



ABN 96 125 222 924

**Apollo Minerals Limited  
and its controlled entities**

**Annual Financial Report**

**For the year ended  
30 June 2011**

**APOLLO MINERALS LIMITED**  
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#### **BOARD AND MANAGEMENT**

Anthony Ho – Chairman  
Richard Shemesian – Executive Director  
Dominic Tisdell – Executive General Manager  
David Nolan – Non-Executive Director  
Wang Jianguang – Non-Executive Director  
Xing (Wayne) Wu – Non-Executive Director

#### **COMPANY SECRETARY/CHIEF FINANCIAL OFFICER**

Guy Robertson

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#### **SOLICITORS**

Mills Oakley

#### **AUDITORS**

RSM Bird Cameron Partners

#### **BANKERS**

Westpac Banking Corporation

#### **WEBSITE**

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

**Dear Shareholder,**

On behalf of the directors of Apollo Minerals Limited ("Apollo" or "Company") I am pleased to report on the Company's activities for the year ending 30 June 2011.

The drilling programme and metallurgical test work completed during the year on Mount Oscar continue to provide encouraging results on the road to proving up a mineable resource.

The favourable outcomes of the Federal Governments "Hawke Report" on the Woomera Defence Area in South Australia have enabled the company to progress its exploration programme at Commonwealth Hill. Recent review of historic exploration at Commonwealth Hill has reconfirmed the strong potential for both Direct Shipping Ore and a significant magnetite project together with base and precious metals targets with several samples identified at or near ore grade for a variety of commodities including iron ore, nickel and gold.

Apollo has strengthened its technical and executive capabilities and believes that it now has the full suite of skills necessary to develop its projects into valuable mining operations.

The Company intends to complete the next phase of the exploration and development programme over the next twelve months. The Company has funding in place for the next stage of exploration and will look for further investment to progress to drilling exploration. This will enable the Company to clearly articulate the value of its assets and ensure long-duration environmental baseline studies and mine permitting processes to commence.

On behalf of the Board of Directors I would like to thank the management team for their commitment and the shareholders for their ongoing support.

A handwritten signature in black ink, appearing to read 'Anthony Ho', with a stylized flourish at the end.

**Anthony Ho**

**Non-executive Chairman**

**27 September 2011**

## REVIEW OF OPERATIONS

For the year ended 30 June 2011, Apollo Minerals Limited (“Apollo”) has consolidated its projects and positioned the Company to take full advantage of the opening up of key export infrastructure in both Western Australia and South Australia.

While the year has produced unexpected turbulence in the global financial markets and significant uncertainty in the future demand and pricing of commodities, Apollo has steadfastly stood by its well-researched belief that these effects will be transitory and that the fundamental outlook for steelmaking raw materials markets is strong.

In late December 2010, the Company completed an initial exploration drilling programme at the Unit A prospect on Mount Oscar Main with very pleasing results. Drilling confirmed wide intersections of itabirite-style iron mineralisation representing true widths ranging from 50 to 85 meters.

Apollo is particularly pleased with the second stage metallurgical test work completed during the year with significant progress being made on the critical issue of product quality at the Company’s Mount Oscar Iron Project “Mount Oscar”. With this work, the Company was able to demonstrate that the production of saleable products is achievable.

Further encouragement was gained from QEMSCAN analysis which identified potential to produce marketable products at significantly coarser grinds than previously thought possible. This suggests that there are significant capital and operating cost benefits to be gained for any mine development.

Surface mapping and rock chip sampling of limited outcrop on the Company’s nearby Mount Oscar East site produced encouraging results with samples returning similar tenors to that of Mount Oscar Main.

With respect to Commonwealth Hill in South Australia, the Company was highly encouraged by the release of the Federal Government’s final “Hawke Report” into the potential for mining and defence activities to co-exist within the Woomera Defence Area “WDA”. The recommendations to formally open the area up to mining were accepted by all key stakeholders including the State and Federal governments and the Department of Defence. The Company submitted an application for access and is confident that viable mining projects will be allowed to proceed to production.

Recent review of historic exploration at Commonwealth Hill reconfirmed the strong potential for both Direct Shipping Ore “DSO” and base and precious metals with several samples identified at or near ore grade for a variety of commodities including iron ore, nickel and gold. Widespread anomalous copper was also noted.

The Company published its first Exploration Target for iron mineralisation at Commonwealth Hill based on an assessment of the prospectivity of the near-surface, coarsely crystalline magnetite at the Sequoia prospect. Early indications are that is the beginning of what could potentially prove to be very large volumes of coarsely, crystalline iron mineralisation.

### **Commonwealth Hill, South Australia (100% Owned)**

In May 2011, the Commonwealth Government released the Hawke Report of its enquiry into mining and military activities in the Woomera Prohibited Area in South Australia. The key recommendation was to open the area up to mining and exploration with access conditions set in relation to the sensitivity of the natural resources project’s site within the WPA.

The bulk of Apollo’s Commonwealth Hill project tenements lie within the Defence Infrequent Zone (Green Zone) as are the Prominent Hill (Fe, Cu, Au) and Cairn Hill (Fe, Cu) mines and the soon to be commissioned Peculiar Knob (Fe) mine (refer Figure 1).

The Company is confident that the mining of ores from its properties will be allowed and as such is pushing ahead with its exploration and development plans for both its iron ore & base and precious metals projects on these tenements. During the quarter, Apollo lodged an application with the Department of Defence for access to the tenements to conduct exploration. It is expected that the Company will receive notice on the status of its application during the September quarter.



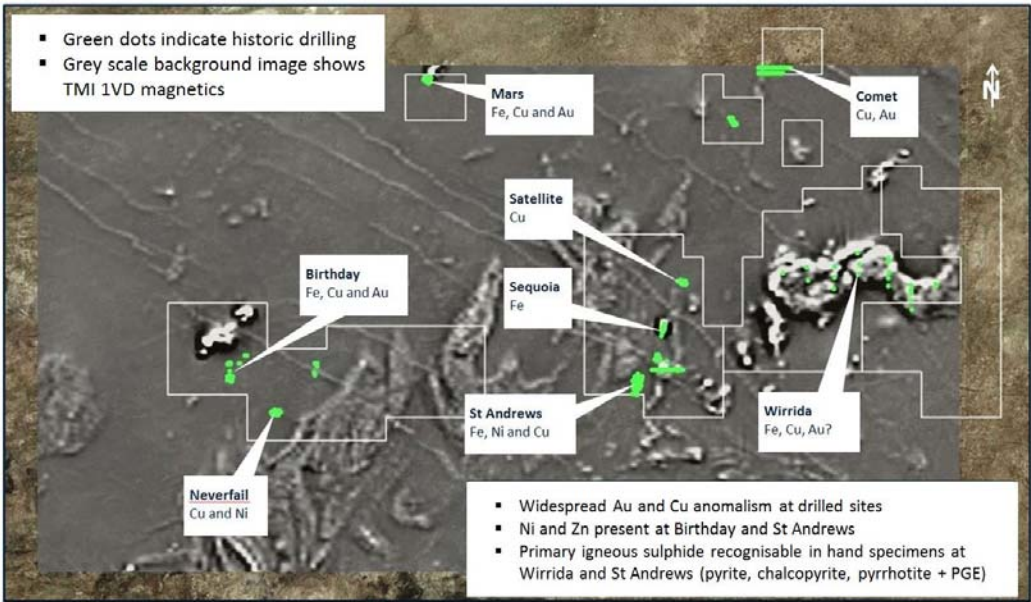
### 1: Apollo's Commonwealth Hill tenements and demarcation of Woomera Defence Area

In light of the recent Carrapateena (Fe, Cu and Au i.e. IOCG) discovery and nearby developments of the Prominent Hill (IOCG) and Cairn Hill (Fe and Cu) mines, the Company has begun reviewing the potential for iron ore associated base and precious minerals deposits on the properties. Early indications are highly encouraging.

A significant amount of surface and near surface exploration has already been carried out on the properties by both a previous owner, Minotaur Gold NL, and a consortium of industry and government under the 1990s South Australian Steel and Energy project (SASE) (refer Figure 2). Minotaur Gold focused on follow-up drilling of surface calcrete-hosted gold anomalies while SASE focused on shallow drill testing of two of the eastern magnetic high anomalies.

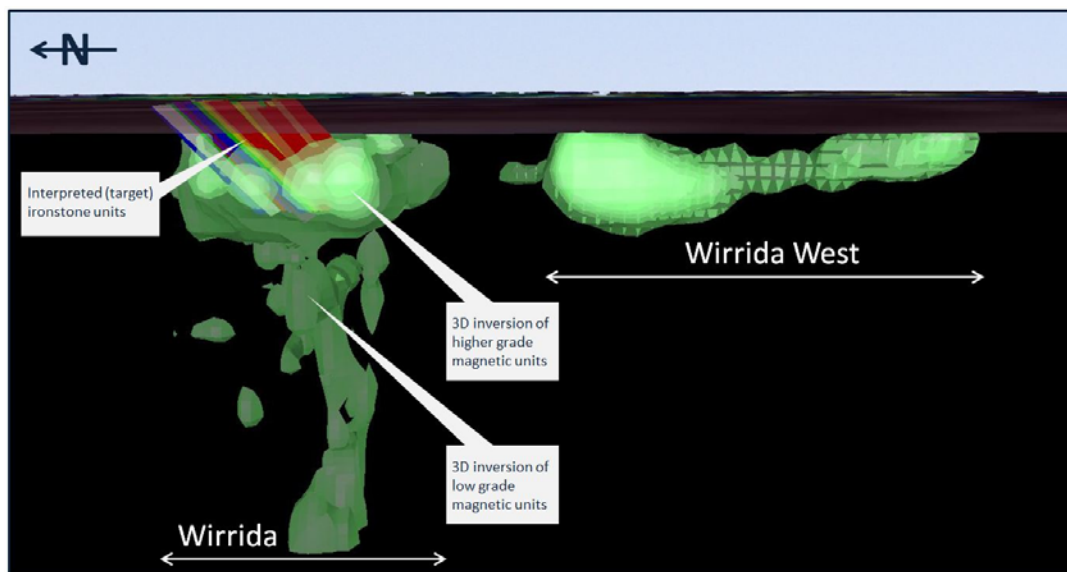
Based on the historic exploration, four separate styles of mineralisation are evident on the properties (refer Figure 2) including Fe, Cu and Au (IOCG); Cu and Au; Direct Shipping Ore (DSO) Fe, Ni and Cu (nickel sulphides); and Banded Iron Formation (BIF).

Work on understanding the prospectivity of these historic sites is continuing. This knowledge will feed into a broader, property-wide assessment of the mineralisation potential of these tenements, the results of which the Company expects to announce during the September quarter.



