



**Apex Minerals N.L.**  
**Quarterly Report for the period ending**  
**31<sup>st</sup> December 2006**

**Highlights**

- Commencement of new nickel exploration joint venture on Barrick's Lawlers tenements in the North eastern Goldfields of WA.
- Additional drill intersections extend the limits of gold mineralisation at Apollo Hill.
- Several corporate opportunities and projects continue to be advanced.

*Corporate Activities*

Throughout the quarter, a number of corporate opportunities and projects continued to be advanced.

The company's cash and investment position at the end of the quarter stood at \$5.2M. A total of 2.075M unlisted options were issued as part of the company's ESOP (Employee Share Option Plan) during the quarter at various strike prices between \$0.35 and \$0.45.

*Exploration Activities*

During the quarter, exploration continued on Apex's Australian properties, with the highlight being the inception of a new nickel exploration joint venture on Barrick Gold's Lawlers gold mine tenements in the Leinster district of the North Eastern Goldfields.

**Lawlers Nickel JV**

Apex has entered into a joint venture with mining contractor Carey Mining (the ACJV), and the ACJV has reached agreement with Barrick Gold to earn a 70% interest in the nickel rights on approximately 120 square kilometres of Barrick's tenements in the Lawlers district of the North Eastern Goldfields of Western Australia. The terms of the JV are detailed in the ASX announcement of 11<sup>th</sup> December 2006.

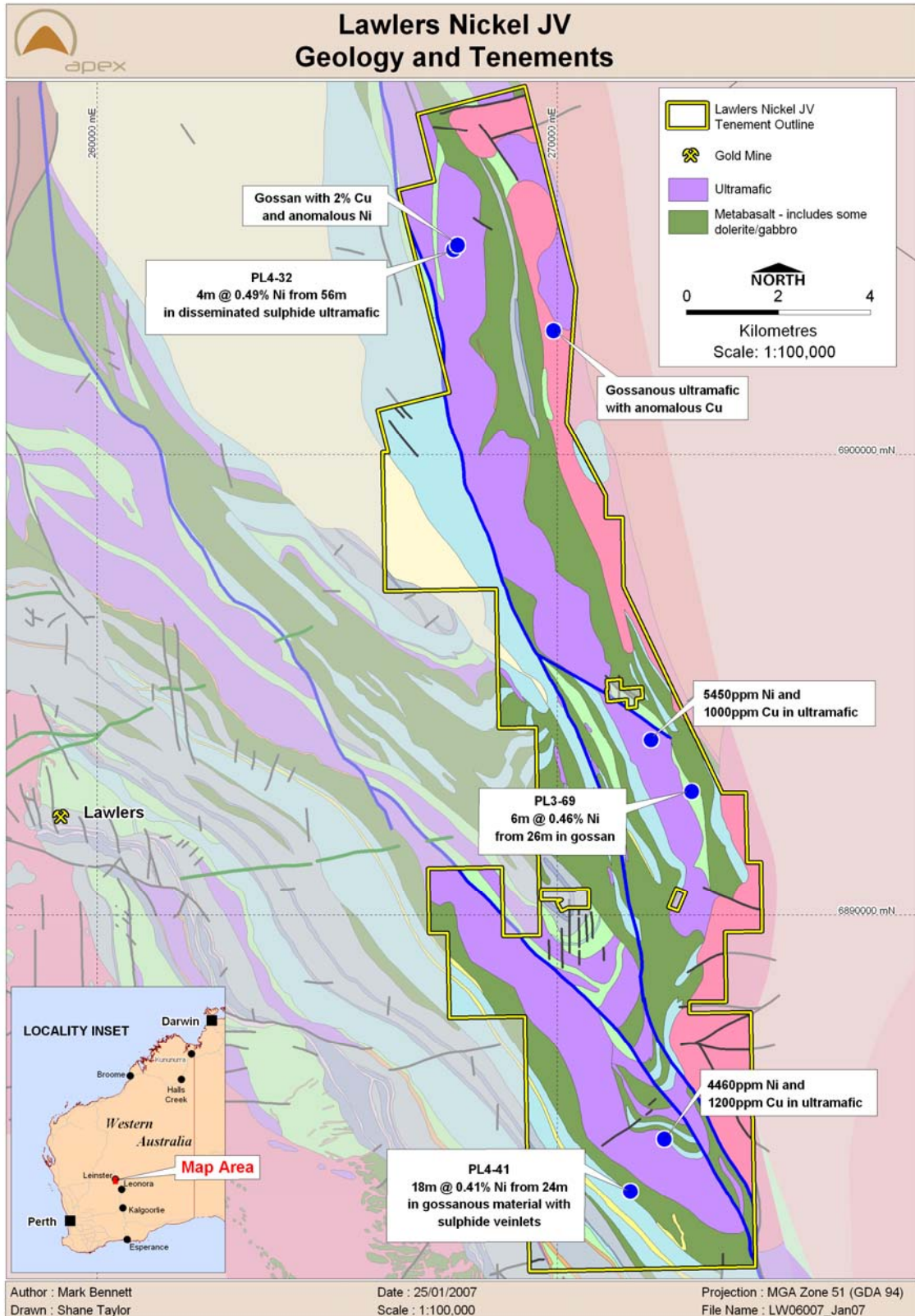
The Barrick tenements are part of Barrick's Lawlers Gold Operations, and contain over 40 strike kilometres of relatively unexplored nickel sulphide prospective ultramafic rocks in the heart of a world class nickel province, being surrounded by Jubilee's Cosmos, Prospero and Sinclair nickel deposits, BHPB's Perseverance and Rockys Reward nickel mines, and LionOre's Waterloo nickel mine. Importantly, no

