Securities Exchange. The company's policies relating to board and employee trading in shares has been designed to meet the requirements of the law. The policy is set out in the Apollo Corporate Governance Charter and is publicly available on the Apollo web site.

## Principle 4: Safeguard integrity in financial reporting

4.1 *Establish an Audit Committee.*

The company has an Audit Committee.

4.2 *Audit Committee composition.*

During the first part of the reporting period, the Audit committee consisted of Sevag Chalabian and Barry Woodhouse. Following Barry Woodhouse's resignation and Tony Ho's appointment as a non executive director, Tony Ho has been appointed to the Audit Committee and has been appointed its Chairman. He is a highly qualified accountant. As Apollo is a small cap company, the board considers that two members rather than three are appropriate for the Audit Committee.

4.3 *A formal charter should be established for the audit committee.*

The company has adopted an Audit Committee charter. It is publicly available on the Apollo web-site.

4.4 *Companies should provide the information indicated in the Guide to reporting on Principle 4.*

The Audit Committee met twice during the course of the year.

The Audit Committee provides a forum for the effective communication between the board and external auditors. The committee reviews:

- The annual and half-year financial reports and accounts prior to their approval by the board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit functions.

The committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

In conjunction with the auditors the Audit Committee monitors the term of the external audit engagement partner and ensures that the regulatory limit for such term is not exceeded. At the completion of the term, or earlier in some circumstances, the auditor nominates a replacement engagement partner. The committee interviews the nominee to assess relevant prior experience, potential conflicts of interest and general suitability for the role. If the nominee is deemed suitable, the committee reports to the board on its recommendation.

## Principle 5: Make timely and balanced disclosure

5.1 *Written policies and procedures should be established to ensure an entity complies with the ASX Listing Rule disclosure requirements and that senior management is accountable for compliance.*

The Apollo board and senior management are conscious of the ASX Listing Rule Continuous Disclosure requirements, which are supported by the law, and take steps to ensure compliance. The company has a policy, which can be summarised as follows:

- The Board, with appropriate advice, to determine whether an announcement is required under the Continuous Disclosure principles;
- All announcements are monitored by the Company Secretary; and
- All media comment is handled by the Chief Operating Officer.

Apollo believes that the internet is the best way to communicate with shareholders, so Apollo provides detailed announcements to the Australian Securities Exchange on a regular basis to ensure that shareholders are kept well informed on Apollo's activities.

Apollo's disclosure policy to shareholders is set out as part of the Apollo Corporate Governance charter, which is publicly available on the Apollo web-site, as are Apollo's recent announcements.

## Principle 6: Respect the rights of shareholders

6.1 *Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

Apollo provides information to its shareholders through the formal communications processes (e.g. ASX releases, general meetings, annual report, and occasional shareholder letters). This material is also available on the Apollo website ([www.apollominerals.com.au](http://www.apollominerals.com.au)).

Shareholders are encouraged to participate in general meetings and time is set aside for formal and informal questioning of the board, senior management and the auditors. The external audit partner attends the annual general meeting to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The company's communications policy is described in 5.1 and 5.2, and 6.1 above.

## Principle 7: Recognise and manage risk

7.1 *Companies should establish a sound system for the oversight and management of material business risks.*

The company has established policies for the oversight and management of material business risks.

The board monitors the risks and internal controls of Apollo through the Audit Committee. That committee looks to the executive management to ensure that an adequate system is in place to identify and, where possible, on a cost effective basis appropriate for a small cap company, to manage risks inherent in the business, and to have appropriate internal controls.

As part of the process, Apollo's management formally identifies and assesses the risks to the business, and these assessments are noted by the Audit Committee and the board.

The board has required management to design and implement the risk management and internal control system appropriate to a small cap company of the size of Apollo to manage the company's material business risks and report to it on whether those risks are being managed effectively. Management has reported to the board as to the effectiveness of the company's management of its material business risks.

The board has received assurance from the Chief Operating Officer and the chief financial officer (or its equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control appropriate for a small cap company of the size of Apollo, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The board has received the report from management under Recommendation 7.2; and the board has received the assurances referred to under Recommendation 7.3. The company's policies on risk oversight and management of material business risks for a small cap company the size of Apollo are not publicly available.

# CORPORATE GOVERNANCE

## Principle 8: Remunerate fairly and responsibly

### 8.1 *Establish a remuneration committee.*

As Apollo is a small cap company, Apollo has not established a remuneration committee. Those responsibilities are handled by the full board under the guidance of the Chairman.

### 8.2 *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The remuneration details of non executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

Senior executives remuneration packages are reviewed by reference to Apollo's performance, the executive director's or senior executive's performance, as well as comparable information from industry sectors and other listed companies in similar industries, which is obtained from external remuneration sources. This ensures that base remuneration is set to reflect the market for a comparable role.

The performance of the executive director and senior executives is measured against criteria agreed annually and bonuses and incentives are linked to predetermined performance criteria and may, with shareholder approval, include the issue of shares and / or options.

There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

For a small cap company like Apollo it is not appropriate to carry a statement on prohibiting transactions in associated products.

A copy of the Remuneration committee charter is publicly available on the Apollo web site [www.apollominerals.com.au](http://www.apollominerals.com.au)

# DIRECTORS' REPORT

Your directors present their report on Apollo Minerals Limited (Apollo or the Company) for the period 1 July 2008 to 30 June 2009.

## DIRECTORS

The names of directors in office at any time during or since the end of the period are:

### Current Directors:

**SEVAG CHALABIAN**  
B Econ, B Laws,  
M Laws & Mgmt.  
*Non-Executive  
Chairman*

Sevag Chalabian is a commercial lawyer and adviser. Until March 2004, he was a Partner with Phillips Fox Lawyers. In 2004, he established in partnership a boutique commercial law practice, Lands Legal. His practice concentrates on mining joint ventures, corporate transactions and property and financing projects. Mr Chalabian is Non-Executive Chairman of the ASX listed Artemis Resources Limited, and a Director of the ASX listed Bisan Ltd, and a Non Executive Director of the ASX listed East Coast Minerals NL.

Mr Chalabian was appointed a Director on 22 June 2007. He is a member of the Audit Committee.

**RICHARD SEALY**  
CA, MAICD  
*Chief Operating  
Officer*

Mr Sealy has over the last 30 years held positions as financial director, managing director or chairman of a number of public and private companies in Australia, New Zealand and the United Kingdom. Mr Sealy specialises in managing and raising funds for start-up companies or companies in transition.

Mr Sealy's mining experience started in the early 1980's as General Manager of Mineral Resources Limited which reopened the Martha Hill gold mine in Waihi New Zealand. Mr Sealy has had extensive experience in fund raising including the float of New Zealand Oil & Gas NL, Oil Fields NL and United Resources Investment Holdings Limited.

Mr Sealy was appointed a director and Chief Operating Officer on 24 December 2008.

**WANG JIANGUANG**  
Bachelor of Economic  
Law  
*Non-Executive Director*

Mr Wang has nine years of experience in the mining and iron making industry in China. He has benefited from extensive working and studying experiences in China and abroad, gaining a unique perspective into the economics and politics of China and Australia. This has become increasingly critical for advising on and facilitating business negotiation and co-operation with international counterparties.

In 2007, Mr Wang, along with other shareholders, set up Hugo Natural Enterprises Ltd. He has been in charge of business development in mining industry overseas.

Mr Wang was appointed a Non Executive Director on 7 March 2008.

**ANTHONY HO**  
B Com, CA,  
FAICD, FCIS  
*Non-Executive Director*

Mr Ho was previously an executive director at Arthur Yates & Co Ltd, retiring from this position in April 2002. He was a past non-executive director of Brazin Limited where he was also a member of the Audit and Remuneration Committees; and the past non-executive Chairman of St George Community Housing Limited and a member of the Audit Committee.

Tony's current non-executive directorships of listed and unlisted public companies are:

- Greenland Minerals and Energy Limited where he also chairs the Audit and Risk Committee. The company is in the process of completing a pre-feasibility study of its Multi Element Rare Earth deposit at Kvanefjeld, Greenland;
- DoloMatrix International Limited where he also chairs the Audit and Compliance Committee;
- Chairman of Esperance Minerals NL; and
- Deputy Chairman of Quality Improvements Council Limited.

Tony was previously a partner of Cox Johnston & Co, Chartered Accountants (since merged with Ernst & Young). His extensive executive experience included being Finance Director/Chief Financial Officer of the listed M. S. McLeod Limited group, Galore Group Limited, the Edward H. O'Brien group of companies and Volante Group Limited.

Tony was appointed a Non-Executive Director on the 13 July 2009 and chairs the Audit Committee.