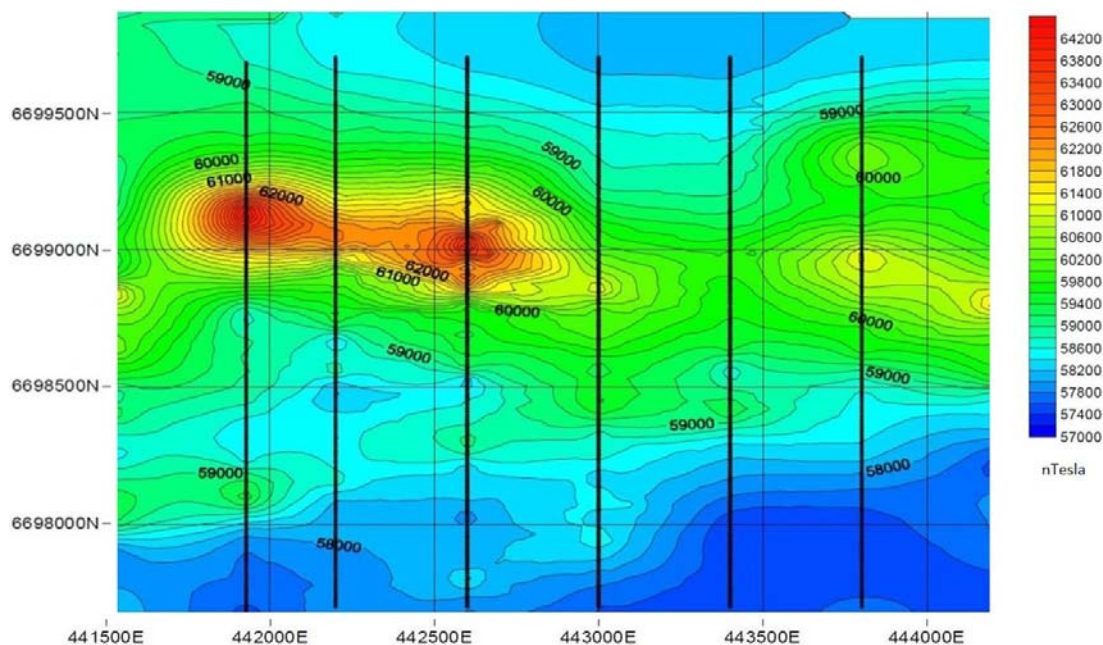
**Figure 2: Commonwealth Hill magnetic image, historic drilling and exploration prospects**

December 2010 modelling of the Apollo magnetic and gravity ground traverses at the Wirrida anomaly reaffirmed the prospectivity of magnetite mineralisation of this large-scale prospect located along the eastern margins of the Company's properties (refer Figures 2 and 3). This modelling revealed the former shallow drilling by SASE did not test the source of the magnetic anomalism which is estimated to begin between 55 and 60m below surface.



**Figure 3: Wirrida 3D magnetic modelling and interpretation of ironstone units**

A comparison of the other features of this large target with notable recent discoveries identified that it also demonstrates many of the critical characteristics needed for the discovery of IOCG-style deposits. In particular, Wirrida displays semi-coincident magnetic and gravity anomalism (refer Figures 3 and 4), nearby gold and copper mineralisation (refer Figure 2) and major regional and local structures. The identification of semi-coincident magnetic and gravity anomalism, indicative of an interface between magnetite and haematite bearing rocks, was a primary feature leading to the discovery of the Prominent Hill, Carrapateena and the Olympic Dam deposits.



**Figure 4: Plan view of Central Wirrida ground magnetics (TMI)**

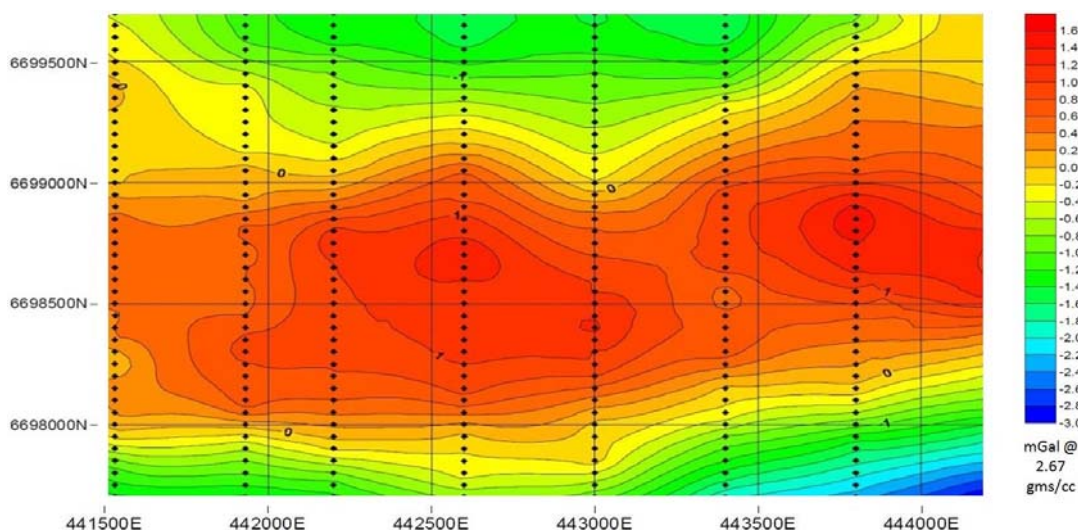


Figure 5: Plan view of Central Wirrida residual bouguer gravity

Recently, the Company announced its first Exploration Target<sup>1</sup> for the Commonwealth Hill Iron Project with a target of 40 – 80 mt between 25 – 35% Fe at the near-surface Sequoia prospect. This is only one of at least twelve targets and covers a 1 km strike. In total over 30km of prospective strike has been identified which may host significant quantities of iron mineralisation (Figure 6).

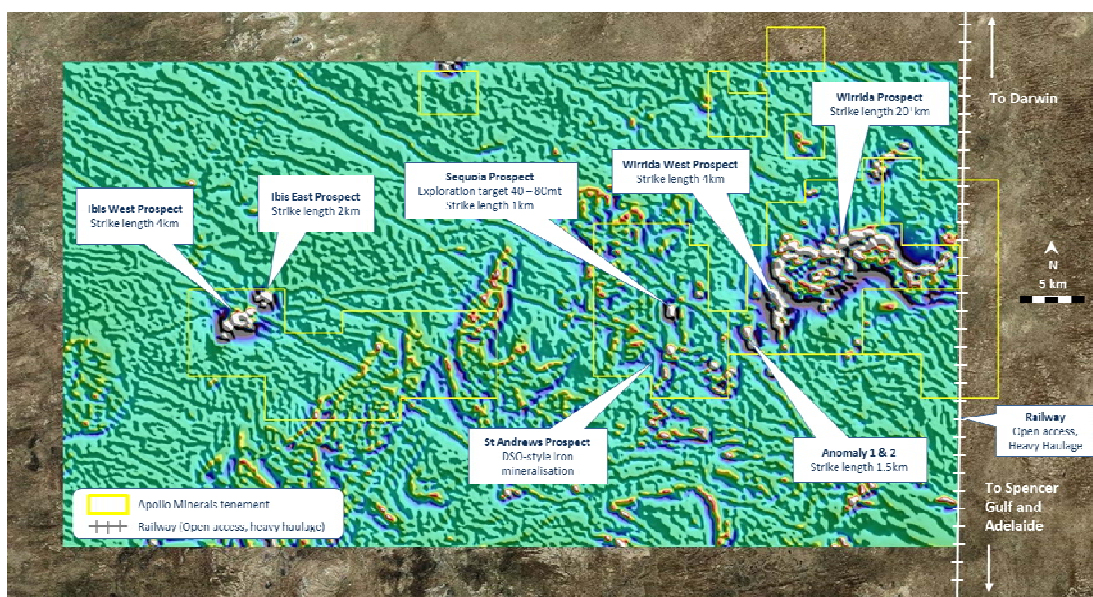


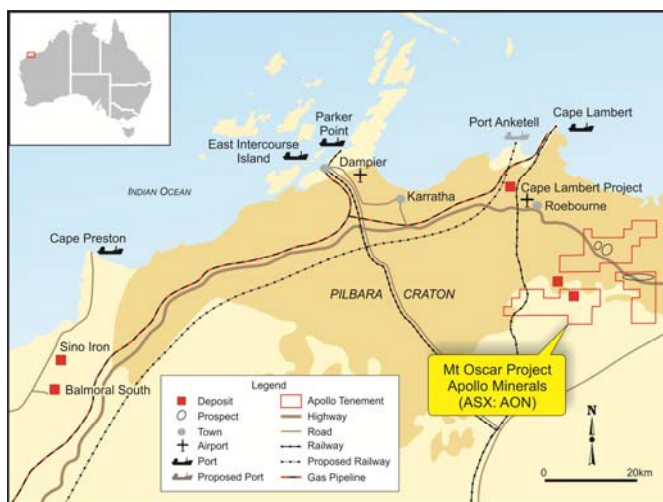
Figure 6: Main iron anomalies (background image represents 1st VD TMI magnetics)

#### Mount Oscar Magnetite Project, Western Australia (100% Owned)

Apollo holds a 100% interest in the exploration rights of tenements E47/1378, E47/1379 and E47/1304 which cover an area of 273 km<sup>2</sup> and are located within the West Pilbara region and approximately 35km from the coast.

A significant portion of the total prospective strike on Mount Oscar Main Iron Ore Project lies within tenement E47/1379. Mount Oscar Main is the eastern extension of the Mount Oscar magnetite - haematite iron ore resource (refer Figure 7). Unit A is the southern-most iron formation identified to date.

Apollo currently has an exploration target<sup>2</sup> of 350 – 650Mt of magnetite at 30 – 37% Fe over all its Western Australian properties.



The Stage 2 drilling programme at Mount Oscar (Figure 7) was completed during November 2010 with four Reverse Circulation (RC) holes completed for 732 metres (Figure 7 and Table 1).

