

Apex Minerals NL

ABN 22 098 612 974



ANNUAL REPORT 2007



CORPORATE DIRECTORY

DIRECTORS	Mark Ashley – Managing Director Mark Bennett – Exploration Director Glenn Jardine – Operations Director Stephen Lowe – Non Executive Director Kim Robinson – Non Executive Chairman
COMPANY SECRETARY	Graham Douglas Anderson
PRINCIPAL OFFICE	Grnd Flr, 31 Ventor Avenue West Perth WA 6005 PO Box 682, West Perth WA 6872 Telephone: (08) 6311 5555 Facsimile: (08) 6311 5556 Email: admin@apexminerals.com.au
REGISTERED OFFICE	Grnd Flr, 31 Ventor Avenue West Perth WA 6005 PO Box 682, West Perth WA 6872
SHARE REGISTRY	Advanced Share Registry Services Pty Ltd 110 Stirling Highway, Nedlands, WA 6009 PO Box 1156, Nedlands, WA 6909 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871
AUDITORS	Stantons International Level 1, 1 Havelock Street, West Perth WA 6005 Telephone: (08) 9481 3188 Facsimile: (08) 9321 1204
SOLICITORS	Salter Power Level 2, 6 Kings Park Road, West Perth WA 6005 Telephone: (08) 9216 0900 Facsimile: (08) 9216 0901
ASX CODE	AXM
ACN	098 612 974
WEB	www.apexminerals.com.au



DIRECTORS' REPORT

The Directors present their report on the Company and its consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2007.

Directors

The Directors are:

Mark Ashley – Managing Director FCMA

He is a Fellow of the Chartered Institute of Management Accountants and has over 20 years experience in the resources industry.

In 1992, Mark joined Forrester Gold – which was subsequently acquired by LionOre in 1994 and was with the company through its emergence as a growing international nickel producer up until 31st March, 2006. Mark who was a main board Director and CEO of its Australian operations, left LionOre at that time to run Apex Minerals.

Mark is a Non-executive Director of Kagara Zinc and Metallica Minerals Limited, both ASX listed companies. Mark is a Member of Council at the Curtin University of Technology and is a member of the university's Finance Committee. He has also served as Chairman of the Major Gifts Committee for the Royal Flying Doctor Service and as a Director of the Australian Gold Council.

Glenn Jardine – Operations Director BEng FAusIMM

Mr Glenn Jardine has over 20 years experience in the mining industry and was most recently succeeded Mark Ashley as Managing Director of LionOre Mining International's Australian operations, where he also held roles including Chief Operating Officer and prior to that, General Manager, New Business and Project Manager. During his time with LionOre Australia, Mr Jardine oversaw the successful development of the Emily Ann, Maggie Hays and Waterloo nickel mines, leading teams whose work was subsequently recognised by the achievement of two separate major environmental awards.

Glenn graduated with a BE Mining from the University of Queensland in 1984 and is a member of the Institute of Company Directors and a Fellow of the Aus IMM.

Mark Bennett – Exploration Director B.Sc Ph.D MAusIMM FGS

Dr Bennett is a geologist with over 21 years experience, predominantly in gold, nickel and base metal exploration and mining. He holds a B.Sc. in Mining Geology from the University of Leicester, and a Ph.D. from the University of Leeds, is a member of the Australasian Institute of Mining and Metallurgy and an elected Fellow of the Geological Society of London.

Mark has worked in Europe, West Africa, and Australia, and has spent much of his career working for WMC Resources and LionOre in Australia. Previous positions held include Exploration Manager and Chief Geologist, including periods at WMC's Kambalda Nickel Operations, Gold Fields' St.Ives Gold Mines, Forrester Gold's Bounty Gold Mine, and WMC's Melbourne head office.

In 2002, Mark received the Association of Mining and Exploration Companies (AMEC) Prospector of the Year award in recognition of his contribution to the discovery of the Thunderbox gold and the Waterloo nickel deposits.