# DIRECTORS' REPORT

## Former Directors:

**NICHOLAS BANCROFT-COOKE**  
BA (Hons) in  
Political Science  
(resigned 27 February  
2009)

Mr Bancroft-Cooke was appointed a Non-Executive Director on 12 December 2007 and resigned on 27 February 2009.

**BARRY WOODHOUSE**  
B Laws, CPA, FCIS  
(resigned 21 April  
2009)

Mr Woodhouse was appointed a Director on 22 June 2007 and resigned on 21 April 2009. He was a member of the Audit Committee.

**MICHAEL DREW**  
B Bus, ACIS  
(resigned 29 December  
2008)

Mr Drew was appointed as Chief Operating Officer and a Director on 1 July 2008, and resigned on 29 December 2008.

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

## Secretary:

**JOHN HARTIGAN**  
(Company Secretary)  
B Com, FAICD, FCIS,  
FCPA, ANZIIIF (Senior  
Associate), AIMM

Mr. John Hartigan, who was appointed as secretary on 24 December 2008, has had extensive experience with public companies in director and senior executive roles, including 5 years as a non-executive director of the previously listed international Australian Oil & Gas Corporation Limited group, where he was also a member of the Audit Committee.

From September 2003 until July 2008 John was CFO & Secretary of the international eServGlobal Limited group, which is listed on the ASX and on the London Stock Exchange (AIM). He also had 9 years with Industrial Equity Limited, where he was Executive Director & Secretary for 4 years. John has had extensive experience in Corporate Governance and IPO Due Diligence (including Woolworths).

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as outlined in the Chief Operating Officer's report, there were no significant changes in the state of affairs of the Company during the year.

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial period was mineral exploration. There have been no significant changes in the nature of the Company's principal activities during the financial period.

## SIGNIFICANT AFTER BALANCE SHEET DATE EVENTS

- The Company acquired a new iron ore prospect at Mt Oscar East on 16 July 2009 for \$225,000 cash, with completion of the acquisition subject to receipt of native title consent.
- 6,742,316 shares issued at 25c on 6 August 2009 to optionholders who elected to exercise their options, for a total equity contribution of \$1,685,579.

Apart from as described above, there are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.



## LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Apollo is an iron ore focused exploration company. The Board intends to explore its current tenements in South and Western Australia. The Company continues to look to invest directly and indirectly in mineral resources projects focusing on iron ore, base metals, gold and energy-related minerals.

## PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

The consolidated entity will comply with its obligations in relation to environmental regulation on its South and Western Australian projects when it undertakes exploration in the future. The Directors are not aware of any breaches of any environmental regulations during the period covered by this report.

## OPERATING RESULTS

The loss of the consolidated entity after providing for income tax amounted to \$8,710,556 (2008: loss of \$3,063,329).

## DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## COMPANY SECRETARY

Mr John Hartigan is the Company Secretary. Specific information in relation to his qualifications and experience is listed above.

## REMUNERATION REPORT

### *Remuneration Policy*

The remuneration policy of Apollo has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Apollo believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

- The remuneration policy, setting the terms and conditions (where appropriate) for the executive directors and other senior staff members, was developed by the Chairman and Company Secretary and approved by the Board;
- In determining competitive remuneration rates, the Board may seek independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice may be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices;
- The Company is a mineral exploration company, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives, such personnel are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly if the Company moves from exploration to a producing entity and key performance indicators such as profit and production can be used as measurements for assessing executive performance.
- All remuneration paid to directors is valued at the cost to the Company and expensed. Where appropriate, shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology;
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Chairman in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

# DIRECTORS' REPORT

## COMPANY SHARE PERFORMANCE & SHAREHOLDER WEALTH

During the financial year the Company's share price traded between a low of \$0.12 and a high of \$0.45. In order to keep all investors fully-informed and minimize market fluctuations the Board will maintain promotional activity amongst the investor community so as to increase awareness of the Company.

## DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

### (a) Details of Directors and Key Management Personnel

#### (i) Current Directors

Sevag Chalabian – Non-Executive Chairman  
Richard Sealy – Chief Operating Officer  
Wang Jianguang – Non-Executive Director  
Anthony Ho – Non Executive Director

#### Former Directors

Nicholas Bancroft-Cooke – Non-Executive Director (resigned)  
Barry Woodhouse – Non-Executive Director (resigned)

#### (ii) Company Secretary

John Hartigan

Other than the directors and company secretary, the Company had no Key Management Personnel for the financial period ended 30 June 2009.

Directors' remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

Except as detailed in Notes (a) – (e) to the Remuneration Report, no director or officer has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes (a) – (e) to the Remuneration Report, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee of the Company.

### (b) Remuneration of Directors and Key Management Personnel

#### Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Directors of the Group is set out below.

#### Parent & Group Key Management Personnel

	2009				2008			
	Base Salary and Fees	Fair Value of Options Granted	Share Based Payments	Total	Base Salary and Fees	Fair Value of Options Granted	Share Based Payments	Total
S. Chalabian <sup>1</sup>	60,000	1,067,949	-	1,127,949	50,151	77,875	-	128,026
R. Sealy <sup>2</sup>	-	-	-	-	-	-	-	-
J. Wang	30,000	-	-	30,000	7,640	-	-	7,640
A. Ho <sup>3</sup>	-	-	-	-	-	-	-	-
J. Hartigan <sup>4</sup>	-	-	-	-	-	-	-	-
N. Bancroft-Cooke <sup>5 6</sup>	16,096	90,313	360,000	466,409	25,000	-	-	25,000
B. Woodhouse <sup>7</sup>	63,500	1,059,689	-	1,123,189	101,481	19,469	-	120,950
M. Drew <sup>8</sup>	48,750	-	-	48,750	-	-	-	-
G. Solomon	-	-	-	-	9,481	77,875	-	87,356
<b>Totals</b>	<b>218,346</b>	<b>2,217,951</b>	<b>360,000</b>	<b>2,796,297</b>	<b>193,753</b>	<b>175,219</b>	<b>-</b>	<b>368,972</b>

- 1 In the twelve months to 30 June 2009, fees of \$60,000 (2008: \$50,151) were paid and / or accrued to Lands Legal Pty Limited (a company of which Mr Chalabian is a Director and Shareholder).
- 2 Mr Sealy has not earned any remuneration for his role as director. Fees have been paid to Sealy Consulting Services Pty Limited of which Mr Sealy is a Director and Shareholder, however, these are consulting fees billed on a time basis and are disclosed fully in Note 16 "Related Party Transactions".
- 3 Mr Ho was appointed on 13 July 2009 and earned no director fees in the twelve months to 30 June 2009.
- 4 Mr Hartigan has not earned any remuneration for his role as secretary. Fees have been paid to Astute Corporate Services Pty Limited of which Mr Hartigan is a Director and Shareholder, however, these are consulting fees billed on a time basis and are disclosed fully in Note 16 "Related Party Transactions".
- 5 In the twelve months to 30 June 2009, fees of \$16,096 (2008: \$25,000) were paid and / or accrued to East Asia Ventures Limited (Hong Kong) (a company of which Mr Bancroft-Cooke is a Director and Shareholder).
- 6 In addition to the remuneration received for Directors fees; fees have been paid to East Asia Ventures Limited (Hong Kong) of which Mr Bancroft-Cooke is a Director and Shareholder, however, these are consulting fees billed on a time basis and are disclosed fully in Note 16 "Related Party Transactions".
- 7 In the twelve months to 30 June 2009, fees of \$63,500 (2008: \$101,481) were paid and / or accrued to Maphra Pty Limited (a company of which Mr Woodhouse is a Director and Shareholder).
- 8 In the twelve months to 30 June 2009, fees of \$48,750 (2008: nil) were paid and / or accrued to Leon Bianco Holdings Pty Limited (a company of which Mr Drew is a Director and Shareholder).

#### (c) Employee Related Share-based compensation

To ensure that the Company has appropriate mechanisms to continue to attract and retain the services of Directors and Employees of a high calibre, the Company has a policy of issuing options that are exercisable in future at a certain fixed price.

A total of 11,000,000 options were granted to directors during the year with conditions as summarised below. The options were granted on 4 July 2008, and of these 4,000,000 options vested immediately, 3,500,000 vest one year after being issued and the remaining 3,500,000 vest two years after issue. The options can be exercised at any time after vesting and before their expiry date of 30 June 2012 at their exercise price. The fair value of the shares using a Black and Scholes pricing model is recognised as an expense over the period from grant date to vesting date.