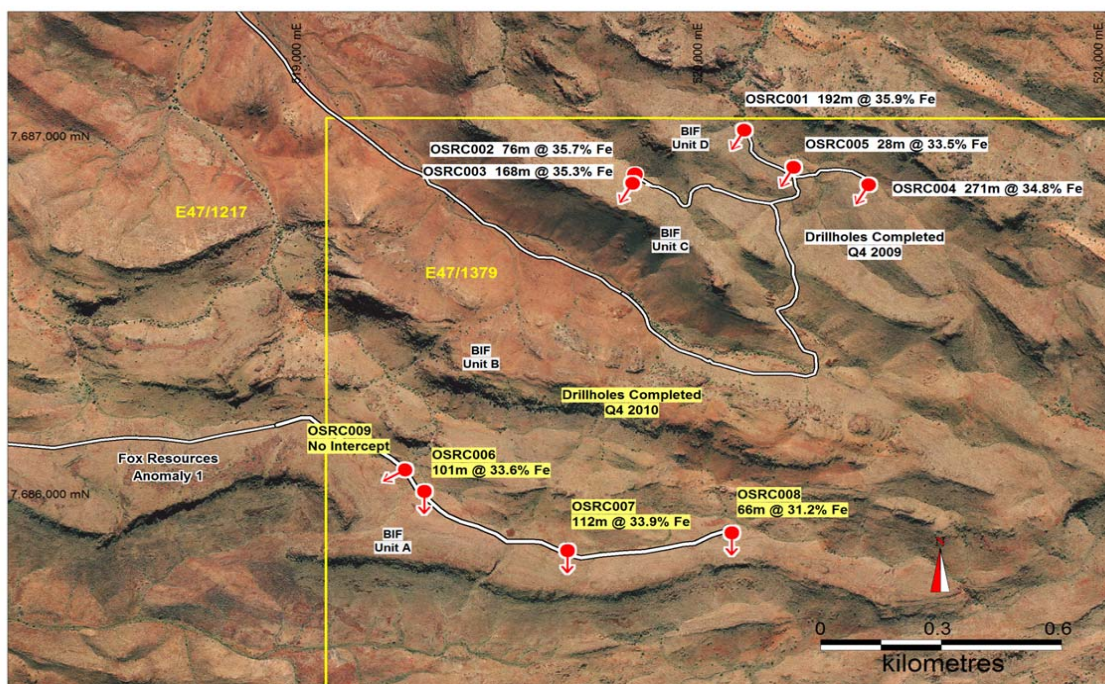
This programme tested a portion of the magnetite-bearing banded iron formation termed BIF Unit A which had not been previously drill-tested within Apollo's tenement. It lies along a strike to the east of a third party property which hosts a significant magnetic anomaly (Anomaly 1).

Geological mapping carried out in early 2010 within Apollo's ground defined BIF Unit A over a strike length of approximately 1.4km with estimated true width varying between 60m and 120m.

**Figure 7: Location map of Mount Oscar Main, East and North**

Three of the four holes subsequently drilled successfully intersected the banded iron formation with down-hole intersections ranging from 66m to 111m (Figure 7), probably representing true widths from 50m to 85m. Logging of the three successful holes indicated that the banded iron formation at depth has similar characteristics to those identified during the surface mapping.

Laboratory analysis of the Stage 2 drilling at Mount Oscar was completed during June 2011 with results showing that magnetite from Unit A is capable of producing saleable product i.e. >60% Fe, <8% (Al<sub>2</sub>O<sub>3</sub> + SiO<sub>2</sub>) (Table 1).



**Figure 8: Mount Oscar Main drill results**

Laboratory analysis of the drilling also identified two distinctly different iron ore units, one which was predominantly of magnetite bearing banded iron formation (BIF) and another which is suggestive of predominately oxidised or non-magnetic BIF including haematite and goethite. These significant volumes of largely continuous, weakly to non-magnetic iron ore are indicative of an itabirite-style ore, similar to that produced in Brazil and that planned to be processed in the Mid-West of Western Australia.

**APOLLO MINERALS LIMITED**  
**REVIEW OF OPERATIONS**

Metallurgical test work conducted to date has focused exclusively on treating and capturing the magnetic (magnetite) component of the mineralisation. Collectively, the test work results indicated that approximately 50% of the mineralisation below the base of oxidation may be weakly magnetic or non-magnetic. Significant quantities of this mineralisation may be recoverable with further metallurgical test work.

Test work also identified an opportunity to produce saleable concentrates at coarser grinds than previously thought possible with QEMSCAN analysis of Composite 13 showing that 91% of all iron oxides were available for recovery at a grind of P<sub>80</sub> 75µm.

Head Grade					DTR Results							
	Interval	% Fe	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>	Wt %	% Fe	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>	% TiO <sub>2</sub>	% Mn	% P	% S
<b>High Silica</b>	129	33.6	40.0	2.8	34.0	58.0	14.3	0.8	0.06	0.09	0.04	0.05
<b>Low Silica</b>	85	34.4	37.2	2.4	19.8	64.5	7.7	0.5	0.03	0.07	0.03	0.04
<b>Low Yield</b>	79	30.3	36.5	2.8	0.3							
<b>Low Grade</b>	23	13.7	49.2	12.4								
<b>Total</b>	316	30.4	39.7	4.0								

**Table 1: Unit A DTR results summary**

Several large DTR composites demonstrated very low levels of weight recovery including a cumulative interval of 89m at 37.3% Fe of very weakly magnetic to non-magnetic iron ore (equivalent to 30% of all mineralisation above a 20% Fe head grade cut-off) including:

- 25m (from 171m) at 35.7% Fe from RC drill hole OSRC006
- 40m (from 121m) at 33.9% Fe from RC drill hole OSRC007
- 25m (from 66m) at 27.6% Fe from RC drill hole OSRC008

QEMSCAN analysis of Composite 13 (refer Table 2) also indicates relatively high levels of weakly to non-magnetic mineralisation (haematite and goethite) in the fresh mineralisation zones. It is expected that a significant portion of this material will be recoverable with further test work.

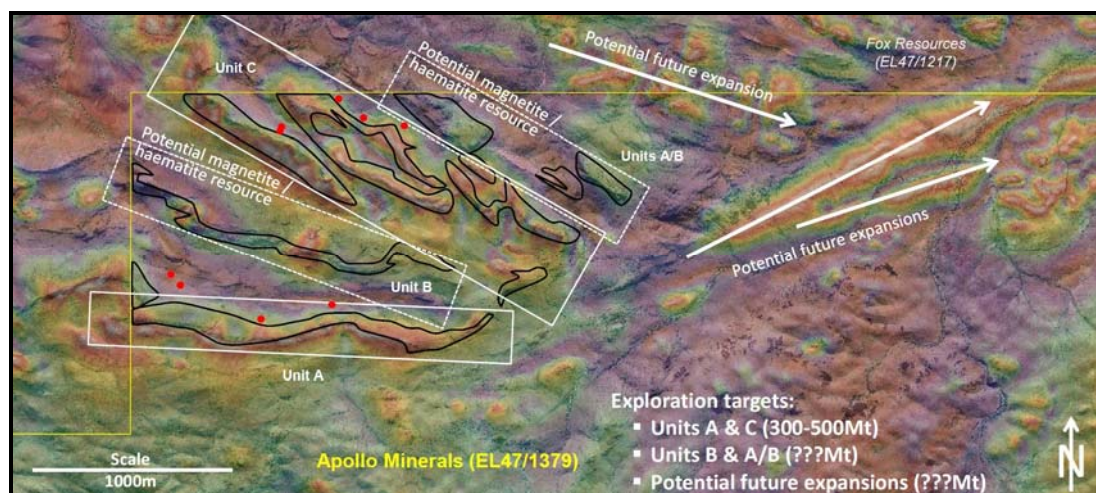
Laboratory analysis also identified an opportunity to produce saleable concentrates at even coarser grinds (91% of all iron oxides were available for recovery at a grind of P<sub>80</sub> 75µm). Further test work and engineering may suggest that this will result in significant reductions in both capital and operating costs for any future mine development.

Mineral Percentages	ROM	Concentrate	Rejects
Magnetite/Goethite	35.3	74.1	12.8
Haematite	9.0	1.6	13.2
FeOx Interfaces	10.3	12.2	9.2
FeS	1.0	0.2	1.4
Quartz	28.5	7.1	41.0
Kaolinite	0.5	0.2	0.6
Chlorite	6.7	1.4	9.8
Phosphates	0.5	0.3	0.7
Carbonates	2.0	0.6	2.8
Other Silicates	3.9	1.3	5.5
Others	2.4	1.2	3.0
TOTAL	100.0	100.0	100.0
Mass Percentages	100.0	36.7	63.3

**Table 2: Composite 13 QEMSCAN analysis**

Given the unexpected and positive metallurgical results of Unit A which highlighted the potential for significant quantities of weakly or non-magnetic banded iron ore mineralisation (indicative of itabirite), Apollo is now planning to evaluate the potential for other large, weakly magnetic or non-magnetic prospects on the property. In particular, indications are that similar styles of mineralisation may exist at Unit B and Unit A North amongst others.

Currently, Apollo has an exploration target<sup>3</sup> of 300 – 500Mt of magnetite at 30 – 37% Fe over a combined strike of 6km at its Mount Oscar Main iron ore project. Recent work suggests a total of 11km of strike is prospective for both styles of iron ore mineralisation at Mount Oscar Main (refer Figure 8).



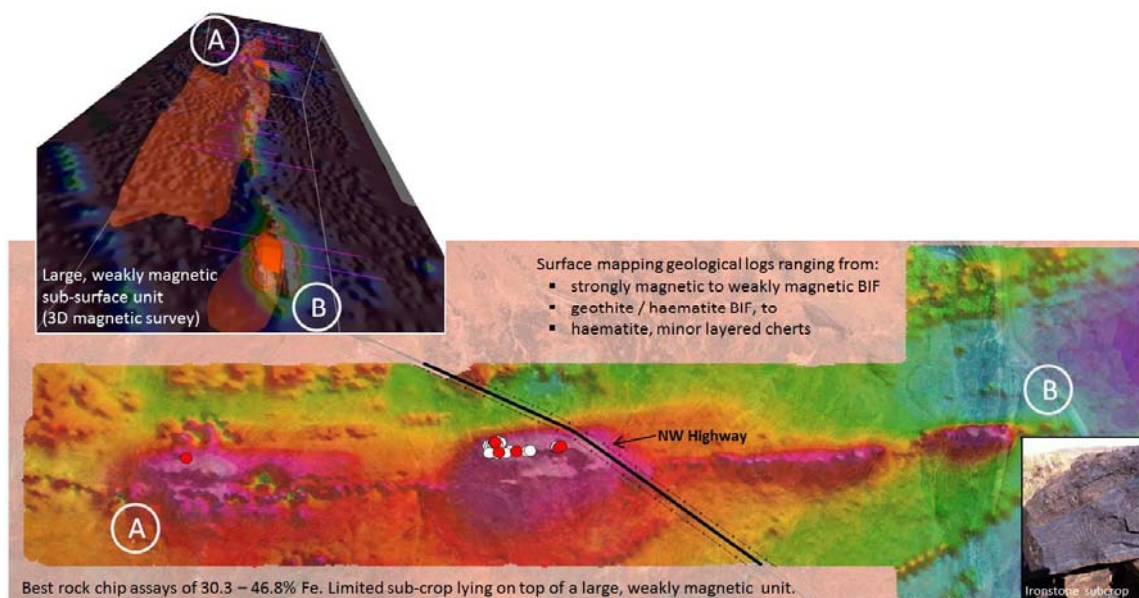
**Figure 9: Exploration targets for Mount Oscar Main**

Apollo has begun planning for an infill drill programme which is aimed at developing a maiden JORC compliant resource large enough to support a small scale, near-term mine development that has the potential to be scaled up to optimal size through the reinvestment of operating cash flows and further resource definition. These drilling samples will also be used for comprehensive processing test work aimed at evaluating the product qualities, recoveries and costs associated with the sale of various iron ore products.