effective nickel sulphide exploration has been undertaken on these tenements since Selection Trust explored the area thirty years ago. Since then, nickel sulphide exploration has been very limited, with most exploration focussing on nickel laterite and gold.

Following receipt and review of all historical data, the Company has identified several nickel sulphide targets comprising gossans and drill holes containing anomalous coincident nickel-copper values. Most of these targets were originally identified by Selection Trust between 1966 and 1976 and have not been subject to nickel sulphide exploration since then (see figure below). These targets include:

- A surface gossan containing 2% copper and anomalous nickel on a basal ultramafic contact located at 6904400 N, 267700 E. The presence of copper in such a gossan is considered favourable as this indicates that the gossan may be derived from the weathering of nickel-copper magmatic sulphides rather than from barren sedimentary sulphides.
- 18 metres @ 0.41% nickel from 24-42 metres in weakly weathered ultramafic containing gossanous zones and minor sulphide veinlets in drillhole PL4-41, located at 6883866N 271445E.
- 4 metres @ 0.49% nickel from 56-60 metres associated with disseminated sulphides in an ultramafic, in drillhole PL4-32, located at 6904370N 267522E.
- 6 metres @ 0.46% nickel from 26-32 metres in a gossan in drillhole PL3-69, located at 6892565N 272773E.

A field program focussing on these targets will commence in February, with the aim of re-assaying samples for platinum group elements (PGE's), considered to be diagnostic of magmatic nickel-copper sulphide derivation. This will prioritize initial reconnaissance drilling, which will commence in March or April 2007 depending on rig availability. A ground electromagnetic (EM) survey of selected areas is also scheduled for May or June 2007.



**Initial nickel sulphide targets at Lawlers Nickel JV**

## **Apollo Hill JV**

Apex is earning a 51% interest in the Apollo Hill project by expending \$3 million within three years. At this point, at Hampton's election, Apex can earn a further 9% by free carrying Hampton for a further \$2 million within five years of commencement. Hampton can contribute or reduce its interest to 20% in exchange for being free carried to a Decision to Mine. At the Decision to Mine point, should it have elected to reduce to 20%, it can elect to have its share of mine capital costs loaned to it by Apex to be repaid with accrued interest out of 80% of its share of mine proceeds.