The terms and conditions of each share affecting reported remuneration in the previous, this or future reporting periods are:

Grant date	Expiry date	Exercise price	Value per option at grant date	First exercise date/vest date	Fair value of options granted	Expense recognised in P & L this financial year	Cumulative expense recognised in P & L to date	Last exercise date
15 August 2007	30 June 2012	\$0.35	\$0.089	15/08/2008	200,000	24,781	175,219	30/06/2012
3 July 2008	30 June 2012	\$0.40	\$0.181	03/07/2008	187,670	165,473	165,473	30/06/2012
3 July 2008	30 June 2012	\$0.25	\$0.202	03/07/2008	2,023,644	1,686,078	1,686,078	30/06/2012

Fair values at issue date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the options, the expected price volatility of the underlying share and the risk free rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

- (a) exercise price of \$0.40 / \$0.25 on or before 30 June 2012
- (b) expected price volatility 90%
- (c) risk-free interest rate 6.69% (short term) and 6.89% (long term).
- (d) dividends – none.

# DIRECTORS' REPORT

## (d) Share and Option holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

### *Shares held by Directors and Officers*

Period from 1 July 2008 to 30 June 2009

	Balance at beginning of period	Received as Remuneration	Options Exercised	Net Change Other	Balance at end of year
S. Chalabian <sup>1</sup>	200,000	-	-	-	200,000
R. Sealy	N/A	-	-	-	-
J. Wang <sup>2</sup>	9,607,844	-	-	(9,607,844) <sup>2</sup>	-
J. Hartigan	N/A	-	-	-	-
N. Bancroft-Cooke <sup>3</sup>	-	1,000,000	-	-	N/A
B. Woodhouse <sup>4</sup>	200,000	-	-	-	N/A
M. Drew <sup>5</sup>	-	-	-	26,000	N/A
	10,007,844	1,000,000	-	(9,581,844)	200,000

- 1 Held indirectly by STC Advisory Pty Limited ATF Chalabian Family Trust of which Mr Chalabian is trustee and a potential beneficiary of the Trust.
- 2 Held indirectly by Hugo Natural Enterprises Limited of which Mr. Wang is a Director and Shareholder. Hugo Natural Enterprises Limited did not dispose of its shares, however, it underwent a restructure which resulted in Mr Wang no longer holding a relevant interest in the Apollo shares.
- 3 Held indirectly by East Asia Ventures Limited (Hong Kong) of which Mr Bancroft-Cooke is a Director and Shareholder.
- 4 Held indirectly by Woodhouse Trust of which Mr Woodhouse is trustee and a potential beneficiary of the Trust.
- 5 Held indirectly by Leon Bianco Holdings Pty Limited of which Mr Drew is a Director and Shareholder.

### *Options Held By Directors and Officers*

Period from 1 July 2008 to 30 June 2009

	Balance at beginning of period	Granted as Remuneration	Net Change Other	Balance at end of year
S. Chalabian	1,000,000	5,250,000	-	6,250,000
R. Sealy	-	-	-	-
J. Wang	-	-	-	-
J. Hartigan	-	-	-	-
N. Bancroft-Cooke	-	500,000	500,000	N/A
B. Woodhouse	250,000	5,250,000	100,000	N/A
M. Drew	-	-	13,000	N/A
	1,250,000	11,000,000	613,000	6,250,000

The above options are 25, 35 and 40 cent options expiring 30 June 2012.

## OPTIONS ISSUED AS PART OF REMUNERATION FOR THE PERIOD ENDED 30 JUNE 2009

Other than as listed above, no other options have been issued to directors and executives as part of their remuneration for the period ended 30 June 2009. The options issued referred to above have not been issued based on performance criteria.

As part of the termination of the services of Mr Woodhouse as director, ordinarily all options not vested would be forfeited. However, the board resolved to allow Mr Woodhouse to retain 3,333,333 of the options granted that would otherwise be forfeited and only forfeit 1,666,667. The fair value of the options not forfeited upon termination was \$337,229.

As part of the termination of the services of Mr Bancroft-Cooke as director, ordinarily all options not vested would be forfeited. However, the board resolved to allow Mr Bancroft-Cooke to retain all of the options granted that would otherwise be forfeited. The fair value of the options not forfeited upon termination was \$60,209.

In future, any options so issued will not be issued based on performance criteria, but will be issued to the directors of Apollo to increase goal congruence between directors and shareholders.

## TOTAL ORDINARY OPTIONS ISSUED

Type	No. Issued	No. Quoted	Exercise Price	Expiry Date
Ordinary Options	2,250,000	-	35 cents	30 June 2012
Ordinary Options	53,958,333	-	25 cents	30 June 2012
Ordinary Options	1,000,000	-	40 cents	30 June 2012

Directors' holdings of share options have been disclosed in the Remuneration Report.

Other holdings of share options have been disclosed in "Additional Information for Listed Companies."

## MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial period, each director held office during the financial period, and the number of meetings attended by each director are:

Director	Directors' Meetings		Audit Committee Meetings	
	Meetings Attended	Number Eligible to Attend	Meetings Attended	Number Eligible to Attend
S. Chalabian	9	10	2	2
R. Sealy	6	6	-	-
J. Wang	8	10	-	-
N. Bancroft-Cooke	7	8	-	-
B. Woodhouse	9	10	2	2
M. Drew	5	6	-	-

The Company has an audit committee which initially comprised Messrs Woodhouse and Chalabian. The committee met twice in the 2009 financial period, prior to Mr Woodhouse's resignation. No other meetings occurred during the financial period. On 13 July 2009 Mr Ho was appointed chairman of the audit committee.

# DIRECTORS' REPORT

## INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him or her in his or her capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Company paid insurance premiums of \$33,835 in August 2009 in respect of directors' and officers' liability. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome;
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2009 has been received and can be found on the following page.

## NON-AUDIT SERVICES

The Board of directors is satisfied that the provision of non-audit services performed during the period by the entity's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence because the nature of the services provided do not compromise the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

This report is made in accordance with a resolution of the directors.



**Richard Sealy**  
**Chief Operating Officer and Director**  
**Sydney, 29 September 2009**



**RSM Bird Cameron Partners**  
Chartered Accountants

Level 12, 60 Castlereagh Street Sydney NSW 2000  
GPO Box 5138 Sydney NSW 2001  
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www.rsmi.com.au

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Apollo Minerals Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants



**C J Hume**  
Partner

Sydney, NSW  
Dated: 28<sup>th</sup> September 2009

# INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
Revenue	2	302,305	350,822	302,305	350,822
Administration expenses		(269,779)	(133,224)	(252,779)	(118,013)
Consultancy costs		(1,136,061)	(494,337)	(1,136,061)	(494,157)
Compliance and regulatory expenses		(67,293)	(40,531)	(65,927)	(39,918)
Finance costs	3	(32)	-	(32)	-
Occupancy costs		(85,198)	(6,000)	(85,198)	(6,000)
Management fees		(300,000)	(226,628)	(300,000)	(226,628)
Incentive fee		-	(1,898,183)	-	(1,898,183)
Directors' fees		(218,346)	(193,753)	(218,346)	(193,753)
Legal fees		(103,615)	(28,902)	(103,615)	(28,902)
Provision for diminution of investment		(71,500)	(147,250)	(71,500)	(147,250)
Share based payments	20	(6,622,645)	(175,219)	(6,622,645)	(175,219)
Travel		(138,392)	(70,124)	(138,392)	(70,124)
<b>(LOSS) BEFORE INCOME TAX</b>		<b>(8,710,556)</b>	<b>(3,063,329)</b>	<b>(8,692,190)</b>	<b>(3,047,325)</b>
Income tax expense	4	-	-	-	-
<b>(LOSS) FOR THE PERIOD</b>		<b>(8,710,556)</b>	<b>(3,063,329)</b>	<b>(8,692,190)</b>	<b>(3,047,325)</b>
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(8,710,556)</b>	<b>(3,063,329)</b>	<b>(8,692,190)</b>	<b>(3,047,325)</b>
Earnings per share					
Basic and diluted loss per share (cents per share)	18	(8.92)	(5.85)	(8.90)	(5.82)

The Income Statements are to be read in conjunction with the attached notes.