Apollo is also working on a study for the Project which aims to evaluate the development options available for the Project and highlight potential economic returns.

### Mount Oscar East, Western Australia (100% Owned)

Apollo currently has an Exploration Target<sup>4</sup> of 50-150Mt of magnetite at 30-37% Fe on this property. However, further analysis has indicated that there is also a much larger, weakly magnetic body lying within 200 vertical meters of the surface (Figure 9). It should be noted the modelled magnetic susceptibilities that make up the bulk of this larger body are low-moderate (relative to typical BIFs). As such, this additional material is not currently included in the magnetite exploration target for the property.



**Figure 10: Mount Oscar East magnetics and 3D schematic of low magnetic susceptibility zone**

It is unclear what effects lateral and vertical weathering profiles are having on the magnetic signature of the BIF. As such, the bulk of the material that makes up the larger body is inconsistent with a magnetite resource but it may be indicative of a haematitic cap, itabirite style mineralisation and/or more general magnetite destruction.

Given the recent metallurgical test work successes at Mount Oscar Main which amongst other findings, identified that up to 50% of the 'fresh' mineralisation is likely to be a form of weakly magnetic iron ore (itabirite), the Company intends to conduct a ground gravity survey at Mount Oscar East designed to:

- define the overall extents and shape of the iron formation and update the formal exploration target
- locate and define the extents of magnetite/potential haematite rich units as relatively magnetic and dense bodies (perhaps only more dense bodies in the case of haematite alteration zones) within the iron formation with a view to performing geophysical modelling for potential drill targeting follow-up, and
- generally to map structures and features that may relate to the position or structural/stratigraphic controls on economic mineralisation in and around the iron formation.

The planning for this activity is now complete and field work is expected to start as soon as approvals are in place.

The Company has also begun planning for a Stage 1 drilling programme designed to test the thickness and metallurgical performance of the highly magnetic zones and to test any DSO prospectivity.

### Significant upcoming activities

The Company's strategy is to realise maximum value of its assets and new business opportunities by fast-tracking the development of low cost, low capital intensity mines into production. This will be achieved by:

- Securing exploration or development assets with modest off-site capital requirements, particularly port and rail infrastructure, and
- Focusing on economically attractive, small to medium scale mining development projects that are supported by quality resources able to be scaled up into larger developments through the reinvestment of operating cash flows.

The primary goals of the 2012 exploration and development programme are to:

1. Define a maiden JORC compliant resource on the coarse-grained, near-surface magnetite Sequoia prospect at Commonwealth Hill
2. Determine the strike potential of the St Andrews Direct Shipping Ore (DSO) prospect at Commonwealth Hill, where previous drilling has intersected 24m @ 57% Fe (including 4m at 70% Fe), and further develop the mineralisation model
3. Explain the value proposition of developing the Sequoia and Mount Oscar Unit A prospects as part of larger iron ore developments on these properties
4. Identify the next round of iron ore drill targets at both the Commonwealth Hill and Mount Oscar Iron Projects
5. Pursue agreements for infrastructure access including port and rail services for Commonwealth Hill and port services at Mount Oscar, and
6. Ensure that both iron projects can continue to be fast-tracked to production by beginning critical path environmental studies and mine permitting activities.

*1, 2, 3 and 4 The estimates of exploration target sizes mentioned in this operations review should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimates of exploration target sizes are conceptual in nature and there has been insufficient results received from drilling completed to date to estimate a Mineral Resource compliant with the JORC Code (2004) guidelines. Furthermore, it is uncertain if further exploration will result in the determination of a Mineral Resource.*

*Overall, the geophysical modelling exercises undertaken by GeoTangent Exploration Research and more recently SGC, as well as the results of the drilling program undertaken by SASE in 1996 and Apollo in 2009 and 2010, have provided tonnage estimates for the BIF that are possibly accurate to +/- 25%. However they should be considered accurate to +/- 50% for planning purposes, and are broadly indicative at best.*

## Schedule of Tenements

<b>Mining Tenements</b>	<b>Location</b>	<b>Percentage Interest</b>
EL 3728	South Australia	100%
EL 3765	South Australia	100%
EL 3821	South Australia	100%
ELA 47/1304	Western Australia	100%
ELA 47/1378	Western Australia	100%
ELA 47/1379	Western Australia	100%

*EL – Exploration Licence; ELA – Exploration Licence Application*



Anthony Ho  
**Non-Executive Chairman**  
**Sydney 27 September 2011**

### *Competent Person Declaration*

*The information in this Report relating to Exploration Results is based on information compiled by John Bridson, a member of the Australian Institute of Mining and Metallurgy. John Bridson has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and also 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 this report of the matters, based on their information, in the form and context in which it appears.*

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.

### ASX Corporate Governance Principles and Recommendations

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 General Manager;
- (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 to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled board meeting, each board member is provided with a formal board package containing appropriate management and financial reports.

The responsibilities of senior management including the General Manager 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 General Manager is reviewed by the Executive Director on an annual basis, and the performance of other senior executives is reviewed by the General Manager, 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 direct or indirect interest in the company. During the reporting period, the Apollo Board consisted of one executive and four non-executive directors, of which Mr Ho is considered to be an independent director.

*2.2 The Chairperson should be independent.*

Anthony Ho, the non executive chairman, is independent.

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

During the year under review the Company operated with an Executive Director, who is not the Chairman.

*2.4 A nomination committee should be established.*

The Board has a nominations committee comprised of the Chairman, Anthony Ho and a non-executive director David Nolan.

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

The Apollo board has three (out of five) 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 2011 Directors Report.

Anthony Ho (appointed 13 July 2009) is considered to be an independent non executive director. 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. Xing Wu is associated with a major shareholder (China Armco Metals Inc.) and, under the ASX 2.1 guidance, is not considered to be independent. Mr David Nolan is associated with a major shareholder (Tiger Resources Pte Limited) and, under the ASX 2.1 guidance, is not considered to be independent. Mr Richard Shemesian is associated with a major shareholder (Black Swan Global Pty Limited) and, under the ASX 2.1 guidance, is not considered to be independent.

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 nomination committee.

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 after consultation of all board members and their appointment voted on 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 current board charter for nominations.

**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.

3.3 *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*

As a company with a small market capitalisation, the company has a small board. The company has no established policy at present but is aware of the principle and will be alert for opportunities when board changes are contemplated.

3.4 *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

The company has, as yet, no established policy in relation to gender diversity. The company has a small number of employees and as a consequence the opportunity for creating a meaningful gender diversity policy are limited.

3.5 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

Given the small size of the company and the limited number of employees this is not a meaningful statistic at this time.

**Principle 4: Safeguard integrity in financial reporting**

4.1 *Establish an Audit Committee.*

The company has an Audit Committee.

4.2 *Audit Committee composition.*

The Audit committee is comprised of Anthony Ho (Audit Committee Chairman) and David Nolan. As Apollo is a company with a small market capitalisation, 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.

The Audit Committee also reviews the Apollo Corporate Governance and Risk Management processes to ensure that they are effective enough for a listed public company that is currently small cap.

#### **Principle 5: Make timely and balanced disclosure**

*5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

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, is 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 managed by the Executive Director.

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.

*5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.*

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.

6.2 *Companies should provide the information indicated in the Guide to reporting on Principle 6.*

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.

7.2 *The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

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.

7.3 *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The board has received assurance from the Executive Director 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.

7.4 *Companies should provide information in the Guide to reporting on Principle 7.*

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.

**Principle 8: Remunerate fairly and responsibly**

8.1 *Establish a remuneration committee.*

Apollo has a remuneration committee. The committee comprises the Chairman, Anthony Ho and the Executive Director, Richard Shemesian.

8.2 *The remuneration committee should be structures so that it:*

- *consists of a majority of independent*
- *is chaired by an independent chair*
- *has at least three members*

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

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

8.4 *Companies should provide the information indicated in the Guide to reporting on Principle 8.*

The information is as outlined above.

Your directors present their report on Apollo Minerals Limited (**Apollo** or the **Company**) for the year ended 30 June 2011.

## **DIRECTORS**

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

### **Current Directors**

#### **ANTHONY HO**

B Com, CA, FAICD, FCIS  
Non-Executive Chairman

Mr Ho joined the Apollo Board on 13 July 2009. 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; and the past non-executive Chairman of Esperance Minerals Limited and St George Community Housing Limited.

Mr Ho'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.
- DoloMatrix International Limited where he also chairs the Audit and Compliance Committee;
- Hastings Rare Metals Limited where he also chairs the Audit Committee; and
- Deputy Chairman of Quality Improvements Council Limited.

Mr Ho 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.

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

#### **RICHARD SHEMESIAN**

B.Com, LLB (Hons.) FINSIA

Mr Shemesian brings more than 15 years experience in the resources sector to Apollo providing corporate and strategic advice for a number of resource companies, with a particular focus on companies listed on the Australian Securities Exchange and the London Stock Exchange Alternative Investment Market.

Mr Shemesian was involved in the foundation and development of Redport Ltd into a uranium company which was taken over by Mega Uranium Ltd for \$125 million, and the takeover of an iron ore producer Aztec Resources Ltd by Mt Gibson for \$300 million.

#### **WANG JIANGUANG**

B 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 the mining industry overseas.

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

**XING (WAYNE) WU**  
MSc, Master degree for  
International Banking and  
Finance  
Non-Executive Director

Mr Wu is the head of Investment Relations and Board of Director's Secretary for China Armco Metals Inc.  
Previously Mr Wu served as a Project Manager with Firsttrust China Ltd, a US based investment bank.

Mr Wu was appointed a Non-Executive Director on 16 July 2010.

**DAVID NOLAN**  
B Laws (Hons), B Arts  
Non-Executive Director

Mr Nolan is a corporate lawyer with over 13 years experience advising on corporate acquisitions, capital raisings and financing for mining companies. Mr Nolan is a partner in the Sydney corporate practice of law firm Mills Oakley Lawyers and was previously a senior adviser at the London Stock Exchange.

Mr Nolan was appointed a Non-Executive Director on 27 July 2010.

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

### **Former Directors**

Sevag Chalabian – appointed 22 June 2007, resigned 27 September 2010  
Peter McNally – appointed 1 July 2010, resigned 24 September 2010

### **Secretary**

**GUY ROBERTSON**  
(Company Secretary/Chief  
Financial Officer)  
B Com (Hons.) CA

Mr Guy Robertson was appointed Company Secretary and Chief Financial Officer on 12 November 2009.

