



ASX ANNOUNCEMENT

2nd February, 2011

Apex set for further growth after eliminating GUP liability

Highlights

- **Payout of all outstanding Gold Upside Participation Notes (GUP Notes) for \$18.0 million cash (\$5.0 million by 8th February 2011 and \$13.0 million by end March 2011)**
- **Cash consideration of \$18.0 million represents significant discount to accrued liability and independent valuation of future obligations**
- **GUP Payout funded via a \$22.6 million capital raising comprising a placement and underwritten rights issue**
- **\$6.3 million placement at 1.8 cents per share in order to satisfy \$5.0 million deposit required under the GUP payout**
- **Renounceable 1-for-2.4 rights issue at 1.0 cent per share to raise approximately \$16.3 million, underwritten by Azure Capital**
- **Elimination of GUP Notes will give Apex shareholders full exposure to current high gold prices and release all security currently held by GUP Note holders (first ranking charge over all assets)**
- **Gold production expected to stabilise at 19,000 – 21,000 ounces a quarter at a cash operating cost of around \$850 – 900 per ounce. Process plant only 50% utilised at this level**
- **The comprehensive review of mining parameters initiated during the December quarter is continuing. Objective to increase production by 15% in medium term (3 – 6 months)**
- **Increased cash flow as a result of the elimination of the GUP Notes, increased production and lower costs will enable Apex to initiate an exploration program at Wiluna aimed at further increasing feed to the plant**

Apex Minerals NL (**ASX:AXM**) is pleased to advise that it is positioning itself for future growth after eliminating its GUP Notes, the recently announced sale of its Gidgee exploration project and implementing an operational review of its Wiluna Project.

Apex has reached agreement with the GUP Note holders to payout all outstanding GUP Notes for \$18.0 million, payable in two tranches with \$5.0 million required by 8th February and \$13.0 million by 31st March 2010.

The GUP Notes entitled the holders to be paid an amount calculated by reference to a formula which provides the holder to participate in any increase in the monthly average gold price above A\$1,110/oz for a predetermined number of ounces per month (effectively a gold call option). The GUP Notes were due to expire on 31 May 2012, with approx 4,500 ounces per month scheduled for the period February 2011 to May 2012 inclusive.

The \$18.0 million consideration is inclusive of the GUP Note accrued entitlement for the period July 2010 to January 2011 of approximately \$7.1 million. The balance of the GUP Note liability (February 2011 to May 2012 inclusive) has been independently valued as a gold call option at \$21 million based on the gold price as at 27th January 2011 (A\$1,349/oz).

With the elimination of the GUP Notes, shareholders will have better exposure to any increase in the gold price.

The GUP Note holders also hold security over Apex's assets in the form of fixed and floating charges and mining mortgages, which will be released upon Completion.

As part of the GUP payout, Apex will issue the GUP Note holders 180 million 3 year warrants exercisable at 3.5 cents a share. The 45 million warrants currently held by GUP holders will be cancelled for no additional consideration. Under ASX requirements, the cancellation of these warrants requires Apex shareholder approval which will be sought in due course.

To fund the GUP payout, Apex is undertaking a placement at 1.8 cents per share to raise \$6.3 million and a fully underwritten 1 for 2.4 renounceable rights issue to raise approximately \$16.3 million at an offer price of 1 cent per share.

The remaining proceeds from the placement and rights issue together with the \$15.5 million cash to be received from the sale of the Gidgee Exploration Project (see ASX announcement dated 31st January 2011) will be used to reduce current liabilities (approximately \$9.5 million), replace environmental bonds (approximately \$1.5 million) transaction costs (approximately \$2.5 million), leaving approximately \$6.6 million for general working capital purposes.

The end result of the combination of the capital raising, the GUP payout and the Gidgee sale will be a substantial improvement in Apex's balance sheet and cash flow.

The Company's financial position is expected to be further improved by the results of a comprehensive review of all mining parameters which is currently underway.

The review which was initiated during the December quarter has already identified an additional 14,000 ounces of gold that will be mined from stopes from the Henry 5 North and Burgundy deposits over the next three to six months. This review is now focusing on Calais/Baldrick and East Lode North/Calvert zones. Once the review is completed a revised

mine schedule and sequencing will be completed to understand the full impact on expected monthly production. The objective will be to deliver a ~15% increase in monthly production commencing in 3 – 6 months with a further reduction in cash operating costs.