# BALANCE SHEET

## AS AT 30 JUNE 2009

	Note	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	2,677,277	7,516,918	2,677,274	7,516,917
Trade and other receivables	6	41,826	230,496	41,826	230,496
Financial assets	7	31,250	102,750	31,250	102,750
<b>TOTAL CURRENT ASSETS</b>		<b>2,750,353</b>	<b>7,850,164</b>	<b>2,750,350</b>	<b>7,850,163</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	6	-	-	9,365,632	863,911
Financial assets	7	-	-	375,001	375,001
Evaluation and exploration expenditure	9	10,563,677	1,222,907	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>10,563,677</b>	<b>1,222,907</b>	<b>9,740,633</b>	<b>1,238,912</b>
<b>TOTAL ASSETS</b>		<b>13,314,030</b>	<b>9,073,071</b>	<b>12,490,983</b>	<b>9,089,075</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	1,098,024	2,431,381	240,607	2,431,381
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,098,024</b>	<b>2,431,381</b>	<b>240,607</b>	<b>2,431,381</b>
<b>NON CURRENT LIABILITIES</b>					
Interest bearing liabilities		-	-	-	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,098,024</b>	<b>2,431,381</b>	<b>240,607</b>	<b>2,431,381</b>
<b>NET ASSETS</b>		<b>12,216,006</b>	<b>6,641,690</b>	<b>12,250,376</b>	<b>6,657,694</b>
<b>EQUITY</b>					
Share Capital	11	14,890,039	9,529,800	14,890,039	9,529,800
Reserves	12	9,099,852	175,219	9,099,852	175,219
Accumulated losses		(11,773,885)	(3,063,329)	(11,739,515)	(3,047,325)
<b>TOTAL EQUITY</b>		<b>12,216,006</b>	<b>6,641,690</b>	<b>12,250,376</b>	<b>6,657,694</b>

The Balance Sheets are to be read in conjunction with the attached notes.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2009

### CONSOLIDATED GROUP

	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
At 3 May 2007	-	-	-	-
Profit (loss) for the period	-	-	(3,063,329)	(3,063,329)
Issue of share capital	11,118,001	-	-	11,118,001
Option reserve (share based payment)	-	175,219	-	175,219
Transaction costs	(1,588,201)	-	-	(1,588,201)
<b>Balance as at 30 June 2008</b>	<b>9,529,800</b>	<b>175,219</b>	<b>(3,063,329)</b>	<b>6,641,690</b>
Profit (loss) for the period	-	-	(8,710,556)	(8,710,556)
Issue of share capital	5,400,000	-	-	5,400,000
Loyalty options issued	-	235,388	-	235,388
Options issued to Consultants	-	4,742,016	-	4,742,016
Transfer to options based payments reserve	-	1,746,238	-	1,746,238
Transfer to share based payments reserve	-	2,200,991	-	2,200,991
Transaction costs	(39,761)	-	-	(39,761)
<b>Balance as at 30 June 2009</b>	<b>14,890,039</b>	<b>9,099,852</b>	<b>(11,773,885)</b>	<b>12,216,006</b>

### PARENT ENTITY

	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
At 3 May 2007	-	-	-	-
Profit (loss) for the period	-	-	(3,047,325)	(3,047,325)
Issue of share capital	11,118,001	-	-	11,118,001
Option reserve (share based payment)	-	175,219	-	175,219
Transaction costs	(1,588,201)	-	-	(1,588,201)
<b>Balance as at 30 June 2008</b>	<b>9,529,800</b>	<b>175,219</b>	<b>(3,047,325)</b>	<b>6,657,694</b>
Profit (loss) for the period	-	-	(8,692,190)	(8,692,190)
Issue of share capital	5,400,000	-	-	5,400,000
Loyalty options issued	-	235,388	-	235,388
Options issued to Consultants	-	4,742,016	-	4,742,016
Transfer to options based payments reserve	-	1,746,238	-	1,746,238
Transfer to share based payments reserve	-	2,200,991	-	2,200,991
Transaction costs	(39,761)	-	-	(39,761)
<b>Balance as at 30 June 2009</b>	<b>14,890,039</b>	<b>9,099,852</b>	<b>(11,739,515)</b>	<b>12,250,376</b>

The Statements of Changes in equity are to be read in conjunction with the attached notes.

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2009

	<b>Consolidated Group 2009 \$</b>	<b>Consolidated Group 2008 \$</b>	<b>Parent Entity 2009 \$</b>	<b>Parent Entity 2008 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Payments to suppliers and employees	(3,314,833)	(890,599)	(3,314,835)	(874,595)
Interest received	300,277	350,624	300,277	350,624
Finance costs	(32)	-	(32)	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(3,014,588)</b>	<b>(539,975)</b>	<b>(3,014,590)</b>	<b>(523,971)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for subsidiaries, net of cash acquired	-	-	-	(375,001)
Payments to subsidiaries	-	-	(2,023,181)	(863,911)
Payment for exploration and evaluation	(2,023,181)	(1,222,907)	-	-
Purchase of available-for-sale investments	-	(250,000)	-	(250,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,023,181)</b>	<b>(1,472,907)</b>	<b>(2,023,181)</b>	<b>(1,488,912)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares and options	237,889	11,118,001	237,889	11,118,001
Costs of issue of shares	(39,761)	(1,588,201)	(39,761)	(1,588,201)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>198,128</b>	<b>9,529,800</b>	<b>198,128</b>	<b>9,529,800</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(4,839,641)</b>	<b>7,516,918</b>	<b>(4,839,643)</b>	<b>7,516,917</b>
Cash at the beginning of the financial period	7,516,918	-	7,516,917	-
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	<b>2,677,277</b>	<b>7,516,918</b>	<b>2,677,274</b>	<b>7,516,917</b>

The Cash Flow Statements are to be read in conjunction with the attached notes.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

This financial report includes the consolidated financial statements and notes of Apollo Minerals Limited and controlled entities (**Consolidated Group** or **Group**), and the separate financial statements and notes of Apollo Minerals Limited as an individual parent entity ('Parent').

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards in their entirety. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### a. Consolidation Policy

A controlled entity is an entity over which Apollo Minerals Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 8 to the financial statements.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the period then ended.

The effects of all transactions between entities in the economic entity have been eliminated in full and the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interest is that portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

#### Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

#### b. Income Taxes

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.



Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### **Tax Consolidation**

Apollo Minerals Limited and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

#### **c. Exploration and Evaluation Costs**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

#### **d. Leases**

A distinction is made between finance leases which transfer from the lessor to the lessee substantially all the risks and rewards incident to ownership of the leased asset and operating leases under which the lessor retains substantially all the risks and rewards.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

Where an asset is acquired by means of a finance lease, the fair value of the leased property or the present value of minimum lease payments, if lower, is established as an asset at the beginning of the lease term. A corresponding liability is also established and each lease payment is apportioned between the finance charge and the reduction of the outstanding liability.

Operating lease rental expense is recognised as an expense on a straight line basis over the lease term, or on a systematic basis more representative of the time pattern of the user's benefit.

### e. Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

The amortised cost of a financial asset or a financial liability is the amount initially recognised less principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and less any write-down for impairment.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

- i. an entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit or loss.
- ii. Doing so results in more relevant information, because either:
  - (a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases.
  - (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss. A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise:

- i. loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method.
- ii. held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method.
- iii. investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

Available-for-sale financial assets are non-derivative financial assets which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in profit or loss.

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method.

- i. financial liabilities at fair value through profit and loss and derivatives that are liabilities measured at fair value.
- ii. financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or are accounted for using the continuing involvement approach.

#### *Receivables*

Trade accounts and notes receivable and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

#### *Trade and Other Payables*

Trade accounts, other payables and accrued liabilities represented the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

#### **f. Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

#### **g. Investments in Subsidiaries**

In the separate financial statements of Apollo Minerals Limited investments in its subsidiaries are accounted for at cost.

#### **h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### **i. Revenue Recognition**

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discount or premium.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### j. Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset.

The amount of borrowing costs relating to funds borrowed generally and used for the acquisition of qualifying assets has been determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate comprises the weighted average of borrowing costs incurred during the period.

### k. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### l. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### m. New accounting standards and interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Company's financial report:

Standard	Application date of Standard	Application date for Company
<ul style="list-style-type: none"> <li>AASB 101 Presentation of Financial Statements' revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further amendments to Australian Accounting Standards arising from AASB 101'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'</li> </ul>	1 January 2009	30 June 2010
<ul style="list-style-type: none"> <li>AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments'</li> </ul>	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Company:

Standard	Application date of Standard	Application date for Company
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	1 January 2009	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	30 June 2010
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	30 June 2010
• AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	30 June 2010
• AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2010 <sup>1</sup>	30 June 2011
• AASB 2009-6 "Amendments to Australian Accounting Standards"	1 January 2009 <sup>2</sup>	30 June 2010
• AASB 2009-7 "Amendments to Australian Accounting Standards"	1 July 2009	30 June 2010
• AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
• AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
• AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

<sup>1</sup>Applicable to financial years beginning on or after 1 January 2010, except for the amendments made to the guidance to AASB 118 'Revenue' that have no explicit application date and are taken to be immediately effective.

<sup>2</sup>Applicable to financial years beginning on or after 1 January 2009 that end on or after 30 June 2009.

<sup>3</sup> AASB Interpretation 18 applies to transfers of assets from customers received on or after 1 July 2009.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### n. Significant judgements and key assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

### o. Key judgements

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at \$10,653,677.

## 2. REVENUE AND OTHER INCOME

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest received	302,305	350,822	302,305	350,822
	302,305	350,822	302,305	350,822

## 3. FINANCE COSTS

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest expense	(32)	-	(32)	-
	(32)	-	(32)	-

#### 4. INCOME TAX EXPENSE

(a) No income tax is payable by the parent or consolidated entities as they recorded losses for income tax purposes for the period.