Mr Robertson has over 25 years experience as a Chief Financial Officer and Company Secretary of both private and ASX listed companies in both Australia and Hong Kong.

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## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than as outlined in the operations report, there were no significant changes in the state of affairs of the Company during the year.

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## **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.

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## **SIGNIFICANT AFTER BALANCE SHEET DATE EVENTS**

There are currently no matters or circumstances that have arisen since the end of the financial year 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.

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## **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 \$2,814,963 (2010: loss of \$6,715,593).

## 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.

## 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 and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. 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.

## COMPANY SHARE PERFORMANCE & SHAREHOLDER WEALTH

During the financial year the Company's share price traded between a low of \$0.05 and a high of \$0.14. 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

Anthony Ho – Non-Executive Chairman  
Wang Jianguang – Non-Executive Director  
Richard Shemesian – Executive Director, appointed 27 September 2010  
Xing (Wayne) Wu – Non-Executive Director, appointed 16 July 2010  
David Nolan – Non – Executive Director, appointed 27 July 2010

#### Former Directors

Sevag Chalabian – resigned 27 September 2010  
Peter McNally - resigned 24 September 2010

#### (ii) Company Secretary

Guy Robertson

#### (ii) Key Management Personnel

Dominic Tisdell (Executive General Manager – appointed 19 May 2011)

Other than the directors, general manager and company secretary and as stated above, the Company had no Key Management Personnel for the financial year ended 30 June 2011.

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) – (d) 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) – (d) 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.

**APOLLO MINERALS LIMITED**  
**DIRECTORS REPORT**

**Parent & Group Key Management Personnel**

	2011				2010			
	Base Salary and Fees	Fair Value of Options Granted	Share Based Payment s	Total	Base Salary and Fees	Fair Value of Options Granted	Share Based Payments	Total
A. Ho <sup>1</sup>	76,750	3,413	-	80,163	38,602	-	-	38,602
J. Wang	37,167	3,413	-	40,580	30,000	-	-	30,000
X. Wu	32,083	3,413	-	35,496	-	-	-	-
D. Nolan	32,087	3,413	-	35,500	-	-	-	-
R. Shemesian <sup>2</sup>	142,972	-	-	142,972	-	-	-	-
S. Chalabian <sup>3</sup>	117,000	-	-	117,000	78,000	-	-	78,000
J. Bridson <sup>4</sup>	190,172	-	-	190,172	-	-	-	-
P. McNally <sup>5</sup>	161,925	15,650	-	177,575	-	-	-	-
R. Sealy	-	-	-	-	85,451	-	-	85,451
G. Robertson <sup>6</sup>	59,583	2,048	-	61,631	20,419	-	-	20,419
D. Tisdell <sup>7</sup>	33,229	-	-	33,229	-	-	-	-
J. Hartigan	-	-	-	-	22,362	-	-	22,362
G. Daneel	-	-	-	-	156,986	-	-	156,986
<b>Totals</b>	<b>882,968</b>	<b>31,350</b>	<b>-</b>	<b>914,318</b>	<b>431,820</b>	<b>-</b>	<b>-</b>	<b>431,820</b>

<sup>1</sup> Includes directors fees of \$62,500 and consulting fees of \$14,250.

<sup>2</sup> Paid to Greenhill Capital Partners, an entity in which Mr Shemesian has a relevant interest. See note 16.

<sup>3</sup> Includes directors fees of \$11,000, a consulting fee of \$106,000. These fees were paid to STC Advisory Pty Limited and Lands Legal Pty Limited, companies in which Mr Chalabian has an interest.

<sup>4</sup> Paid to Picton Holdings Pty Limited a company in which Mr Bridson has an interest.

<sup>5</sup> Includes \$93,750 paid to Mining Management Consultants Pty Ltd which in turn paid Mr McNally, while he was a director of Apollo, and \$68,175 paid to PJMD Pty Limited a company in which Mr McNally has an interest.

<sup>6</sup> Mr Robertson's contract has an annual amount payable of \$70,000 and can be terminated by either party giving three months notice.

<sup>7</sup> Mr Tisdell's contract has an annual amount payable of \$250,000 and can be terminated by either party giving four months notice.

**(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.

Directors were issued with 1,000,000 options during the year and other executives 1,150,000 options of which 1,000,000 have expired due to the resignation of the executive. The fair value of the shares using a Black and Scholes pricing model for options issued during the year have been recognised as an expense in the current year. The model inputs for options granted in the current year are outlined below.

**APOLLO MINERALS LIMITED**  
**DIRECTORS REPORT**

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 Dec 2012	\$0.35	\$0.089	15/08/2008	200,000	-	200,000	30/12/2012
3 July 2008	30 June 2012	\$0.40	\$0.181	03/07/2008	180,478	-	180,478	30/06/2012
3 July 2008	30 June 2012	\$0.25	\$0.202	03/07/2008	1,683,574	-	1,683,574	30/06/2012
25 Nov 2010	31 Dec 2012	\$0.25	\$0.013	25/11/ 2010	42,321	42,321	42,321	31/12/2012

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 2011 included:

- (a) exercise price of \$0.25 on or before 31 December 2012
- (b) expected price volatility 70%
- (c) risk-free interest rate 4.82% .
- (d) dividends – none.

**(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. These options relate to both current and previous directors and management personnel.

**Ordinary Unlisted Options Issued**

Type	No. Issued	No. Expired	Exercise Price	Expiry Date
Ordinary Options	2,250,000	-	35 cents	30 Dec 2012
Ordinary Options	8,333,333	-	25 cents	30 June 2012
Ordinary Options	1,000,000	-	40 cents	30 June 2012
Ordinary Options	3,100,000	(1,000,000)	25 cents	31 Dec 2012

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

**APOLLO MINERALS LIMITED  
DIRECTORS REPORT**

***Shares held by Current Directors and Officers***

Period from 1 July 2010 to 30 June 2011

	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	-	-	-	N/A
J. Wang <sup>2</sup>	-	-	-	-	-
R. Shemesian <sup>3</sup>	-	-	-	14,819,430	14,819,430
X. Wu <sup>4</sup>	-	-	-	-	-
A. Ho	300,000	-	-	-	300,000
	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>14,819,430</u>	<u>15,119,430</u>

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

<sup>2</sup> Hugo Natural Enterprises Limited of which Mr. Wang is a Director and Shareholder holds 9,607,844 shares.

<sup>3</sup> Mr Shemesian is the sole director and shareholder in Black Swan Global Pty Limited which holds 10,172,500 shares and is a director and shareholder in Normandy Corporation Limited as trustee for the Normandy Superannuation Fund which holds 4,646,930 shares.

<sup>4</sup> Mr Wu is the Board of Director's Secretary for China Armco Metals Inc. which holds 29,250,000 shares.

***Options Held By Current Directors and Officers***

Period from 1 July 2010 to 30 June 2011

	Balance at beginning of period	Granted as Remuneration <sup>1</sup>	Net Change Other	Balance at end of year
R. Shemesian <sup>2</sup>	-	-	10,000,000	10,000,000
J. Wang	-	250,000	-	250,000
A. Ho	-	250,000	-	250,000
D. Nolan	-	250,000	-	250,000
X. Wu	-	250,000	-	250,000
G. Robertson	-	150,000	-	150,000
S. Chalabian	6,250,000	-	-	N/A
P. McNally	-	1,000,000	(1,000,000)	N/A
	<u>6,250,000</u>	<u>2,150,000</u>	<u>9,000,000</u>	<u>11,150,000</u>

The options above, granted as remuneration, are 25 cent options expiring 31 December 2012.

<sup>1</sup> Vesting of options for directors is 50% six months from commencement of service and 50% twelve months from commencement of service. All directors options have vested as at the date of this report. Vesting terms for other officers of the company are 50% twelve months from commencement of service and 50% twenty four months from commencement of service.

<sup>2</sup> Mr Shemesian is the sole director and shareholder in Black Swan Global Pty Limited which holds 10,000,000 share options exercisable at 25 cents and expiring on 30 June 2012.

**OPTIONS ISSUED AS PART OF REMUNERATION FOR THE PERIOD ENDED 30 JUNE 2011**

Options issued to directors and executives as part of their remuneration for the period ended 30 June 2011, were as follows: Directors – 1,000,000 options (all currently fully vested), Other Executives – 2,100,000 options. Of the options issued to other executives 1,050,000 have expired due to the resignation of the executive and 550,000 are fully vested as at the date of this report. The options are granted as a loyalty incentive.

## 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
A. Ho	6	6	1	1
J. Wang	4	6	-	-
X. Wu	4	5	-	-
D. Nolan	5	5	-	-
R. Shemesian	4	4	-	-
S. Chalabian	2	2	1	1

In addition there were four circular resolutions passed by the board.

## 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 \$15,170 in August 2011 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

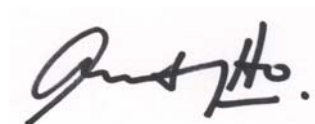
No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings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

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2011 has been received and can be found on the following page.

## NON-AUDIT SERVICES

There were no non-audit services provided to the company during the year.



**Anthony Ho**  
Sydney, 27 September 2011

**RSM Bird Cameron Partners**  
Level 12, 60 Castlereagh Street Sydney NSW 2000  
GPO Box 5138 Sydney NSW 2001  
T +61 2 9233 8933 F +61 2 9233 8521

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Apollo Minerals Limited for the year ended 30 June 2011 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*

**RSM BIRD CAMERON PARTNERS**  
Chartered Accountants

*Cameron J. Hume*

**Cameron J. Hume**  
Partner

Sydney, NSW  
Dated: 27 September 2011

APOLLO MINERALS LIMITED  
**STATEMENTS OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 \$	Consolidated Group 2010 \$
Revenue	2	230,697	74,226
Administration expenses		(253,161)	(200,043)
Personnel cost		(289,060)	-
Consultancy costs		(374,037)	(820,712)
Compliance and regulatory expenses		(68,397)	(106,385)
Occupancy costs		(135,501)	(158,837)
Technical, geological and support fees		(475,000)	(671,250)
Marketing fees		(406,283)	-
Directors fees		(174,837)	(146,602)
Legal fees		(90,791)	(13,166)
Provision for diminution of investment		-	(5,000)
Exploration expenditure written off		(356,725)	(55,168)
Share based payments	20	(263,005)	(4,456,581)
Travel		(159,863)	(156,075)
<b>(LOSS) BEFORE INCOME TAX</b>		<b>(2,815,963)</b>	<b>(6,715,593)</b>
Income tax expense	3	-	-
<b>(LOSS) FOR THE PERIOD</b>		<b>(2,815,963)</b>	<b>(6,715,593)</b>
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		<b>(2,815,963)</b>	<b>(6,715,593)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>(2,815,963)</b>	<b>(6,715,593)</b>
<b>Earnings per share</b>			
Basic and diluted loss per share (cents per share)	18	<b>(1.8)</b>	<b>(5.70)</b>

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

**APOLLO MINERALS LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	Note	Consolidated Group 2011 \$	Consolidated Group 2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,562,276	1,118,506
Trade and other receivables	5	85,541	120,166
Financial assets	6	-	26,250
<b>TOTAL CURRENT ASSETS</b>		<b>1,647,817</b>	<b>1,264,922</b>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	42,401	27,060
Evaluation and exploration expenditure	9	12,760,107	12,127,074
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,802,508</b>	<b>12,154,134</b>
<b>TOTAL ASSETS</b>		<b>14,450,325</b>	<b>13,419,056</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	283,136	853,192
<b>TOTAL CURRENT LIABILITIES</b>		<b>283,136</b>	<b>853,192</b>
<b>TOTAL LIABILITIES</b>		<b>283,136</b>	<b>853,192</b>
<b>NET ASSETS</b>		<b>14,167,189</b>	<b>12,565,864</b>
<b>EQUITY</b>			
Share Capital	11	23,099,545	17,264,107
Reserves	12	7,003,757	13,791,235
Accumulated losses		(15,936,113)	(18,489,478)
<b>TOTAL EQUITY</b>		<b>14,167,189</b>	<b>12,565,864</b>

The Statements of Financial Position are to be read in conjunction with the attached notes.