Stephen Lowe – Non Executive Director
B Bus (ECU), Grad Dip Adv Tax (UNSW), MTax (UNSW), FTIA, MAICD

Stephen John Lowe is a taxation specialist with over 15 years experience consulting to a wide range of corporate and private clients on a broad range of taxation issues including mining and international matters, GST and CGT. He is a director of the Perth based specialist taxation firm MKT – Taxation Advisors and has been a director of several other public unlisted companies. His qualifications include a Bachelor of Business, Post-Graduate Diploma in Advanced Taxation and a Master of Taxation from the University of New South Wales. Steve is a Fellow of the Taxation Institute of Australia and a Member of the Australian Institute of Company Directors. Within the prior three years Mr Lowe has not been a director of any other publicly listed company.

Kim Robinson – Non Executive Chairman
B.Sc (Geology)

Mr Robinson is a founding Director of Kagara Zinc Limited and its current Executive Chairman. Mr Robinson graduated from the University of Western Australia in 1973 with a degree in Geology and has 29 years experience in the minerals exploration and mining industries, including 10 years as Executive Chairman of Forrestania Gold NL. Mr Robinson is also the Non-Executive Chairman of Metex Resources Ltd.

Stephen Stone was a Director of the Company during the year and resigned on the 25th September 2006.

Company Secretary

Graham Anderson
B Bus CA

Graham Anderson is a Chartered Accountant who operates his own specialist accounting and management consultancy practice. From 1990 to 1997 he was an audit partner of Duesburys and from 1997 to 1999 he was an audit partner at Horwath Perth. He is currently Director and Company Secretary of APA Financial Services Limited, Pegasus Metals Limited, Echo Resources Limited and Dynasty Metals Australia Limited and Company Secretary of Westonia Mines Limited and Mamba Minerals Limited and has held no other directorships in publicly listed companies during the past three years.

Principal Activities

The principal activity of the Group during the financial year was exploration for mineral resources.

Results

The consolidated loss for the year after income tax was \$5,906,489 (2006 \$1,728,331).

Operating Review

During the year ended 30 June 2007, the Company announced the following acquisitions:

- The **Gidgee Gold Project**, located 640 kilometres northeast of Perth and covering 90 kilometres of strike of the Gum Creek greenstone belt, comprising a total JORC compliant resource inventory of 490,000 ounces gold, including the Wilsons refractory gold deposit (Current Resource: 734,000t @ 6.9g/t for 164,000oz), a 600,000 tpa gold treatment plant (currently not in operation), a 150 man camp, additional high-grade non-refractory resources close to the existing developments, and significant exploration upside;



- The **Youanmi Gold Project**, located 480 kilometres northeast of Perth and covering 40 kilometres of strike of the Youanmi shear zone, with a total JORC and NI 43-101 compliant resource inventory of 951,000 ounces of gold, including the Youanmi Deeps refractory gold deposit (Indicated and Inferred resource of 2.4 million tonnes @ 8.5 g/t for 658,000 ounces of gold) plus a 600,000 tpa gold treatment plant, a 270,000tpa sulphide flotation plant and a Bactech bacterial oxidation treatment plant capable of treating the gold concentrate (currently not in operation) from TSXV-listed Goldcrest Resources Ltd; and
- The **Aphrodite Gold Project**, located 65 kilometres north of Kalgoorlie and covering 51 square kilometres of the Bardoc Tectonic Zone, comprising a refractory gold deposit with a JORC compliant Inferred Resource of 1.44 million tonnes @ 6.2 g/t for 287,000 ounces of gold as well as a significant inventory of unclassified gold mineralisation, from Barrick (PD) Australia Limited; and
- The **Wiluna Gold Project** is situated 1,000 kilometres northeast of Perth and comprises granted mining leases covering approximately 50 square kilometres, as well as miscellaneous licences. The operation has access to the Goldfields Gas Pipeline and includes gold resources totalling over 700,000 ounces (see Table 1), a ~1Mtpa processing facility and a BIOX® bacterial oxidation plant, along with other established infrastructure.