##### (b) Reconciliation between income tax expense and prima facie tax on accounting profit (loss)

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Accounting profit (loss)	(8,710,556)	(3,063,329)	(8,692,190)	(3,047,325)
Tax at 30%	(2,613,167)	(918,999)	(2,607,657)	(914,197)
Tax effect of non-deductible expenses (including share based payment expense)	1,986,794	52,795	1,986,794	52,795
Deferred tax asset not recognised	626,373	866,204	620,863	861,402
Income tax expense	-	-	-	-

A deferred tax asset attributable to income tax losses has not been recognised at the balance sheet date as the probability disclosed in note 1b is not satisfied and such benefit will only be available if the conditions of deductibility also disclosed in note 1b are satisfied. The applicable tax rate is the national tax rate in Australia for companies, which is 30% at the reporting date.

#### 5. CASH AND CASH EQUIVALENTS

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash and cash equivalents	2,677,277	7,516,918	2,677,274	7,516,917
	2,677,277	7,516,918	2,677,274	7,516,917

#### 6. TRADE AND OTHER RECEIVABLES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Other receivables	41,826	230,496	41,826	230,496
<b>NON-CURRENT</b>				
Receivables from subsidiaries	-	-	9,365,632	863,911

Loans provided to wholly-owned subsidiaries are provided for normal business operations and are interest free with no set term and are considered recoverable.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

### 7. FINANCIAL ASSETS

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
	Note	\$	\$	\$	\$
<b>CURRENT</b>					
Available for sale investments carried at fair value:					
-	ASX listed shares	31,250	102,750	31,250	102,750
<b>NON-CURRENT</b>					
Investments carried at cost:					
-	Investments in subsidiaries	8	-	375,001	375,001

### 8. CONTROLLED ENTITIES

	Country of Incorporation	Ownership % 2009	Ownership % 2008
<b>PARENT ENTITY:</b>			
Apollo Minerals Limited	Australia	-	-
<b>SUBSIDIARIES:</b>			
Apollo Iron Ore Pty Limited	Australia	100	100
Apollo Iron Ore (No. 2) Pty Limited	Australia	100	100
Capital Resource Holdings No.1 Limited	New Zealand	100	100
Southern Exploration Pty Limited	Australia	100	100

### 9. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Evaluation and exploration expenditure	10,653,677	1,222,907	-	-
<b>(a) Reconciliation of carrying amount</b>				
Balance at beginning of financial period	1,222,907	-	-	-
Acquisition of tenements	2,530,000	875,000	-	-
Expenditure in current period	6,810,770	347,907	-	-
Provision for impairment	-	-	-	-
Balance at end of financial period	10,563,677	1,222,907	-	-

#### (b) Exploration and Evaluation Phase Costs

Costs capitalised on areas of interest have been reviewed for impairment factors, such as resources prices, ability to meet expenditure going forward and potential resource downgrades. It is the Directors' opinion that the Company has ownership, or title to the areas of interests it has capitalised expenditure on and has reasonable expectations that its activities are ongoing, and the values of these tenements have not been impaired.

## 10. TRADE AND OTHER PAYABLES

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>CURRENT</b>				
Unsecured liabilities:				
Trade payables	<b>184,858</b>	299,088	<b>172,357</b>	299,088
Sundry payables and accrued expenses	<b>913,166</b>	2,132,293	<b>68,250</b>	2,132,293
	<b>1,098,024</b>	2,431,381	<b>240,607</b>	2,431,381

Sundry payables and accrued expenses include a deferred settlement amount of \$700,000 payable on the acquisition of the final 20% interest in the Mt Oscar tenements.

Sundry payables and accrued expenses from 2008 include the management fee (\$26,628 plus GST) and the incentive fee (\$1,898,183 plus GST) payable to Artemis Resources Limited under the management services agreement.

## 11. SHARE CAPITAL

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
103,155,292 (2008: 82,155,292) fully paid ordinary shares	<b>14,890,039</b>	9,529,800	<b>14,890,039</b>	9,529,800
	<b>14,890,039</b>	9,529,800	<b>14,890,039</b>	9,529,800

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

Reconciliation of movements in share capital during the year:

	Consolidated Group		Parent Entity	
	2009 No. Shares	2008 No. Shares	2009 No. Shares	2008 No. Shares
Opening balance – start of reporting period	82,155,292	1	82,155,292	1
Promoter shares – 1 Aug 2007	-	900,000	-	900,000
Vendor consideration – 1 Aug 2007	-	30,000,000	-	30,000,000
Seed investors – 8 Aug 2007	-	2,000,000	-	2,000,000
Seed investors – 23 Oct 2007	-	5,619,047	-	5,619,047
Artemis Resources Ltd – 23 Oct 2007	-	5,000,000	-	5,000,000
Initial Public Offering – 23 Oct 2007	-	28,028,400	-	28,028,400
Vendor consideration – 23 Dec 2007	-	1,000,000	-	1,000,000
Placement – 26 Jan 2008	-	2,941,177	-	2,941,177
Placement – 21 Feb 2008	-	6,666,667	-	6,666,667
Placement – 4 July 2008	12,000,000	-	12,000,000	-
Placement – 4 Feb 2009 (acquisition of remaining 20% of Mt Oscar Iron Ore Project)	9,000,000	-	9,000,000	-
	<b>103,155,292</b>	<b>82,155,292</b>	<b>103,155,292</b>	<b>82,155,292</b>

For further details please refer to note 20.

### Capital Management

Management controls the capital of the group in order to ensure that the group can fund its operations and continue as a going concern.

The group's capital includes ordinary share capital, both fully paid and partly paid.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to maintain share capital as dictated by operational requirements and market conditions.

## 12. RESERVES

		Consolidated Group		Parent Entity	
		2009 \$	2008 \$	2009 \$	2008 \$
Options reserve	(a)	5,152,623	175,219	5,152,623	175,219
Options based payments reserve	(b)	1,746,238	-	1,746,238	-
Share based payments reserve	(c)	2,200,991	-	2,200,991	-
		<b>9,099,852</b>	<b>175,219</b>	<b>9,099,852</b>	<b>175,219</b>

**a. Options reserve**

The options reserve represents the charge for outstanding options which have met all conditions precedent to vest, but which have not been exercised.

**b. Options based payments reserve**

The options based payments reserve represents the charge recognized in the income statement as a result of an option based payment arrangement in which the options are subject to the achievement of service or market conditions prior to vesting.

**c. Share based payments reserve**

The share based payments reserve represents the charge recognized in the income statement as a result of a share based payment arrangement in which the shares are subject to the achievement of service or market conditions prior to vesting.

### 13. FINANCIAL RISK MANAGEMENT

The group's principal financial instruments comprise mainly of deposits with banks, shares in listed companies shown as available for sale financial assets, and loans to subsidiaries. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the group. The group also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

The consolidated and parent entity hold the following financial instruments at the end of the reporting period:

	<b>Consolidated Group</b>	Consolidated	<b>Parent Entity</b>	Parent
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>No. Shares</b>	No. Shares	<b>No. Shares</b>	No. Shares
<b>Financial assets</b>				
Cash and cash equivalents	<b>2,677,277</b>	7,516,918	<b>2,677,274</b>	7,516,917
Trade and other receivables	<b>41,826</b>	230,496	<b>41,826</b>	230,496
Available for sale financial assets	<b>31,250</b>	102,750	<b>31,250</b>	102,750
	<b>2,750,353</b>	7,850,164	<b>2,750,350</b>	7,850,163
<b>Financial liabilities</b>				
Trade and other payables	<b>1,098,024</b>	2,431,381	<b>240,607</b>	2,431,381

The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

**a. Market risk**

*Cash flow and fair value interest rate risk*

The group's main interest rate risk arises from cash deposits to be applied to exploration and development areas of interest. It is the group's policy to invest cash in short term deposits to minimise the group's exposure to interest rate fluctuations. The group's deposits were denominated in Australian dollars throughout the year. The group did not enter into any interest rate swap contracts during the period ended 30 June 2009. Neither the group nor the parent has any short or long term debt, and therefore this risk is minimal.

*Foreign currency risk*

The group is exposed to fluctuations in foreign currencies arising from purchase of goods and services in currencies other than the group's measurement currency. During the period ended 30 June 2009, the effect of any foreign currency fluctuations was not material to the group as the number of foreign currency transactions was limited.

**b. Credit Risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The cash transactions of the group are limited to high credit quality financial institutions.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the group's maximum exposure to credit risk.