**APOLLO MINERALS LIMITED**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Share Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>CONSOLIDATED GROUP</b>				
Balance as at 1 July 2010	17,264,107	13,791,235	(18,489,478)	12,565,864
Loss for the year	-	-	(2,815,963)	(2,815,963)
Issue of share capital	4,387,500	-	-	4,387,500
Cost of share capital issued	(233,217)	-	-	(233,217)
Transfer from options based payments reserve	-	(2,298,063)	2,298,063	-
Transfer to options based payments reserve	-	263,005	-	263,005
Transfer from share based payments reserve	1,681,155	(4,752,420)	3,071,265	-
<b>Balance as at 30 June 2011</b>	<b>23,099,545</b>	<b>7,003,757</b>	<b>(15,936,113)</b>	<b>14,167,189</b>
<b>Balance as at 1 July 2009</b>	<b>14,890,039</b>	<b>9,099,852</b>	<b>(11,773,885)</b>	<b>12,216,006</b>
Loss for the year	-	-	(6,715,593)	(6,715,593)
Issue of share capital	2,879,449	-	-	2,879,449
Cost of share capital issued	(740,770)	-	-	(740,770)
Options issued to Consultants	-	804,325	-	804,325
Transfer from options based payments reserve	235,389	(235,389)	-	-
Transfer to options based payments reserve	-	1,746,237	-	1,746,237
Transfer to share based payments reserve	-	2,376,210	-	2,376,210
<b>Balance as at 30 June 2010</b>	<b>17,264,107</b>	<b>13,791,235</b>	<b>(18,489,478)</b>	<b>12,565,864</b>

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

**APOLLO MINERALS LIMITED**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated Group 2011 \$	Consolidated Group 2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees - general		(1,887,807)	(1,706,016)
Payments to suppliers and employees - exploration related expenses		(1,176,000)	(938,629)
Interest received		148,121	74,226
<b>NET CASH USED IN OPERATING ACTIVITIES</b>			
	21	(2,915,686)	(2,570,419)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for fixed assets		(30,433)	(33,825)
Payment for exploration and evaluation		(873,220)	(1,085,154)
Sale of available-for-sale investments		108,826	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(794,827)	(1,118,979)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		4,387,500	2,868,329
Costs of issue of shares		(233,217)	(737,702)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		4,154,283	2,130,627
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		443,770	(1,558,771)
Cash at the beginning of the financial year		1,118,506	2,677,277
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>			
	4	1,562,276	1,118,506

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

These consolidated financial statements and notes represent those of Apollo Minerals Limited and Controlled Entities (the “consolidated group” or “group”).

The separate financial statements of the parent entity, Apollo Minerals Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 26 September 2011 by the directors of the company.

## 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. 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. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Apollo Minerals Limited at the end of the reporting period. A controlled entity is any entity over which Apollo Minerals Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity’s activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 8 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

### Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**b. Going concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$2,815,963 and had net cash outflows from operating activities of \$2,915,686 for the year ended 30 June 2011.

These factors indicate significant uncertainty as to whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the company and consolidated entity will be able to continue as going concerns, after consideration of the following factors:

- The company has been successful in raising capital during the period (per note 11);
- The company has the ability to continue to raise additional funds on a timely basis, pursuant to the Corporations Act 2001;
- The consolidated entity has cash at bank at balance date of \$1,562,276, net working capital of \$1,364,681 and net assets of \$14,167,189;
- The ability of the consolidated entity to further scale back certain parts of their activities that are non essential so as to conserve cash; and
- The consolidated entity retains the ability, if required, to wholly or in part dispose of interests in mineral exploration and development assets.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entity do not continue as going concerns.

**c. Adoption of New and Revised Accounting Standards**

**Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

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

The Group does not anticipate the early adoption of any of the following Australian Accounting Standards.

**APOLLO MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9, 2009-11, 2010-7	<i>Financial Instruments (and related amendments to other standards).</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	Disclosure changes may be required, no significant implications expected.
AASB 124, 2009-12, 2009-14	<i>Related Party Disclosures (and related amendments to other standards and interpretations).</i>	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011	Disclosure changes only.
2010-4	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	Amends AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13 as a result of the annual improvements project.	1 January 2011	No significant impact expected.
2010-5	<i>Amendments to Australian Accounting Standards</i>	Amends AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042 for editorial corrections	1 January 2011	No significant impact expected.
2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	This Standard adds and amends disclosure requirements about transfers of financial assets, including in respect of the nature of the financial assets involved and the risks associated with them.	1 July 2011	No significant impact expected.
2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project	Amends AASB 1, 5, 101, 107, 108, 121, 128, 132, 134 and Interpretations 2,112 & 113) as a result of the Trans-Tasman Convergence Project.	1 July 2011	No significant impact expected.
2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This Standard makes amendments to Australian Accounting Standard AASB 124 <i>Related Party Disclosures</i> .	1 July 2013	Disclosure changes only.

**d. 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.

**e. 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.

**f. 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.

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.

**g. Financial Instruments**

**Recognition and initial measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie 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**

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

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.

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

*(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**Derivative instruments**

The Group designates certain derivatives as either:

- i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- ii. hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions, is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

*(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

*(ii) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

### **Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

### **Financial guarantees**

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

## **h. 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.

## **i. Investments in Subsidiaries**

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

## **j. 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 statement of financial performance.

**k. Revenue Recognition**

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

**l. 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 year.

**m. 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 statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**n. Comparative Figures**

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

**o. 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.

**p. 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 \$12,760,107.

**2. REVENUE**

	<b>Consolidated Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Interest received	<b>148,121</b>	74,226
Profit on sale of investments	<b>82,576</b>	-
	<b>230,697</b>	74,226

### 3. 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	
	2011	2010
	\$	\$
Accounting loss	(2,815,963)	(6,715,593)
Tax at 30%	(844,789)	(2,014,678)
Tax effect of non-deductible expenses (including share based payment expense)	84,118	1,336,974
Deferred tax asset not recognised	760,671	677,704
Income tax expense	-	-

#### (c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised

	12,175,377	8,995,751
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Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2011 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

The applicable tax rate is the national tax rate in Australia for companies, which is 30% at the reporting date.

### 4. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2011	2010
	\$	\$
Cash and cash equivalents	1,562,276	1,118,506
	1,562,276	1,118,506

## 5. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2011	2010
	\$	\$
<b>CURRENT</b>		
Other receivables	85,841	120,166

## 6. FINANCIAL ASSETS

	Consolidated Group	
	2011	2010
	\$	\$
<b>CURRENT</b>		
Available for sale investments carried at fair value:		
- ASX listed shares	-	26,250

## 7. FIXED ASSETS

	Consolidated Group	
	2011	2010
	\$	\$
<b>Plant and Equipment</b>		
<i>At cost</i>		
Opening balance	33,825	-
Additions	30,433	33,825
Closing balance	64,258	33,825
<i>Depreciation</i>		
Opening balance	(6,765)	-
Charge for the year	(15,092)	(6,765)
Closing balance	(21,857)	(6,765)
Written down value	42,401	27,060

## 8. CONTROLLED ENTITIES

	Country of Incorporation	Ownership % 2011	Ownership % 2010
<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
Apollo Iron Ore No 3 Pty Limited	Australia	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	
	2011	2010
	\$	\$
Evaluation and exploration expenditure	<b>12,760,107</b>	12,127,074
<b>Reconciliation of carrying amount</b>		
Balance at beginning of financial period	<b>12,127,074</b>	10,563,677
Acquisition of tenements	-	731,311
Expenditure in current period	<b>873,220</b>	832,096
Expenditure written off	<b>(240,187)</b>	-
Balance at end of financial period	<b>12,760,107</b>	12,127,074

## 10. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2011	2010
	\$	\$
<b>CURRENT</b>		
Unsecured liabilities:		
Trade payables	<b>265,368</b>	705,445
Sundry payables and accrued expenses	<b>17,768</b>	147,747
	<b>283,136</b>	853,192

## 11. SHARE CAPITAL

	Consolidated Group	
	2011	2010
	\$	\$
157,106,741 (2010: 117,756,741) fully paid ordinary shares	<b>23,099,545</b>	17,264,107
	<b>23,099,545</b>	17,264,107

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.

Reconciliation of movements in share capital during the year:

	2011 No. Shares	2010 No. Shares	2011 \$	2010 \$
Opening balance – start of reporting period	117,856,741	103,155,292	<b>17,264,107</b>	14,890,039
Share placement – 19 July 2010*	29,250,000	-	<b>4,387,500</b>	-
Issue of shares – 19 July 2010	10,000,000	-	<b>1,681,155</b>	-
Capital raising costs	-	-	<b>(233,217)</b>	(740,770)
Share issue on exercise of options – 6 August 2009	-	6,742,316	-	1,685,579
Transfer from Loyalty Option Reserve on 31 December 2009	-	-	-	235,389
Share placement – 23 February 2010	-	7,885,000	-	1,182,750
Issue of shares - 23 March 2010	-	74,133	-	11,120
	<b>157,106,741</b>	<b>117,856,741</b>	<b>23,099,545</b>	17,264,107

\* The share placement was made to China Armco Metals Inc. (Armco). As part of the share subscription agreement, Armco have the right to maintain their percentage shareholding in the company in the event that additional shares are issued to other parties due to the exercise of options or a share placement which reduces the Armco shareholding by greater than 1%. The shares are to be issued, if elected by Armco at the volume weighted average price over the 15 days prior to the change in shareholding.