Further details in relation to the projects above are contained in the subsequent events note below and in announcements lodged with the ASX.

Significant Changes in the State of Affairs

During the financial year the Company raised \$11,960,000 less capital raising costs of \$718,200 on the issue of 23,000,000 shares.

Other than the above there were no significant changes in the state of affairs of the Company during the financial year, not otherwise disclosed in the attached financial report.

Likely Developments

The Company will continue to explore and assess its mineral projects and will also consider new projects that could provide growth for shareholders.

Further information on the likely developments and expected results of operations of the Group have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Dividends

No dividends have been paid during the year and the Directors have not recommended that any dividend be paid.



Events Subsequent to Reporting Date

The Group has entered into several agreements for the purchase of exploration and mining assets prior to the 2007 financial year end however the recognition of the assets purchased are based upon events that have occurred subsequent to the year end but prior to the release of the annual report for Apex.

The details of these events are as follows:

Gidgee Gold Project ("Gidgee")

The purchase of Gidgee was entered in with Legend Mining Ltd and was effective at the end of July 2007 at an agreed value \$11,000,000 satisfied through the issue of 34,000,000 Apex shares. At 10th August 2007 when the shares were issued, the share price was \$0.93.

Youanmi Gold Project ("Youanmi")

The purchase of Youanmi was entered in with Goldcrest Resources Ltd effective at the end of July 2007 for the total purchase price of \$10,000,000 consisting of the issue of 14,285,714 Apex shares and \$5,000,000 in cash. At 31st July 2007 when the shares were issued, the share price was \$1.10. A completion fee of \$500,000 was paid to Prime Corporate Finance in relation to this acquisition.

Aphrodite Gold Project ("Aphrodite")

The purchase of Aphrodite was entered in with Barrick Australia Limited and effective at the end of July 2007 for the purchase price of \$7,000,000 consisting of \$5,000,000 cash payment and 2,051,272 Apex shares. At 8th August 2007 when the shares were issued, the share price was \$0.96.

Wiluna Project ("Wiluna")

The purchase of Wiluna was entered in with Oxiana Limited effective from the 1st of August 2007 for the purchase price of \$16,500,000 in cash and \$10,000,000 worth of Apex shares.

Stamp Duty

Stamp duty in relation to the above acquisitions will be quantified and paid subsequent to the date of this report.

Capital Raising

A capital raising of 62,000,000 shares at \$0.52 cents per share being equivalent of \$32,200,000 was placed with institutional shareholders and overseas investors in June 2007. The placement had been taken in two tranches and the initial 15% being \$11,960,000 (gross) was received on the 13th of June 2007 and the second tranche received on the 24th of July 2007.

On the 30th of July 2007, it was announced that there was a placement of 35,000,000 shares at \$1 per share. It will be completed in two tranches, with the initial 30 million shares being issued using Apex's ability to issue up to 15% of its issued capital within a 12 month period without the need for shareholder approval. The issue of the remaining 5 million shares was subject to shareholder approval which was sought at an Extraordinary General Meeting of Apex.

Investment with Maximus Resources ("Maximus")

On the 23rd of May 2007, an announcement was made that there was a restructure of the residual minority interests with Maximus that would see Apex increase its shares in Maximus to 3,500,000 shares and 2,5000,000 options. The restructure had to be met by shareholders approval and this took place in July 2007.

Options Issued

- (i) 2,050,000 options were issued on 1st August 2007 pursuant to the Employee Share Option Plan to new employees due to the Wiluna Project Acquisition.
- (ii) 2,600,000 options were issued to directors at 65 cents expiring 1st June 2012 pursuant to a Resolution of shareholders at General Meeting.