### c. Liquidity Risk

The group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

### Financial Instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

CONSOLIDATED GROUP	Within 1 year		1 to 5 years		Over 5 years		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>Financial liabilities - due for payment:</i>								
Trade and other payables	1,098,024	2,431,381	-	-	-	-	1,098,024	2,431,381
<b>Total contractual outflows</b>	<b>1,098,024</b>	<b>2,431,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,098,024</b>	<b>2,431,381</b>
<i>Financial assets – cash flows realisable</i>								
Cash and cash equivalents	2,677,277	7,516,918	-	-	-	-	2,677,277	7,516,918
Trade and other receivables	41,826	230,496	-	-	-	-	41,826	230,496
Financial assets	31,250	102,750	-	-	-	-	31,250	102,750
<b>Total anticipated inflows</b>	<b>2,750,353</b>	<b>7,850,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,750,353</b>	<b>7,850,164</b>
<b>Net (outflow)/ inflow on financial instruments</b>	<b>1,652,329</b>	<b>5,418,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,652,329</b>	<b>5,418,783</b>

PARENT ENTITY	Within 1 year		1 to 5 years		Over 5 years		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
<i>Financial liabilities - due for payment:</i>								
Trade and other payables	240,607	2,431,381	-	-	-	-	240,607	2,431,381
<b>Total contractual outflows</b>	<b>240,607</b>	<b>2,431,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240,607</b>	<b>2,431,381</b>
<i>Financial assets – cash flows realisable</i>								
Cash and cash equivalents	2,677,274	7,516,917	-	-	-	-	2,677,277	7,516,917
Trade and other receivables	41,826	230,496	-	-	-	-	41,826	230,496
Financial assets	31,250	102,750	-	-	-	-	31,250	102,750
<b>Total anticipated inflows</b>	<b>2,750,350</b>	<b>7,850,163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,750,353</b>	<b>7,850,163</b>
<b>Net (outflow)/ inflow on financial instruments</b>	<b>2,509,743</b>	<b>5,418,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,509,743</b>	<b>5,418,782</b>

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below.

**Consolidated Group & Parent Entity**

	Carrying Value	Change in profit		Change in equity	
		100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$	\$
<b>30 June 2009</b>					
Cash and cash equivalents	2,677,277	(26,773)	26,773	(26,773)	26,773
<b>30 June 2008</b>					
Cash and cash equivalents	7,516,917	(75,169)	75,169	(75,169)	75,169

**Maturity of financial assets and liabilities**

The note below summarises the maturity of the group's and the parent's financial assets and liabilities as per the director's expectations. The amounts disclosed are the contractual undiscounted cash flows. There are no derivatives.

Consolidated Group	< 6 months	6 -12 months	1- 5 years	>5 years	Total
	\$	\$	\$	\$	\$
<b>30 June 2009</b>					
Trade and other receivables	41,826	-	-	-	41,826
Trade and other payables	(398,024)	(700,000)	-	-	(1,098,024)
<b>Parent entity</b>					
	\$	\$	\$	\$	\$
<b>30 June 2009</b>					
Trade and other receivables	41,826	-	-	-	41,826
Trade and other payables	(240,607)	-	-	-	(240,607)

**Fair value of financial assets and financial liabilities**

There is no difference between the fair values and the carrying amounts of the company's financial instruments. The company has no unrecognised financial instruments at balance date.

**Sensitivity analysis on changes in market rates**

A change of 20% in equity prices at the reporting date would increase/(decrease) equity and profit or loss as shown below:

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

	Carrying Value	Change in profit		Change in equity	
		20% increase	20% decrease	20% increase	20% decrease
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>					
Available for sale financial assets:					
ASX listed investments	31,250	6,250	(6,250)	6,250	(6,250)
<b>Parent Entity</b>					
Available for sale financial assets:					
ASX Listed investments	31,250	6,250	(6,250)	6,250	(6,250)

### 14. COMMITMENTS FOR EXPENDITURE

The consolidated group currently has commitments for expenditure at 30 June 2009 on its exploration tenements as follows:

	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
Not later than 12 months	211,669	281,875	61,558	106,875
Between 12 months and 5 years	141,607	-	141,607	-
Greater than 5 years	-	-	-	-
	<b>353,276</b>	281,875	<b>203,165</b>	106,875

The group has a further commitment to pay a retainer fee under a consultancy agreement:

	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
Not later than 12 months	420,000	420,000	420,000	420,000
Between 12 months and 5 years	-	420,000	-	420,000
Greater than 5 years	-	-	-	-
	<b>420,000</b>	840,000	<b>420,000</b>	840,000

## 15. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets in existence at balance sheet date.

## 16. RELATED PARTY DISCLOSURES

Refer to the Remuneration Report contained in the Directors Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2009. Other than the Directors and secretary, the Company had no key management personnel for the financial period ended 30 June 2009.

The total remuneration paid to key management personnel of the company and the group during the year are as follows:

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Short term employee benefits	218,346	193,753	218,346	193,753
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Options granted	2,217,951	175,219	2,217,951	175,219
Share-based payments	360,000	-	360,000	-
	<b>2,796,297</b>	<b>368,972</b>	<b>2,796,297</b>	<b>368,972</b>

## DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

### (a) Details of Directors and Key Management Personnel

#### (i) Directors

Sevag Chalabian – Non-Executive Chairman  
Richard Sealy – Chief Operating Officer  
Anthony Ho – Non-Executive Director  
Wang Jianguang – Non-Executive Director

#### (ii) Company secretary

John Hartigan – Company Secretary

#### (iii) Directors' remuneration

Directors' remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relative comparative information and, where applicable, independent expert advice.



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

Except as detailed in Notes (a) – (e) to the Remuneration Report in the Director's Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in Notes (a) – (e) to the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

### (b) Key Management Personnel

Other than the Directors and secretary, the Company had no key management personnel for the financial period ended 30 June 2009.

### (c) Remuneration Options: Granted and vested during the financial period ending 30 June 2009

There were no remuneration options granted during the financial period ending 30 June 2009. The options granted were loyalty options. The relevant share based payment disclosures are contained in note 20 to the financial statements.

### (d) Share and Option holdings

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

### Shares held by Directors and Officers

Period from 1 July 2008 to 30 June 2009

	Balance at beginning of period	Received as Remuneration	Options Exercised	Net Change Other	Balance at end of year
S. Chalabian <sup>1</sup>	200,000	-	-	-	200,000
R. Sealy	N/A	-	-	-	-
J. Wang <sup>2</sup>	9,607,844	-	-	(9,607,844) <sup>2</sup>	-
J. Hartigan	N/A	-	-	-	-
N. Bancroft-Cooke <sup>3</sup>	-	1,000,000	-	-	N/A
B. Woodhouse <sup>4</sup>	200,000	-	-	-	N/A
M. Drew <sup>5</sup>	-	-	-	26,000	N/A
	10,007,844	1,000,000	-	(9,581,844)	200,000

1 Held indirectly by STC Advisory Pty Limited ATF Chalabian Family Trust of which Mr Chalabian is trustee and a potential beneficiary of the Trust.

2 Held indirectly Hugo Natural Enterprises Limited of which Mr. Wang is a Director and Shareholder. Hugo Natural Enterprises Limited did not dispose of its shares, however, it underwent a restructure which resulted in Mr Wang no longer holding a relevant interest in the Apollo Minerals Limited shares.

3 Held indirectly by East Asia Ventures Limited (Hong Kong) of which Mr Bancroft-Cooke is a Director and Shareholder.

4 Held indirectly by Woodhouse Trust of which Mr Woodhouse is trustee and a potential beneficiary of the Trust.

5 Held indirectly by Leon Bianco Holdings Pty Limited of which Mr Drew is a Director and Shareholder.

### Options Held By Directors and Officers

Period from 1 July 2008 to 30 June 2009

	Balance at beginning of period	Granted as Remuneration	Net Change Other	Balance at end of year
S. Chalabian	1,000,000	5,250,000	-	6,250,000
R. Sealy	-	-	-	-
J. Wang	-	-	-	-
J. Hartigan	-	-	-	-
N. Bancroft-Cooke	-	500,000	500,000	N/A
B. Woodhouse	250,000	5,250,000	100,000	N/A
M. Drew	-	-	13,000	N/A
	<b>1,250,000</b>	<b>11,000,000</b>	<b>613,000</b>	<b>6,250,000</b>

The above options are 25, 35 and 40 cent options expiring 30 June 2012.