As detailed in the ASX announcement of 15<sup>th</sup> January, the second drilling program has extended the mineralised system a further 70 metres to the north and down plunge, albeit at a lower apparent grade than that reported from previous drilling carried out to the south, and possibly modified by a fault.

A diamond hole was also drilled down the interpreted dip of the mineralisation to better define the internal distribution of oblique gold bearing quartz veins and their influence on grade distribution. Where this hole remained within the alteration zone it successfully confirmed the presence of mineralisation, with several higher grade zones being associated with more intense quartz veining.

The next stage of work at Apollo Hill will comprise detailed 3D modelling of the mineralisation, and the fault which is interpreted to offset it, to determine optimum locations for further extensional drilling. In parallel with this, reconnaissance drilling will commence during the first quarter of 2007 to test additional targets identified beneath transported cover along strike.

## **Jillawarra JV (Abra Mining)**

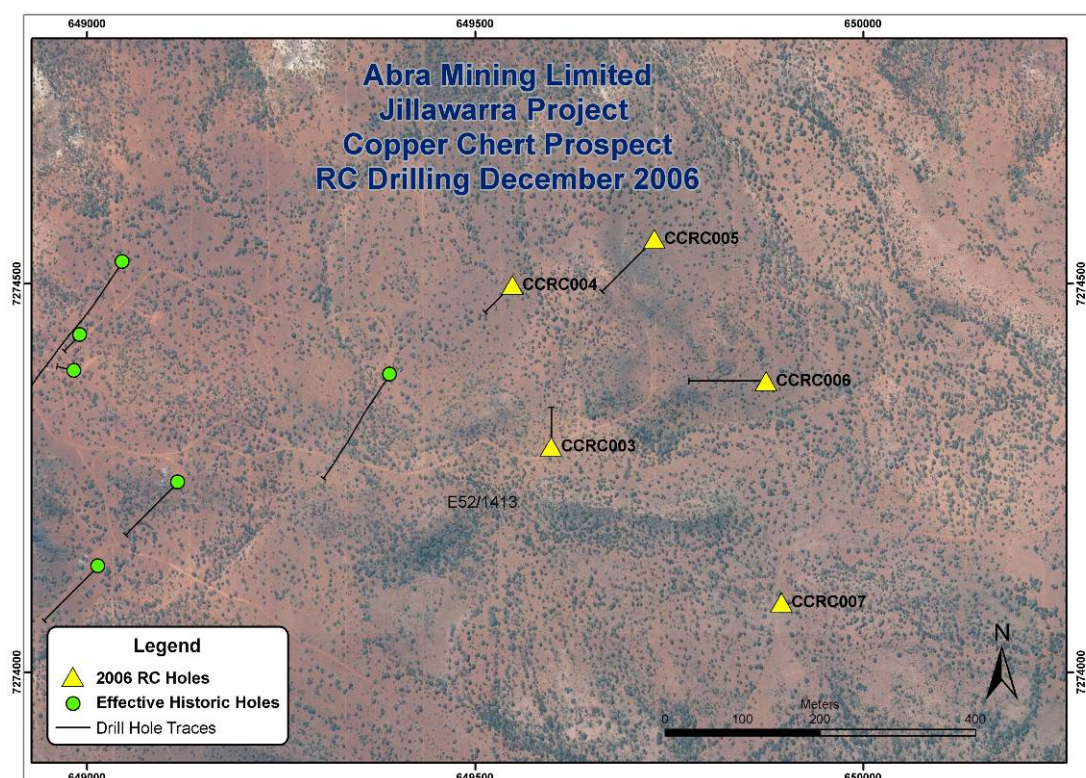
The Jillawarra JV is managed by Abra Mining, which can earn a 51% interest by the expenditure of \$500,000 by April 2008, and a 70% interest by the expenditure of an additional \$850,000 by April 2010. The project is situated in the Bangemal Basin along strike from Abra's namesake lead-zinc deposit, which is estimated to contain 50Mt @ 5.5% lead.