Since 30 June 2007, the Directors are not aware of any other matter or circumstance that has significantly or may significantly affect the operations of the Company or the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' Interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

		Apex Minerals NL	
		Fully Paid Shares	Options
M Ashley	Direct	-	-
	Indirect	16,600,000	2,500,000
M Bennett	Direct	-	-
	Indirect	1,450,000	2,500,000
G Jardine	Direct	2,215,000	2,500,000
	Indirect	-	-
K Robinson	Direct	5,000,000	1,300,000
	Indirect	500,000	-
S Lowe	Direct	75,001	800,000
	Indirect	96,200	-

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2007.

There were a total of 7 Director's Meetings held during the year.

Director	Number Eligible to Attend	Number Attended
M Ashley	7	7
M Bennett	7	7
G Jardine	1	1
K Robinson	7	6
S Lowe	7	7

Remuneration Report

• Directors' and Executives Emoluments

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive director. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as a part of the executives' way of conducting business.

The Company's performance, and hence that of its directors and executives, is measured in terms of:

- (i) Company share price growth;
- (ii) Cash raised;
- (iii) Exploration carried out; and
- (iv) Farm-in expenditure attracted.

The emoluments of each Director and Officer were as follows:

	Short term employee benefits			Post employment benefits		Share based payments	Total	Percentage of remuneration by options
	Salary and Directors' Fees	Other Services	Non-Monetary Benefits	Superannuation	Retirement Benefit	Options		
	\$	\$	\$	\$	\$	\$	\$	%
Director								
M Ashley								
2007	298,495	-	-	24,750	-	249,032	572,277	44%
2006	62,500	-	65,000	3,375	-	-	130,875	0%
M Bennett								
2007	257,336	-	-	21,591	-	249,032	527,959	47%
2006	34,205	-	1,469	3,079	-	-	38,753	0%
G Jardine								
2007	29,375	-	-	2,250	-	-	31,625	0%
2006	-	-	-	-	-	-	-	0%
K Robinson								
2007	28,424	-	-	-	-	118,891	147,315	81%
2006	7,477	-	-	-	-	-	7,477	0%
S Lowe								
2007	33,511	9,293	-	-	-	59,445	102,249	58%
2006	34,940	4,066	-	-	-	-	39,006	0%
S Stone								
2007	8,308	-	-	-	-	116,383	124,691	93%
2006	226,675	18,182	-	-	200,000	-	444,857	0%
Total								
2007	655,449	9,293	-	48,591	-	792,783	1,506,116	53%
2006	365,797	22,248	66,469	6,454	200,000	-	660,968	0%
Key Executives								
G Anderson								
2007	-	66,000	-	-	-	2,798	68,798	4%
2006	-	69,450	-	-	-	-	69,450	0%



Employment Benefits

The details of the executive employment contracts are as follows:

The Managing Director, Mark Ashley, current employment contract is a 3 year contract that commenced on the 18 April 2006 and terminates on the 17 April 2009, unless earlier terminated in accordance with this agreement. Upon the expiration of the term of this agreement, the Executive's appointment will continue on the same terms as this agreement unless the agreement is terminated in accordance with its terms. Under the terms of the present contract:

- Mr Ashley will be paid a minimum remuneration package of \$300,000p.a. base salary plus statutory superannuation. The Company will also provide a motor vehicle to the value of \$65,000 and will be responsible for costs associated with the maintenance, licensing, running of and repairs to the vehicle together with any fringe benefits tax payable in relation to the vehicle.
- The Company may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Company is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Company. On termination on notice by the Company, the Company is obliged to pay the Executive a six month service fee.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

The Exploration Director, Mark Bennett, current employment contract is a 3 year contract that commenced on the 9 May 2006 and terminates on the 8 May 2009, unless earlier terminated in accordance with this agreement. Upon the expiration of the term of this agreement, the Executive's appointment will continue on the same terms as this agreement unless the agreement is terminated in accordance with its terms. Under the terms of the present contract:

- Mr Bennett will be paid a minimum remuneration package of \$300,000p.a. base salary plus statutory superannuation. The Company will also provide a motor vehicle to the value of \$65,000 and will be responsible for costs associated with the maintenance, licensing, running of and repairs to the vehicle together with any fringe benefits tax payable in relation to the vehicle.
- The Company may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Company is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Company. On termination on notice by the Company, the Company is obliged to pay the Executive a six month service fee.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