### (e) Related Party Transactions

	Consolidated Group 2009 \$	Consolidated Group 2008 \$	Parent Entity 2009 \$	Parent Entity 2008 \$
Artemis Resources Limited <sup>1</sup>	<b>425,106</b>	2,399,013	<b>425,106</b>	2,399,013
Lands Legal <sup>2</sup>	<b>77,257</b>	59,571	<b>77,257</b>	59,571
Maphra Pty Ltd <sup>3</sup>	<b>74,716</b>	120,649	<b>74,716</b>	120,649
East Asia Ventures Ltd <sup>4</sup>	<b>157,231</b>	25,000	<b>157,231</b>	25,000
East Coast Minerals N.L. <sup>5</sup>	<b>30,402</b>	-	<b>30,402</b>	-
Sealy Consulting Services Pty Limited <sup>6</sup>	<b>66,955</b>	-	<b>66,955</b>	-
Astute Corporate Services Pty Limited <sup>7</sup>	<b>36,615</b>	-	<b>36,615</b>	-
	<b>868,282</b>	2,604,233	<b>868,282</b>	2,604,233

1 Mr Chalabian is a director of Artemis Resources Limited (Artemis) and Apollo. Mr Sealy has been a director of Artemis and Apollo during the year. Artemis also holds 5,000,000 shares in Apollo. Artemis was instrumental in the establishment and listing of Apollo in November 2007. Apollo and Artemis agreed to enter into a Management Agreement pursuant to which Artemis provides management services and expertise in relation to the sourcing of potential new tenements or investments for Apollo. Apollo pays Management Fees which are calculated in two parts as follows:

- (a) Management Fee - the greater of 2% x Market Capitalisation (CMC) and \$300,000 per annum.
- (b) Incentive Fee - calculated annually in arrears as an amount equal to 20% of the amount, if any, by which the Apollo Return for any given financial year outperforms the Standard & Poors ASX 300 Metals and Mining Index (BRI) for that financial year in accordance with the following formula:

$$(\text{Company Return} - \text{BRI}) \times \text{CMC} \times 20\%$$

The payments to Artemis were for management and incentive fees and reimbursement of expenses paid by Artemis on behalf of Apollo.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

- 2 Mr Chalabian is a partner of Lands Legal Pty Limited and a director of Apollo. The payments to Lands Legal Pty Limited were for directors fees for Mr Chalabian and reimbursement of expenses paid on behalf of Apollo.
- 3 Mr Woodhouse is a director of Maphra Pty Ltd and a former director of Apollo. The payments to Maphra Pty Ltd were for directors fees and professional services for Mr Woodhouse and reimbursement of expenses paid on behalf of Apollo.
- 4 Mr Bancroft-Cooke is a director of East Asia Ventures Ltd and a former director of Apollo. The payments to East Asia Ventures Ltd were for directors fees, additional consultancy work outside the role of a non-executive director and reimbursement of expenses paid on behalf of Apollo.
- 5 Mr Sealy is a director of East Coast Minerals N.L. and Apollo. Payments were made to East Coast Minerals N.L. in respect of expenses incurred by that company on behalf of Apollo. As at 30 June 2009, there was \$6,169 included in trade payables due to East Coast Minerals N.L.
- 6 Mr Sealy is a director of Sealy Consulting Services Pty Limited and Apollo. Payments were made to Sealy Consulting Services Pty Limited for consultancy fees outside the role of a Chief Operating Officer.
- 7 Mr Hartigan is a director of Astute Corporate Services Pty Limited and Apollo. Payments were made to Astute Corporate Services Pty Limited for consultancy fees relating to the role of a Company Secretary.

### 17. SEGMENT INFORMATION

The group's operations are in one business segment being the resources sector. The group operates in one geographical segment being Australia. All subsidiaries in the group operate within the same segment.

### 18. EARNINGS PER SHARE

	<b>Consolidated Group 2009 Cents</b>	<b>Consolidated Group 2008 Cents</b>	<b>Parent Entity 2009 Cents</b>	<b>Parent Entity 2008 Cents</b>
<b>Reconciliation of earnings per share</b>				
Basic and diluted earnings per share	<b>(8.92)</b>	(5.85)	<b>(8.90)</b>	(5.82)
Profit/(loss) used in the calculation of the basic earnings per share	<b>(8,710,556)</b>	(3,063,329)	<b>(8,692,190)</b>	(3,047,325)
	<b>Consolidated Group 2009 No. of shares</b>	<b>Consolidated Group 2008 No. of shares</b>	<b>Parent Entity 2009 No. of shares</b>	<b>Parent Entity 2008 No. of shares</b>
<b>Weighted average number of ordinary shares:</b>				
Used in calculating basic earnings per ordinary share	<b>97,681,319</b>	52,336,321	<b>97,681,319</b>	52,336,321
Dilutive potential ordinary shares	-	-	-	-
Used in calculating diluted earnings per share	<b>97,681,319</b>	52,336,321	<b>97,681,319</b>	52,336,321

The company currently has a number of unlisted options as disclosed in the directors report. These options could potentially dilute basic earnings per share in the future, but have not been included in the earnings per share calculation above due to being anti-dilutive for the period.

## 19. AUDITORS REMUNERATION

	Consolidated Group		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Auditor of parent entity</b>				
Audit or review of financial reports	<b>29,000</b>	17,500	<b>19,000</b>	17,500
Non-audit services	-	16,475	-	16,475
Balance at end of financial period	<b>29,000</b>	33,975	<b>19,000</b>	33,975

## 20. SHARE BASED PAYMENTS

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

### Options granted to Key Management Personnel:

Grant date	Option class	Balance at start of year	Number granted during year	Number forfeited during the year	Options outstanding at 30 June 2009	Fair value of options grant during the year	Number vested at 30 June 2009	Exercise Price	Expiry date
15 Aug 2007	Ordinary	2,250,000	-	-	2,250,000	-	2,250,000	35c	30 June 2012
3 July 2008	Annexure B	-	500,000	-	500,000	\$90,313	166,667	40c	30 June 2012
3 July 2008	Annexure C	-	500,000	-	500,000	\$90,228	500,000	40c	30 June 2012
3 July 2008	Annexure D	-	10,000,000	1,666,667	8,333,333	\$2,023,643	3,333,333	25c	30 June 2012

The Annexure B and D options issued during the year vest over a 3 year period commencing on 3 July 2008 and are recognized in the profit and loss over their vesting period. The Annexure C options issued during the year vested immediately. The options hold no voting or dividends rights and are unlisted. Details of the options issued to key management personnel are included in the Directors' report.

### Options granted to Consultants:

Grant date	Option class	Balance at start of year	Number granted during year	Number forfeited during the year	Options outstanding at 30 June 2009	Fair value of options grant during the year	Number vested at 30 June 2009	Exercise Price	Expiry date
3 July 2008	Annexure A	-	12,000,000	-	12,000,000	\$2,426,604	12,000,000	.25c	30 June 2012
4 July 2008	Ordinary	-	30,000,000	-	30,000,000	\$3,492,474	-	.25c	1 April 2012
24 Nov 2008	Ordinary	-	250,000	-	250,000	41,041	-	.25c	15 Jun 2011
24 Nov 2008	Ordinary	-	250,000	-	250,000	41,041	-	.25c	15 Sept 2011
24 Nov 2008	Ordinary	-	625,000	-	625,000	102,602	-	.25c	15 Nov 2011
24 Nov 2008	Ordinary	-	250,000	-	250,000	41,041	-	.25c	15 Dec 2011
24 Nov 2008	Ordinary	-	250,000	-	250,000	41,041	-	.25c	15 Mar 2012

The Annexure A options issued during the year vested immediately and have been recognised as capitalised exploration and exploration expenditure. The options hold no voting or dividends rights and are unlisted.

The Ordinary options issued on 4 July 2008 vest over a 2 year period commencing on 4 July 2008 and are recognised in the profit and loss over their vesting period. The options hold no voting or dividends rights and are unlisted.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2009

The Ordinary options issued on 24 November 2008 vested immediately and have been recognised as an expense in the profit and loss. The options hold no voting or dividends rights and are unlisted.

### Basis of valuation

The Black & Scholes methodology has been used to ascertain fair value, together with the following assumptions for the options issued on 3 July 2008, 4 July 2008 and 24 November 2008:

The risk free rate is the Commonwealth Government securities rate with a maturity date approximating that of the two to five year Australian Government bond rate, being 6.69% to 6.89%;

The underlying security spot price used for the purposes of the valuation is based on the share price of the Company was \$0.3522;

The volatility factor is set as 90% which is based on an average of comparable companies' historical data from the Australian Graduate School of Management's Risk Measurement Service.

### Reconciliation of Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Employee benefit expense	2,577,951	175,219	2,577,951	175,219
Consultancy fees	4,044,694	-	4,044,694	-
Balance at end of financial period	6,622,645	175,219	6,622,645	175,219

### Other information

No options have been exercised to 30 June 2009.