Apex Managing Director Mark Ashley said the Company would emerge from this series of transactions in a greatly enhanced financial position. This would coincide with the benefits of the mining review which combined will put Apex on a strong footing for future growth.

“With increasing production and the elimination of the GUP Notes, and the increased cash flow that will result, will enable Apex to re-commencing exploration at Wiluna with an objective of further increasing feed to the process plant in the future,” Mr Ashley said.

“The process facilities at Wiluna have the capacity to produce ~140,000 - 150,000 ounces of gold per annum. Currently the Wiluna process plant is just 50% utilised with ore feed being the limiting factor. Our medium and longer term strategies are aimed at increasing mill feed.

The Wilsons Deposit at Gidgee, continues to provide an opportunity for additional mill feed for Wiluna in the future.

SUMMARY OF THE PLACEMENT

The placement will comprise of the issue of 350 million new ordinary shares to institutional and sophisticated investors at 1.8 cents per share representing an 18 per cent discount to Apex’s closing price on 25th January 2011 prior to entering a trading halt.

The proceeds from the placement will be used predominantly to pay the initial \$5.0 million payment required by 8 February 2011 pursuant to the redemption of the GUP Notes.

The placement is being made under the Company’s 15 per cent placement capacity and therefore shareholder approval for the issue is not required. The placement shares are expected to be admitted to trading on the ASX on 4th February 2011 and the subscribers will be eligible to participate in the rights issue.

The placement shares will, when issued, rank pari passu with the existing ordinary shares of the Company.

SUMMARY OF THE RIGHTS ISSUE

The rights issue comprises the issue of 1 new share for every 2.4 existing shares held at 1 cent per share. As the rights issue is renounceable, the rights may be transferred or sold.

The rights issue is underwritten, subject to certain terms and conditions, by Azure Capital Limited (**Azure Capital**). Azure Capital is also acting as corporate adviser and lead manager to the placement and the rights issue.

Following completion of the placement and the rights issue, Apex will have approximately 5.55 billion ordinary shares on issue (before the exercise of any options/warrants).

Further details of the rights issue, including details of the timetable and key risks of the rights issue, are contained in the investor presentation posted on the Apex website and released to the ASX. Outlined below is a timetable of relevant events and dates relating to the rights issue. These dates are indicative only.

Event	Proposed Date
Prospectus and Appendix 3B lodged with ASX Notification sent to option holders	10 February 2011
Notice of Rights Issue sent to security holders	11 February 2011
Existing shares quoted on an 'ex' basis Rights start trading	14 February 2011
Record date	18 February 2011
Despatch of Rights Issue Documents to Eligible Shareholders Offer Period Opens	24 February 2011
Rights stop trading	7 March 2011
Offer Period Closes	15 March 2011
Shortfall Notice Deadline Date (notice of the Shortfall Securities and Certificate)	17 March 2011
Notification of under-subscriptions to ASX (if any)	17 March 2011
Shortfall Settlement date	21 March 2011
Shares Issued Holding statements despatched Updated Appendix 3B lodged with ASX	24 March 2011
Commencement of trading of New Shares	25 March 2011

PAYOUT OF GUP NOTES

Apex will payout all outstanding obligations under the GUP Notes for a total of \$18.0 million, plus the issue of 180 million unlisted warrants exercisable at 3.5 cents per share at any time on or before February 2014. Upon completion of the payout of the GUP Notes the GUP Note holders will release all security they currently hold in respect of Apex.

In conjunction with the payout of the GUP Notes, 44.99 million warrants currently held by the GUP Note holders will be cancelled (subject to Apex shareholder approval).

Completion of the payout of the GUP Notes is expected to occur by the end of March 2011. No warrants will be issued to Mr Kim Robinson (a director of Apex) in his capacity as a GUP Note holder until shareholder approval is obtained.

Azure Capital acted as corporate adviser and Williams and Hughes as legal adviser to Apex in respect of the payout of the GUP Notes.



Enquiries

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