The Operations Director, Glenn Jardine, current employment contract is a contract that commenced on the 31 May 2007. Upon the expiration of the term of this agreement, the Executive's appointment will continue on the same terms as this agreement unless the agreement is terminated in accordance with its terms. Under the terms of the present contract:

- Mr Jardine will be paid a minimum remuneration package of \$300,000p.a. base salary plus statutory superannuation.
- The Company may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Company is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Company. On termination on notice by the Company, the Company is obliged to pay the Executive a six month service fee.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

Share based payments

The Group has an ownership-based compensation scheme for executives and employees of the Group. Each employee share option converts into one ordinary share of Apex Minerals NL on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.



The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	Value of options granted at the grant date \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse \$	Total \$
Directors				
Stephen Stone	116,383	116,383	-	232,766
Mark Ashley	465,532	-	-	465,532
Mark Bennett	465,532	-	-	465,532
Glenn Jardine	-	-	-	-
Kim Robinson	232,766	-	-	232,766
Stephen Lowe	116,383	-	-	116,383
Key Executives				
Graham Anderson	68,260	-	-	68,260

1,500,000 options were issued to Glenn Jardine as a consultant but prior to him being an employee or director of the Company.

The terms of conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Options Series	Number	Grant Date	Expiry date	Exercise Price \$	Fair value at Grant Date \$
(1) Issued 20 July 2006	6,000,000	22/06/2006	20/07/2011	0.14	0.23
(11) Issued 1 June 2007	2,875,000	1/06/2007	1/06/2012	0.65	0.34

All of the options above vest two years after the date of issue. The expense is spread over the two year vesting period with \$726,214 to be expensed in the year ended 30 June 2008 and the year ended 30 June 2009.

Options were priced using a Black Scholes option pricing model using the inputs below.

	Series 1	Series 11
Grant Date Share price	0.30	0.56
Exercise Price	0.14	0.65
Expected volatility	70%	70%
Option life	20/07/2011	1/06/2012
Dividend yield	0%	0%
Interest rate	6.50%	6.50%

• Directors' Benefits

Since the date of the last Directors' Report, no director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in Note 23 to the financial statements), a benefit because of a contract that:

- (a) the director; or
- (b) a firm of which the director is a member; or
- (c) an entity in which the director has a substantial financial interest, has made (during the year ended 30 June 2007, or at any other time) with
 - (i) the Company; or
 - (ii) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive, the benefit (if any).

- **Share Options**

Options granted to Directors and officers of the Company

During and subsequent to year ended 30 June 2007 the following options have been issued to directors and executives as part of their remuneration:

	Number of Options issued pre 30 June 2007	Number of Options issued post 30 June 2007	Total
Director			
Stephen Stone(i)	500,000	-	500,000
Mark Ashley	2,000,000	500,000	2,500,000
Mark Bennett	2,000,000	500,000	2,500,000
Glenn Jardine(ii)	1,500,000	1,000,000	2,500,000
Stephen Lowe	500,000	300,000	800,000
Kim Robinson	1,000,000	300,000	1,300,000
Graham Anderson	200,000	-	200,000

(i) These vested and were exercised during the year.

(ii) Pre 30 June 2007 options issued were issued as a consultant as prior to being an employee or a director.

Shares issued on exercise of options

During the year 500,000 shares have been issued from the exercise of options. The exercise price was \$0.14 and the date of exercise was 16th November 2006. No amounts are unpaid on any shares issued on exercise of options.

Options outstanding

There are 19,120,000 options outstanding as at the date of this report.