Five reverse circulation (RC) holes, totalling 792 metres, were drilled at the Copper Chert Prospect, an area which displays geochemical and geological similarities to the Abra Deposit (*see figure below for location*).

Previous geological, geochemical and geophysical exploration has identified a significant untested geochemical anomaly (up to 940ppm lead and 1,050ppm copper) coincident with a subtle gravity anomaly in a similar geological setting to the Abra deposit, with complex geology, comprising a sheared anticlinal fold.

Drill hole CCRC3, designed to test a fault zone transecting the crest of the mapped anticline, intersected visual secondary copper mineralisation within faulted and silicified sedimentary rocks from 45-60 metres depth. The drill hole confirms that the fault zone hosts copper mineralisation.

Drill hole CCRC7, targeted on a weak gravity anomaly down plunge of the anticline crest tested by CCRC3, intersected sandstone and siltstone to end of the hole at 200 metres depth, with a 34 metre interval from 166 metres to end of the hole contained quartz veining and minor disseminated chalcopyrite and pyrite.



### Copper Chert Prospect - Location of historic and 2006 RC Drillholes

No significant base metal sulphides were observed in drill holes CCRC4, CCRC5 and CCRC6, which targeted a prominent manganiferous unit interpreted as the source for the anomalous copper and lead in soil anomaly. The results from these holes suggest that lead and copper soil anomalies are derived directly from minor zones of veining and mineralisation associated with the contacts of sandstone units showing elevated manganese background.

#### JILLAWARRA JV - December 2006 Drillhole Collar Details

Drillhole Number	Prospect	Easting <sup>1</sup>	Northing <sup>1</sup>	End of Hole Depth metres	Collar Details	
		metres	metres		dip	azimuth <sup>2</sup>
CCRC003	Copper Chert	649,598	7,274,291	100	-60°	0°
CCRC004	Copper Chert	649,548	7,274,499	100	-60°	225°
CCRC005	Copper Chert	649,731	7,274,558	192	-60°	225°
CCRC006	Copper Chert	649,875	7,274,375	200	-60°	270°
CCRC007	Copper Chert	649,900	7,274,088	200	-90°	0°

<sup>1</sup> MGA94 Zone 50 coordinates  
<sup>2</sup> Relative to magnetic north.

The mineralisation encountered in CCRC3, and possibly CCRC7, may be associated with an east to west-northwest trending fault zone showing indications of copper mineralisation at surface, and now in drillholes, over more than 2 kilometres.

Assay results are expected by mid-February, and an induced polarisation (IP) geophysical survey is planned with the aim of identifying blind zones of disseminated copper sulphide mineralisation.

### **Narndee JV (Maximus Resources)**

The Narndee JV (aka Windimurra) is managed by Maximus Resources, who can earn a 51% interest by the expenditure of \$1,500,000 within three years, and a 70% interest by the expenditure of an additional \$1,500,000 within a further three years. The project covers approximately 3,000 square kilometres of the Windimurra and Narndee layered mafic-ultramafic complexes near Mt.Magnet and has potential for magmatic Ni-Cu-PGE mineralisation, stratiform vanadium mineralisation of the style present in the adjoining Precious Metals Australia project, and paleochannel uranium. Exploration undertaken by Maximus is detailed below.

Radiometric probing of water bores in the Windimurra palaeochannel have confirmed the anomalous uranium nature of the calcrete horizon. A best result of 0.3 kg eU<sub>3</sub>O<sub>8</sub>/tonne over 1.1 metres from surface was obtained from a bore in the Windi U prospect, identified in 1970's Western Mining Corporation (WMC) exploration. Granting of the relevant tenure over this area has been impeded by Native Title related matters which have now been resolved, and finalisation of the grant of an exploration licence is now imminent. Maximus has an infill aircore drill program of approximately 120 holes for the Windi U prospect ready to commence as soon as the licence is granted.