## 21. CASH FLOW INFORMATION

### Reconciliation of net cash used in operating activities with profit after income tax

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Profit/(loss) after income tax	(8,710,556)	(3,088,110)	(8,692,190)	(3,072,106)
Non-cash flows in profit:				
Impairment of investments	71,500	147,250	71,500	147,250
Share based payments	6,622,645	200,000	6,622,645	200,000
Changes in assets and liabilities during the financial period:				
(Increase)/decrease in trade and other receivables	335,180	(230,496)	1,174,227	(230,496)
Increase/(decrease) in trade and other payables	(1,333,357)	2,431,381	(2,190,774)	2,431,381
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(3,014,588)</b>	<b>(539,975)</b>	<b>(3,014,590)</b>	<b>(523,971)</b>

### Non-cash Financing and Investing Activities

- (i) 11,000,000 shares were issued with a fair value of \$3,960,000 for the acquisition of the initial 80% of the Mt Oscar tenements.
- (ii) 11,000,000 options were issued with a fair value of \$2,426,599 for the acquisition of the initial 80% of the Mt Oscar tenements.
- (iii) 9,000,000 shares were issued with a fair value of \$1,080,000 for the purchase of the final 20% of the Mt Oscar tenements.
- (iv) \$700,000 is payable as a deferred settlement as part of the purchase of the final 20% of the Mt Oscar tenements.

## 22. SIGNIFICANT AFTER BALANCE DATE EVENTS

- The company acquired a new iron ore prospect at Mt Oscar East on 16 July 2009 for \$225,000 cash, with completion of the acquisition subject to receipt of native title consent.
- 6,742,316 shares issued at 25c on 6 August 2009 to optionholders who elected to exercise their options, for a total equity contribution of \$1,685,579.

Apart from as described above, there are currently no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.



# DIRECTORS DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 47, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the period ended on that date of the company and consolidated group; and
2. the Chairman and Company Secretary have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'R Sealy', with a horizontal line underneath.

**Richard Sealy**  
Chief Operating Officer and Director

Sydney, 29 September 2009

# INDEPENDENT AUDIT REPORT

## TO THE MEMBERS OF APOLLO MINERALS LIMITED

**RSM Bird Cameron Partners**  
Chartered Accountants

Level 12, 60 Castlereagh Street Sydney NSW 2000  
GPO Box 5138 Sydney NSW 2001  
T +6 2 9233 8933 F +61 2 9233 8521  
www.rsmi.com.au

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APOLLO MINERALS LIMITED

#### Report on the Financial Report

We have audited the accompanying financial report of Apollo Minerals Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Liability limited by a  
scheme approved under  
Professional Standards  
Legislation

Major Offices in:  
Perth, Sydney, Melbourne,  
Adelaide and Canberra  
ABN 36 965 185 036

RSM Bird Cameron Partners is an  
independent member firm of RSM  
International, an affiliation of independent  
accounting and consulting firms.



# INDEPENDENT AUDIT REPORT

## TO THE MEMBERS OF APOLLO MINERALS LIMITED

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Apollo Minerals Limited on 28 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of Apollo Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in or pages 15-19 of the directors' report for the financial year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Apollo Minerals Limited for the financial year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.



**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants



**C J Hume**  
Partner

Sydney, NSW  
Dated: 28<sup>th</sup> September 2009

# ADDITIONAL INFORMATION FOR LISTED COMPANIES

## AS AT 14 SEPTEMBER 2009

The following additional information is required by the Australian Stock Exchange pursuant to Listing Rule 4.10.

### a. Distribution of Shareholders

Number held	Number of share holders	Number of shares	% of number of shares	Number of option holders	Number of options	% of number of options
1 – 1,000	8	2,137	0.00%	-	-	0.00%
1,001 – 5,000	136	448,786	0.41%	-	-	0.00%
5,001 – 10,000	125	1,071,395	0.97%	-	-	0.00%
10,001 – 100,000	296	11,453,031	10.42%	-	-	0.00%
100,001+	91	96,922,259	88.20%	6	25,250,000	100.00%
<b>Total</b>	<b>656</b>	<b>109,897,608</b>	<b>100.00%</b>	<b>6</b>	<b>25,250,000</b>	<b>100.00%</b>

### b. The number of shareholders who hold less than a marketable parcel is 44.

### c. Substantial shareholders

The names of the substantial shareholders in the Company, the number of equity securities to which each substantial shareholder and substantial holder's associates have a relevant interest, as disclosed in substantial holding notices given to the Company are:

	No of shares	%
1. Tiger Resources Pty Ltd	30,000,001	27.30%
2. Hugo Natural Enterprises Ltd	9,607,844	8.74%
3. Citicorp Nominees Pty Ltd	9,565,916	8.70%
4. Keleve Services Ltd	7,160,960	6.52%

### d. Twenty largest holders of each class of quoted equity security

	No of Ordinary Shares	%
1. Tiger Resources Pte Ltd	30,000,000	27.29%
2. Hugo Natural Enterprises Ltd	9,607,844	8.74%
3. Citicorp Nominees Pty Ltd	9,565,916	8.70%
4. Keleve Services Ltd	7,160,960	6.52%
5. Artemis Resources Ltd	5,000,000	4.55%
6. Normandy Pty Ltd	4,355,392	3.96%
7. Voermans Geological Services Ltd	3,700,000	3.37%
8. Hill 50 Gold Mines Pty Ltd	2,000,000	1.82%
9. Innovatif Developments Pty Ltd	1,900,000	1.73%
10. Rui Teng Trading Pty Ltd	1,543,224	1.40%
11. Davies Nom Pty Ltd	1,500,000	1.36%
12. Stangio A & Strangio S	1,400,000	1.27%
13. Tregoning I E & L A	935,842	0.85%
14. McLean-Lynn Moira Clare	933,263	0.85%
15. Ronatac Pty Ltd	700,000	0.64%
16. ANZ Nominees Ltd	697,592	0.63%
17. Archem Trading NZ Ltd	600,000	0.55%
18. Rathdonnell Super Pty Ltd	580,000	0.53%
19. Dwellers Nom Pty Ltd	539,000	0.49%
20. Thorpe Road Nom Pty Ltd	511,017	0.46%
	<b>83,230,050</b>	<b>75.71%</b>

## ADDITIONAL INFORMATION FOR LISTED COMPANIES AS AT 14 SEPTEMBER 2009

### e. Options

All listed options were either exercised or expired on 31 July 2009.

### f. Restricted Securities

There are 41,599,045 restricted ordinary shares until 31 October 2009.

### g. Unquoted equity securities

The Company has a number of classes of unquoted equity securities held as follows:

Holder	Class	Number
HNB Corporation	Options expiring 30 June 2012 at 0.25 cents	2,000,000
Keleve Corporate Service Limited		5,000,000
Woodhouse Trust		3,333,333
STC Advisory Services Pty Ltd		5,000,000
Panthera Pardus Limited		30,000,000
Citi Corp Nominees Pty Limited		10,000,000
		<b>52,333,333</b>
Roderick Smith	Options expiring 15 June 2011 at 0.25	250,000
	Options expiring 15 Sept 2011 at 0.25	250,000
	Options expiring 15 Dec 2011 at 25 cents	250,000
	Options expiring 15 March 2012 at 25 cents	250,000
		<b>1,000,000</b>
George Frangeskides	Options expiring 15 Nov 2011 at 0.25	<b>625,000</b>
East Asia Ventures Limited	Options expiring 30 June 2012 at 0.40 cents	500,000
Woodhouse Trust		250,000
STC Advisory Pty Ltd		250,000
		<b>1,000,000</b>
Gavsol Investments Pty Ltd	Options expiring 30 Dec 2012 at 0.35 cents	1,000,000
STC Advisory Pty Ltd		1,000,000
Woodhouse Trust		250,000
		<b>2,250,000</b>

**1. COMPANY SECRETARY**

The name of the company secretary is Mr John Hartigan.

**2. ADDRESS AND TELEPHONE DETAILS OF ENTITY'S REGISTERED AND ADMINISTRATIVE OFFICE**

The address and telephone details of the registered and administrative office in Australia is:

Level 10, 1 Margaret St  
Sydney, New South Wales 2000  
Telephone: +(612) 9299 8870  
Facsimile: +(612) 9262 2885

**3. ADDRESS AND TELEPHONE DETAILS OF THE OFFICE AT WHICH THE REGISTER OF SECURITIES IS KEPT**

The address and telephone of the office at which a register of securities is kept:

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross, Western Australia 6153

**4. STOCK EXCHANGE ON WHICH THE COMPANY'S SECURITIES ARE QUOTED**

The Company's listed equity securities are quoted on the Australian Stock Exchange

**5. REVIEW OF OPERATIONS**

A review of operations is contained in the Review of Operations report.

**6. ON MARKET BUY-BACK**

There is currently no on-market buy-back.

**7. ANNUAL GENERAL MEETING**

Subject to appropriate regulatory clearances it is expected that the annual general meeting will be held on 16 November 2009 at the registered office of the Company. Full details will be set out in the notice of meeting.