Number of issue	Exercise Price \$	Expiry Date
1,500,000	0.20	3 July 2011
7,200,000	0.14	20 July 2011
250,000	0.30	17 August 2011
250,000	0.35	14 September 2011
300,000	0.20	31 May 2009
500,000	0.35	1 November 2011
1,000,000	0.35	1 November 2011
275,000	0.45	30 November 2011
300,000	0.45	30 November 2011
20,000	0.40	17 January 2012
2,875,000	0.65	1 June 2012
2,600,000	0.65	1 June 2012
2,050,000	1.00	30 July 2012
<u>19,120,000</u>		

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other related body corporate or in the interest issue of any other registered scheme.

Environmental Regulation

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its mineral exploration activities. At the date of this report the Company is not aware of any breach of those environmental requirements.

Directors' Insurance

During the year, the Company has paid a premium in respect of a contract insuring the directors of the Company (as named above) against liabilities incurred as such a director to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agree to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the highest principles of corporate governance. The Company's corporate governance statement is contained in the Corporate Governance section on pages 40 to 49.

Auditor's Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Non-Audit Services

During the year Stantons International, the Group's auditor, did not perform any other services in addition to their statutory duties.

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

Dated at Brisbane this 27th day of September 2007.



Mark Ashley
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APEX MINERALS NL

Report on the Financial Report

We have audited the accompanying financial report of Apex Minerals NL, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Apex Minerals NL are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards, but that the financial report of the Company does not comply.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

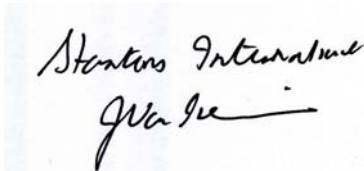
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

1. In our opinion:
 - (a) the financial report of Apex Minerals NL is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

STANTONS INTERNATIONAL (An Authorised Audit Company)



J P Van Dieren

Director

West Perth, Western Australia
27 September 2007

Stantons International

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27 September 2007

Board of Directors
Apex Minerals NL
Ground Floor
31 Ventnor Avenue
WEST PERTH WA 6005

Dear Directors

RE: APEX MINERALS NL

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Apex Minerals NL.

As Audit Director for the audit of the financial statements of Apex Minerals NL for the year ended 30 June 2007, 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.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director

DIRECTORS' DECLARATION

In the opinion of Apex Minerals NL ("the Company")

1. The financial statements and notes set out on pages 17 to 39, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Company and the Group as at 30 June 2007 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date; and
 - (b) complying with Accounting Standards and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the year ended 30 June 2007.

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

Dated at Brisbane this 27th day of September 2007.

A handwritten signature in black ink, appearing to read "Mark Ashley", with a horizontal line underneath.

Mark Ashley
Managing Director



**APEX MINERALS NL
INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Consolidated		Parent Entity	
		2007 \$	2006 \$	2006 \$	
Revenues from ordinary activities	2	202,474	90,752	182,835	90,752
Increase in value of financial asset		-	249,500	-	249,500
Recovery from subsidiary		22,018	-	-	-
Profit on sale of investments		736,302	-	-	-
Marketing expenses		(56,563)	(3,071)	(56,563)	(3,071)
Occupancy expenses		(128,162)	(63,201)	(128,162)	(63,201)
Share based payments		(1,276,088)	-	(1,276,088)	-
Administrative expenses		(1,862,320)	(1,078,613)	(1,862,291)	(1,078,613)
Exploration expenditure written off		(3,251,528)	(900,211)	(1,420,357)	(191,014)
Provisions for writedowns		(292,622)	-	(3,474,736)	(709,197)
Corporate costs		-	(23,487)	-	(23,487)
(Loss) from ordinary activities before related income tax expense	3	(5,906,489)	(1,728,331)	(8,035,362)	(1,728,331)
Income tax attributable to operating loss	4	-	-	-	-
Loss after income tax		(5,906,489)	(1,728,331)	(8,035,362)	(1,728,331)
Basic loss per share (cents)	19	<u>(3.69)</u>	<u>(3.02)</u>		