Reconnaissance mapping and sampling of titaniferous magnetite horizons in the Canegrass Bore area has indicated potential for significant vanadium mineralisation. Previous 1970's exploration drilling by WMC intersected up to 20 metres of 1% V<sub>2</sub>O<sub>5</sub> in open folds. Analytical results for surface sampling by Maximus have indicated up to 1.3% V<sub>2</sub>O<sub>5</sub> in folded outcrops that can be traced for hundreds of metres. Further exploration of the Canegrass prospect area awaits the anticipated granting of tenure.

At the Milgoo prospect, a ground electromagnetic survey for nickel is scheduled to be completed in early February. Any anomalies resulting will be drill tested as soon as a suitable contractor can be retained.

Soil sampling results in the vicinity of previous RAB hole MNRB122 (up to 0.5 ppm Au) and the southern Kiabye Greenstone Belt indicated few anomalous gold values. No specific follow up activities are planned for this area in the forthcoming period.

## China

Apex, through its wholly owned Chinese subsidiary Apex Xinjiang NL and in alliance with Xstrata, has been exploring for porphyry copper-gold systems in the Tianshan Belt of northwestern China. Following a strategic review by Apex, the alliance has been terminated and Apex has decided to withdraw from China in an orderly manner so that it can focus on its Australian exploration projects.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Ashley', with a long horizontal flourish underneath.

Mark Ashley  
Managing Director

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Dr. Mark Bennett, who is a Director of the company. Dr. Bennett is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Bennett consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**APEX MINERALS NL**

ABN

22 098 612 974

Quarter ended ("current quarter")

31 December 2006

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration and evaluation	(786)	(1,452)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(623)	(844)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	42	99
1.5	Interest and other costs of finance paid	-	(37)
1.6	Income taxes paid	-	-
1.7	Other (GST paid to be recouped)	-	-
	<b>Net Operating Cash Flows</b>	<b>(1,367)</b>	<b>(2,234)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(310)	(1,502)
	(c) other fixed assets	(53)	(353)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	<b>(363)</b>	<b>(1,855)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(1,730)</b>	<b>(4,089)</b>

1.13	Total operating and investing cash flows (brought forward)	(1,730)	(4,089)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	69	69
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(550)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	(175)
	<b>Net financing cash flows</b>	69	(656)
	<b>Net increase (decrease) in cash held</b>	(1,661)	(4,745)
1.20	Cash at beginning of quarter/year to date	4,157	7,241
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	2,496	2,496

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	162
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	All payments to directors and associates are on normal commercial terms.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- |     |
|-----|
| Nil |
|-----|
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- |     |
|-----|
| Nil |
|-----|

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	600
4.2 Development	-
<b>Total</b>	<b>600</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,969	3,643
5.2 Deposits at call	527	514
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,497</b>	<b>4,157</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

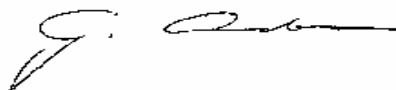
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	159,119,755 20,348,750	159,119,755	N/A 20 cents	N/A 0.001 cents
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	500,000	500,000		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	1,500,000	1,500,000	20 cents	3 July 2011
	7,200,000	7,200,000	14 cents	20 July 2011
	250,000	250,000	30 cents	17 August 2011
	250,000	250,000	35 cents	14 September 2011
	300,000	300,000	20 cents	31 May 2009
	500,000	500,000	35 cents	1 November 2011
	1,000,000	1,000,000	35 cents	1 November 2011
	275,000	275,000	45 cents	30 November 2011
	300,000	300,000	45 cents	30 November 2011

7.8	Issued during quarter				<i>Issued date</i>
		500,000	500,000	35 cents	1 November 2006
		1,000,000	1,000,000	35 cents	1 November 2006
		275,000	275,000	45 cents	15 November 2006
		300,000	300,000	45 cents	15 November 2006
7.9	Exercised during quarter	500,000	500,000	14 cents	16 November 2006
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.



Sign here: .....  
(Director/Company secretary)

Date: 31<sup>st</sup> January 2007

Print name: GRAHAM ANDERSON.

## Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3      **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4      The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5      **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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