In addition China Armco Metals Inc. were issued with 5,000,000 share options, 50% of which are exercisable on 19 July 2011 and 50% of 19 July 2012. The options have an exercise price of 25 cents and expire on 19 July 2015.

## 12. RESERVES

		<b>Consolidated Group</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
Options reserve	(a)	<b>7,003,757</b>	5,546,340
Options based payments reserve	(b)	-	3,492,475
Share based payments reserve	(c)	-	4,752,420
		<b>7,003,757</b>	<b>13,791,235</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 Group holds the following financial instruments at the end of the reporting period:

		<b>Consolidated Group</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash and cash equivalents		<b>1,562,276</b>	1,118,506
Trade and other receivables		<b>85,541</b>	120,166
Available for sale financial assets		-	26,250
		<b>1,647,817</b>	<b>1,264,922</b>
<b>Financial liabilities</b>			
Trade and other payables		<b>283,136</b>	853,192

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 year ended 30 June 2011. Neither the group nor the parent has any short or long term debt, and therefore this risk is minimal.

*Foreign currency risk*

The group has no exposure to foreign currency risk.

**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.

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.

**APOLLO MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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	
	2011	2010	2011	2010	2011	2010	2011	2010
<i>Financial liabilities - due for payment:</i>								
Trade and other payables	283,136	853,192	-	-	-	-	283,136	853,192
Total contractual outflows	283,136	853,192	-	-	-	-	283,136	853,192
<i>Financial assets – cash flows realisable</i>								
Cash and cash equivalents	1,562,276	1,118,506	-	-	-	-	1,562,276	1,118,506
Trade and other receivables	85,541	120,166	-	-	-	-	85,541	120,166
Financial assets	-	26,250	-	-	-	-	-	26,250
Total anticipated inflows	1,647,817	1,264,922	-	-	-	-	1,647,817	1,264,922
Net (outflow)/inflow on financial instruments	1,364,681	411,730	-	-	-	-	1,364,681	411,730

**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.

	Carrying Value	Change in profit		Change in equity	
		100bp increase	100bp decrease	100bp increase	100bp decrease
<b>30 June 2011</b>	\$	\$	\$	\$	\$
Cash and cash equivalents - Consolidated	1,562,276	15,623	(15,623)	15,623	(15,623)
<b>30 June 2010</b>					
Cash and cash equivalents - Consolidated	1,118,506	11,185	(11,185)	11,185	(11,185)

*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
30 June 2011	\$	\$	\$	\$	\$
Trade and other receivables	85,541	-	-	-	85,541
Trade and other payables	283,136	-	-	-	283,136

#### **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**

The company has no remaining available-for-sale financial assets.

### **14. COMMITMENTS FOR EXPENDITURE**

The consolidated group currently has commitments for expenditure at 30 June 2011 on its exploration tenements as follows:

	<b>Consolidated Group 2011 \$</b>	<b>Consolidated Group 2010 \$</b>
Not later than 12 months	<b>283,000</b>	230,000
Between 12 months and 5 years	<b>440,000</b>	234,000
Greater than 5 years	-	-
	<b>723,000</b>	464,000

The tenement commitment has been shown for a period of two years. The Group reviews its tenement obligations on an ongoing basis and will continue to hold existing tenements beyond the two year period based on their prospectivity.

The group has a further commitment to pay a retainer fee under outsourced consultancy and management agreements for the provision of geological and service personnel. These agreements can be cancelled with varying notice periods up to 12 months.

	<b>Consolidated Group 2011 \$</b>	<b>Consolidated Group 2010 \$</b>
Not later than 12 months	<b>540,000</b>	780,000
Between 12 months and 5 years	<b>540,000</b>	720,000
Greater than 5 years	-	-
	<b>1,080,000</b>	1,500,000

### **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 2011. Other than the Directors, Executive General Manager and Company Secretary, the Company had no key management personnel for the financial period ended 30 June 2011.

**APOLLO MINERALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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

	<b>Consolidated Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	<b>882,968</b>	431,820
Options granted	<b>15,700</b>	-
	<b>898,668</b>	431,820

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS**

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

*(i) Directors*

Anthony Ho – Non-Executive Chairman  
Richard Shemesian – Executive Director  
Wang Jianguang – Non-Executive Director  
Xing (Wayne) Wu – Non-Executive Director  
David Nolan – Non-Executive Director

*(ii) Management and Company secretary*

Guy Robertson – Company Secretary  
Dominic Tisdell – Executive General Manager

*(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.

Except as detailed in Notes (a) – (d) 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) – (d) 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, Executive General Manager and Company Secretary, the Company had no key management personnel for the financial period ended 30 June 2011.

**(c) Remuneration Options: Granted and vested during the financial period ending 30 June 2011**

2,150,000 options were granted to directors and key management during the year. Of these options, 1,000,000 have expired and 1,075,000 are fully vested.

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 2010 to 30 June 2011**

	<b>Balance at beginning of period</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net Change Other</b>	<b>Balance at end of year</b>
A. Ho	300,000	-	-	-	300,000
J. Wang <sup>1</sup>	-	-	-	-	-
X. Wu <sup>2</sup>	-	-	-	-	-
D. Nolan	-	-	-	-	-
R. Shemesian <sup>3</sup>	-	-	-	14,819,430	14,819,430
S. Chalabian <sup>4</sup>	200,000	-	-	-	N/A
	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>14,819,430</b>	<b>15,119,430</b>

<sup>1</sup> Hugo Natural Enterprises Limited of which Mr. Wang is a Director and Shareholder holds 9,607,844 shares.

<sup>2</sup> Mr Wu is the Board of Director's Secretary for China Armco Metals Inc a company which holds 29,250,000 shares.

<sup>3</sup> Mr Shemesian has a relevant interest in Black Swan Global Pty Limited, a company in which holds 10,172,500 shares and Normandy Corporation Limited a company which holds 4,646,930 shares.

<sup>4</sup> Held indirectly by STC Advisory Pty Limited ATF Chalabian Family Trust of which Mr Chalabian is trustee and a potential beneficiary of the Trust.

***Options Held By Directors and Officers***

**Period from 1 July 2010 to 30 June 2011**

	<b>Balance at beginning of period</b>	<b>Granted as Remuneration</b>	<b>Net Change Other</b>	<b>Balance at end of year</b>
A. Ho	-	250,000	-	250,000
J. Wang	-	250,000	-	250,000
X. Wu	-	250,000	-	250,000
D. Nolan	-	250,000	-	250,000
R. Shemesian <sup>1</sup>	-	-	10,000,000	10,000,000
G. Robertson	-	150,000	-	150,000
S. Chalabian	6,250,000	-	-	N/A
P. McNally	-	1,000,000	(1,000,000)	N/A
	<b>6,250,000</b>	<b>2,150,000</b>	<b>9,000,000</b>	<b>11,150,000</b>

<sup>1</sup> Mr Shemesian is the sole director and shareholder in Black Swan Global Pty Limited which holds 10,000,000 share options exercisable at 25 cents and expiring on 30 June 2012.

The above options are 25 cent options expiring 30 June 2012.

**(e) Related Party Transactions**

	<b>Consolidated Group 2011 \$</b>	<b>Consolidated Group 2010 \$</b>
<b>Expenses</b>		
Artemis Resources Limited <sup>1</sup>	100,000	300,000
Lands Legal Pty Ltd <sup>2</sup>	6,000	62,000
STC Advisory Pty Ltd <sup>2</sup>	111,000	16,000
Greenhill Capital Partners <sup>3</sup>	142,972	-
East Coast Minerals N.L.	-	21,631
Sealy Consulting Services Pty Limited	-	85,451
Astute Corporate Services Pty Limited.	-	22,362
<b>Totals</b>	<b>359,972</b>	<b>507,444</b>

<sup>1</sup> Artemis Resources Limited 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. The company cancelled the contract with Artemis by mutual agreement with effect from 1 November 2010.

<sup>2</sup> Mr Chalabian is a partner of Lands Legal Pty Limited, a director of STC Advisory Pty Ltd and a director of Apollo. The payments to Lands Legal Pty Limited and STC Advisory Pty Limited were for directors fees for Mr Chalabian, consulting fees and reimbursement of expenses paid on behalf of Apollo.

<sup>3</sup> Fees paid to an entity in which the Executive Director, Mr Richard Shemesian has an interest. Mr Shemesian's annual contract is for an amount of \$40,000 for directors fees and \$173,640 for executive services and consulting fees, and can be terminated by either party giving six months notice.

## 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 2011 Cents</b>	<b>Consolidated Group 2010 Cents</b>
<b>Reconciliation of earnings per share</b>		
Basic and diluted earnings per share	<b>(1.82)</b>	<b>(5.70)</b>
Loss used in the calculation of the basic earnings per share	<b>(2,815,963)</b>	<b>(6,715,593)</b>
	<b>No. of shares</b>	<b>No. of shares</b>
<b>Weighted average number of ordinary shares:</b>		
Used in calculating basic earnings per ordinary share	<b>155,063,590</b>	<b>117,856,741</b>
Dilutive potential ordinary shares	-	-
Used in calculating diluted earnings per share	<b>155,063,590</b>	<b>117,856,741</b>

## 19. AUDITORS REMUNERATION

	Consolidated Group	
	2011 \$	2010 \$
<b>Auditor of parent entity</b>		
Audit or review of financial reports	32,250	36,314
Non-audit services	-	-
	<b>32,250</b>	<b>36,314</b>

## 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	Options outstanding at 30 June 2011	Fair value of options granted during the year	Number vested at 30 June 2011	Expiry date
15 Aug 2007	Ordinary	2,250,000	-	2,250,000	-	2,250,000	30 June 2012
3 July 2008	Annexure B	500,000	-	500,000	-	333,334	30 June 2012
3 July 2008	Annexure C	500,000	-	500,000	-	500,000	30 June 2012
3 July 2008	Annexure D	8,333,333	-	8,333,333	-	6,666,666	30 June 2012
25 Nov 2010	Ordinary	-	2,150,000	1,150,000	29,350	1,075,000	31 Dec 2012

The Annexure B and D options 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 vested immediately. The options hold no voting or dividend rights and are unlisted. Details of the options issued to key management personnel are included in the Directors' report.

### Basis of valuation

The Black & Scholes methodology has been used to ascertain fair value, together with the following assumptions for the options issued on 25 November 2010:

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 4.82%;

The underlying security spot price used for the purposes of the valuation is based on the share price of the Company was \$0.11;

The volatility factor is set as 70% which is based on an average of comparable companies' historical data from the Australian Graduate School of Management's Risk Measurement Service.

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	<b>Consolidated Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Options issued	29,350	-

In addition to the above the Company issued 5,000,000 share options to China Armco Metals Inc. as part of a capital raising – see note 11. Expenses arising from this share based payment, relating to the portion that vested at year end, amounted to \$186,734.

The balance of the share based payment expense of \$46,921 relates to options issued to consultants in the current and prior years. The Company issued 950,000 options to consultant during the current year at an exercise price of 25 cents and an expiry date of 31 December 2012.

### Other information

No options have been exercised to 30 June 2011.

## 21. CASH FLOW INFORMATION

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

	<b>Consolidated Group</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(2,815,963)	(6,715,593)
Non-cash flows in profit:		
Impairment of investments	-	5,000
Profit on sale of investments	(82,576)	-
Write off exploration expenditure	240,187	-
Depreciation	15,092	6,765
Share based payments	263,005	4,456,581
Changes in assets and liabilities during the financial period:		
(Increase)/decrease in trade and other receivables	34,626	(78,340)
Increase/(decrease) in trade and other payables	(570,057)	(244,832)
<b>Net cash outflow from operating activities</b>	<b>(2,915,686)</b>	<b>(2,570,419)</b>

## 22. PARENT ENTITY DISCLOSURES

### (a) Financial position

	2011 \$	2010 \$
<b>Current Assets</b>		
Cash and cash equivalents	1,562,081	1,118,413
Trade and other receivables	48,540	88,166
Financial assets	-	26,250
<b>Total Current Assets</b>	<b>1,610,621</b>	<b>1,232,829</b>
<b>Non-current Assets</b>		
Fixed assets	42,401	27,060
Financial assets	202,972	375,001
Trade and other receivables	12,645,520	11,159,706
<b>Total Non-current assets</b>	<b>12,890,894</b>	<b>11,561,767</b>
<b>Total Assets</b>	<b>14,501,515</b>	<b>12,794,596</b>
<b>Current Liabilities</b>		
Trade and other payables	283,136	140,604
<b>Total Current Liabilities</b>	<b>283,136</b>	<b>140,604</b>
<b>TOTAL LIABILITIES</b>	<b>283,136</b>	<b>140,604</b>
<b>NET ASSETS</b>	<b>14,218,380</b>	<b>12,653,992</b>
<b>EQUITY</b>		
Share Capital	23,099,545	17,264,107
Reserves	7,003,757	13,791,235
Accumulated losses	(15,884,922)	(18,401,350)
<b>TOTAL EQUITY</b>	<b>14,218,380</b>	<b>12,653,992</b>
<b>(b) Reserves</b>		
Options reserve	7,003,757	5,546,340
Options based payments reserve	-	3,492,475
Share based payments reserve	-	4,752,420
	<b>7,003,757</b>	<b>13,791,235</b>
<b>(c) Financial performance</b>		
Loss for the year	(2,852,901)	(6,661,835)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(2,852,901)</b>	<b>(6,661,835)</b>
<b>(d) Commitments</b>		
All Exploration commitments are held by subsidiary companies.		
Administration commitments		
Not later than 12 months	540,000	780,000
Between 12 months and 5 years	540,000	720,000
	-	-
	<b>1,080,000</b>	<b>1,500,000</b>

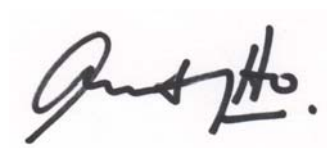
## 23. SIGNIFICANT AFTER BALANCE DATE EVENTS

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.

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 28 to 52, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the period ended on that date of the company and consolidated group; and
2. the Executive Director and Chief Financial Officer 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.



**Anthony Ho**  
**Non-Executive Chairman**

**Sydney, 27 September 2011**

**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 consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 about 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.

*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*, which has been given to the directors of Apollo Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Emphasis of Matter**

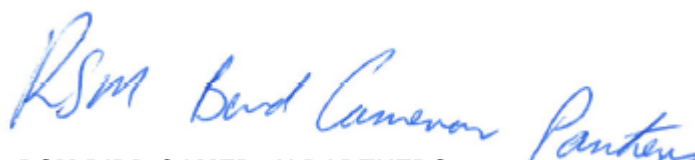
Without qualifying our opinion, we draw attention to Note 1(b) in the financial report, which indicates that the company and consolidated entity incurred losses of \$2,852,901 and \$2,815,963 respectively and the consolidated entity had net cash outflows from operating activities of \$2,915,686 during the year ended 30 June 2011. These conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and, therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the financial year ended 30 June 2011. 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.

*Opinion*

In our opinion the Remuneration Report of Apollo Minerals Limited, for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.



**RSM BIRD CAMERON PARTNERS**

Chartered Accountants



**C J Hume**

Partner

Sydney, NSW

Dated: 28 September 2011

**ADDITIONAL INFORMATION FOR LISTED COMPANIES  
AS AT 26 SEPTEMBER 2011**

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	13	4,032	0.00%	8	6,667	0.10%
1,001 - 5,000	124	408,033	0.26%	17	63,412	0.94%
5,001 - 10,000	132	1,124,571	0.72%	11	85,922	1.27%
10,001 - 100,000	303	11,350,562	7.22%	26	907,819	13.46%
100,001+	103	144,219,543	91.80%	11	5,678,496	84.22%
<b>Total</b>	<b>661</b>	<b>157,106,741</b>	<b>100.0%</b>	<b>73</b>	<b>6,742,316</b>	<b>100.00%</b>

b. The number of shareholders who hold less than a marketable parcel is 165.

**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	%
Tiger Resources Pty Ltd	30,000,001	19.2%
China Armco Metals Inc	29,250,000	18.62%
Black Swan Global Pty Limited and Associates	14,819,430	9.43%
Citicorp Nominees Pty Ltd	13,375,104	8.47%
Hugo Natural Enterprises Limited	9,607,844	6.12%

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

Name	No of Ordinary Shares	%
1. Tiger Resources Pte Ltd	30,000,001	19.10%
2. China Armco Metals Inc	29,250,000	18.62%
3. Citicorp Nominees Pty Limited	13,375,104	8.51%
4. Black Swan Global Pty Limited	10,172,500	6.47%
5. Hugo Natural Enterprises Ltd	9,607,844	6.12%
6. Keleve Services Ltd	7,160,960	4.56%
7. Artemis Resources Ltd	5,000,000	3.18%
8. Normandy Pty Ltd	4,646,930	2.95%
9. Seet Pi Ang	3,664,272	2.33%
10. Zhang Weitian	2,400,309	1.53%
11. Voermans Geological Services Ltd	1,726,901	1.10%
12. S & V Hur Pty Limited	1,700,000	1.08%
13. Hill 50 Gold Mines Pty Ltd	1,200,000	0.76%
14. Stangio A & Strangio S	1,038,000	0.66%
15. Matthew J and R L Rimes	1,000,000	0.64%
16. Rui Teng Trading Pty Limited	918,002	0.58%
17. Proridge Pty Limited	900,000	0.57%
18. Warr Holdings Pty Limited	900,000	0.57%
19. Thang Pty Limited	813,537	0.52%
20. Richard Clutterbuck	704,035	0.45%
	<b>126,178,395</b>	<b>80.30%</b>

**ADDITIONAL INFORMATION FOR LISTED COMPANIES  
AS AT 26 SEPTEMBER 2011**

**e. Options**

There were 6,742,316 listed options as at 26 September 2011, exercisable at 25 cents per share before 30 November 2011.

The largest twenty option holders are as follows:

	<b>Name</b>	<b>No of Options</b>	<b>%</b>
1.	Sanath Devaka Hatthotuwa	2,000,000	29.66%
2.	Innovatif Developments Pty Ltd	730,000	10.83%
3.	Comsec Nominees Pty Ltd	500,000	7.42%
4.	Jacobs Corp Pty Ltd	452,496	6.71%
5.	Matthew David Burford	400,000	5.93%
6.	Jonathan Edgar	280,000	4.15%
7.	Jason Rich	200,000	2.97%
8.	Anthony S and J S Hull	200,000	2.97%
9.	La Huye Pty Limited	200,000	2.97%
10.	Tejinder Johal	200,000	2.97%
11.	Archem Trading New Zealand Limited	200,000	2.97%
12.	Yorke Educational Centre	160,000	2.37%
13.	Catts S/F Pty Limited	156,000	2.31%
14.	Cleo D'Rozario	100,000	1.48%
15.	Giovanni Spagnola	100,000	1.48%
16.	Vibeke Sorensen Catts	60,000	0.89%
17.	Gregory and Bronwyn Levvy	50,000	0.74%
18.	Benjamin Nathaniel Catts	50,000	0.74%
19.	Secured Assets Pty Limited	50,000	0.74%
20.	William D Goodfellow	50,000	0.74%
		<b>6,138,496</b>	<b>91.04</b>

**f. Restricted Securities**

There are no restricted securities.

**ADDITIONAL INFORMATION FOR LISTED COMPANIES  
AS AT 26 SEPTEMBER 2011**

**g. Unquoted equity securities**

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

<b>Class</b>	<b>Holder</b>	<b>Number</b>
Options expiring 30 June 2012 at 0.25 cents	HNB Corporation	2,000,000
	Keleve Corporate Service Limited	5,000,000
	Woodhouse Trust	3,333,333
	STC Advisory Services Pty Ltd	5,000,000
	Citicorp Nominees Pty Limited	10,000,000
		<b>22,333,333</b>
Options expiring 15 Dec 2011 at 25 cents	Roderick Smith	250,000
Options expiring 15 March 2012 at 25 cents	Roderick Smith	250,000
		<b>500,000</b>
Options expiring 15 Nov 2011 at 0.25	George Frangeskides	<b>625,000</b>
Options expiring 30 June 2012 at 0.40 cents	East Asia Ventures Limited	500,000
	Woodhouse Trust	250,000
	STC Advisory Pty Ltd	250,000
		<b>1,000,000</b>
Options expiring 30 Dec 2012 at 0.35 cents	Gavsol Investments Pty Ltd	1,000,000
	STC Advisory Pty Ltd	1,000,000
	Woodhouse Trust	250,000
		<b>2,250,000</b>
Options expiring 31 Dec 2012 at 0.25 cents	Anthony Ho	<b>250,000</b>
	Xing Wu	<b>250,000</b>
	David Nolan	<b>250,000</b>
	Jianguang Wang	<b>250,000</b>
		<b>1,000,000</b>
Options expiring 31 Dec 2012 at 0.25 cents	Peter McNally	<b>1,000,000</b>
	John Bridson	<b>250,000</b>
	Derek Macauley	<b>150,000</b>
	Chris Robinson	<b>150,000</b>
	David Button	<b>150,000</b>
	Hamlet Hacobian	<b>200,000</b>
	Guy Robertson	<b>150,000</b>
	Christine Fitzpatrick	<b>50,000</b>
		<b>2,100,000</b>

**1. Company Secretary**

The name of the company secretary is Mr Guy Robertson.

**2. Address and telephone details of entity's registered office**

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

Level 9, 50 Margaret Street  
Sydney, New South Wales 2000  
Telephone: +(612) 9078 7660  
Facsimile: +(612) 9078 7661

**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 Securities 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.