The accompanying notes form part of these financial statements



**APEX MINERALS NL
BALANCE SHEETS
AS AT 30 JUNE 2007**

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current Assets					
Cash assets	5	13,263,811	7,240,790	13,243,735	7,240,790
Receivables	6	42,859	16,536	40,297	16,536
Prepayments		25,432	35,777	25,432	35,777
Total Current Assets		<u>13,332,102</u>	<u>7,293,103</u>	<u>13,309,464</u>	<u>7,293,103</u>
Non Current Assets					
Receivables	6	-	-	-	-
Property, plant and equipment	7	357,119	74,878	357,119	74,878
Other financial assets	8	2,776,758	377,389	1,220,389	377,389
Exploration costs capitalised	9	-	-	-	-
Total Non Current Assets		<u>3,133,877</u>	<u>452,267</u>	<u>1,577,508</u>	<u>452,267</u>
Total Assets		<u>16,465,979</u>	<u>7,745,370</u>	<u>14,886,972</u>	<u>7,745,370</u>
Current Liabilities					
Payables	10	2,407,313	623,678	2,407,221	623,678
Provisions	11	117,740	11,796	117,740	11,796
Loan Payable	12	-	-	429,089	-
Interest bearing liability	13	-	550,000	-	550,000
Total Current Liabilities		<u>2,525,053</u>	<u>1,185,474</u>	<u>2,954,050</u>	<u>1,185,474</u>
Total Liabilities		<u>2,525,053</u>	<u>1,185,474</u>	<u>2,954,050</u>	<u>1,185,474</u>
Net Assets		<u>13,940,926</u>	<u>6,559,896</u>	<u>11,932,922</u>	<u>6,559,896</u>
Equity					
Contributed equity	14	24,080,610	12,768,810	24,080,610	12,768,810
Share based payments reserve	17	1,276,088	-	1,276,088	-
Available for sale investments revaluation reserve	17	699,631	-	820,500	-
Accumulated losses	15	(12,115,403)	(6,208,914)	(14,244,276)	(6,208,914)
Total Equity		<u>13,940,926</u>	<u>6,559,896</u>	<u>11,932,922</u>	<u>6,559,896</u>

The accompanying notes form part of these financial statements



**APEX MINERALS NL
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		-	30,929	-	30,929
Payments to suppliers and employees		(4,187,946)	(1,382,941)	(1,262,058)	(833,744)
Interest received		182,905	54,702	182,905	54,702
Other income		41,656	-	-	-
Net cash flows (used in) operating activities		<u>(3,963,385)</u>	<u>(1,297,310)</u>	<u>(1,079,153)</u>	<u>(748,114)</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(377,954)	(68,512)	(377,954)	(68,512)
Amounts advanced to subsidiaries		-	-	(3,474,735)	(549,197)
Payments for investments		(2,815,664)	(237,889)	(22,500)	(237,889)
Proceeds from sale of equity investments		2,222,736	-	-	-
Payments relating to project costs		(350,570)	-	(350,570)	-
Net cash flows (used in) investing activities		<u>(1,321,452)</u>	<u>(306,401)</u>	<u>(4,225,759)</u>	<u>(855,598)</u>
Cash flows from financing activities					
Payments for costs of raising capital		(176,077)	(204,878)	(176,077)	(204,878)
Proceeds from share issue		12,033,935	8,361,100	12,033,935	8,361,100
Repayment of loan		(550,000)	-	(550,000)	-
Net cash flows from financing activities		<u>11,307,858</u>	<u>8,156,222</u>	<u>11,307,858</u>	<u>8,156,222</u>
Net increase in cash held		6,023,021	6,552,511	6,002,946	6,552,510
Cash at beginning of the year		7,240,790	688,279	7,240,789	688,279
Cash at end of the year	5	<u>13,263,811</u>	<u>7,240,790</u>	<u>13,243,735</u>	<u>7,240,789</u>

**RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH
OUTFLOW FROM OPERATING ACTIVITIES**

Operating (loss) after tax	(5,906,489)	(1,728,331)	(8,035,362)	(1,728,331)
Depreciation	106,434	11,093	106,434	11,093
Employee entitlements	105,944	11,796	105,944	11,796
Share based payments	1,276,088	-	1,276,088	-
Provision for non recovery of loan	292,622	-	3,474,736	549,197
Provision for diminution of investment	-	160,000	-	160,000
Profit on sale of investments	(736,302)	-	-	-
Changes in assets and liabilities				
(Increase)/Decrease in receivables	(26,323)	(49,146)	(23,761)	(49,146)
(Increase)/Decrease in other assets	-	(249,500)	-	(249,500)
Increase/(Decrease) in payables	924,641	546,778	2,016,768	546,779
	<u>(3,963,385)</u>	<u>(1,297,310)</u>	<u>(1,079,153)</u>	<u>(748,113)</u>

The accompanying notes form part of these financial statements



**APEX MINERALS NL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Available for sale investments revaluation reserve	Total Equity
	\$	\$	\$	\$	\$
Consolidated					
Balance 1 July 2005	4,612,587	(4,480,583)	-	-	132,004
Issue of share capital	8,388,600	-	-	-	8,388,600
Capital raising costs	(232,377)	-	-	-	(232,377)
Loss for the year	-	(1,728,331)	-	-	(1,728,331)
Balance 30 June 2006	<u>12,768,810</u>	<u>(6,208,914)</u>	<u>-</u>	<u>-</u>	<u>6,559,896</u>
Issue of share capital	11,960,000	-	-	-	11,960,000
Capital raising costs	(718,200)	-	-	-	(718,200)
Issue of options	-	-	1,276,088	-	1,276,088
Exercise of options	70,000	-	-	-	70,000
Net unrealised gain for the year	-	-	-	-	-
Revaluation - gross	-	-	-	699,631	699,631
Loss for the year	-	(5,906,489)	-	-	(5,906,489)
Balance 30 June 2007	<u>24,080,610</u>	<u>(12,115,403)</u>	<u>1,276,088</u>	<u>699,631</u>	<u>13,940,926</u>
Parent					
Balance 1 July 2005	4,612,587	(4,480,583)	-	-	132,004
Issue of share capital	8,388,600	-	-	-	8,388,600
Capital raising costs	(232,377)	-	-	-	(232,377)
Loss for the year	-	(1,728,331)	-	-	(1,728,331)
Balance 30 June 2006	<u>12,768,810</u>	<u>(6,208,914)</u>	<u>-</u>	<u>-</u>	<u>6,559,896</u>
Issue of share capital	11,960,000	-	-	-	11,960,000
Capital raising costs	(718,200)	-	-	-	(718,200)
Issue of options	-	-	1,276,088	-	1,276,088
Exercise of options	70,000	-	-	-	70,000
Revaluation - gross	-	-	-	820,500	820,500
Loss for the year	-	(8,035,362)	-	-	(8,035,362)
Balance 30 June 2007	<u>24,080,610</u>	<u>(14,244,276)</u>	<u>1,276,088</u>	<u>820,500</u>	<u>11,932,922</u>

The accompanying notes form part of these financial statements

APEX MINERALS NL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Apex Minerals NL (the Company) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 27 September 2007.

Apex Minerals NL is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Disclosure and Presentation*.

(b) Basis of preparation

This financial report is a general purpose financial report which has been prepared on an accruals basis in accordance with Accounting Standards, Australian Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements have also been prepared in accordance with the historical cost convention and except where stated, does not take into account changing money values or fair values of non-current assets. These accounting policies have been consistently applied and are consistent with those of the previous year.

(c) Exploration and Evaluation Expenditure

The Company has adopted the policy of expensing all exploration and evaluation expenditure in relation to its mineral tenements as incurred.

(d) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Plant and equipment is depreciated on the diminishing value method at the rate of 22.5% and computer equipment at 40% on the diminishing value method.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(e) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(f) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(j) Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

(l) Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(m) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

(n) Accounts Payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(o) Transactions Costs Arising on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

APEX MINERALS NL NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

(p) Earnings per Share

- (i) **Basic Earnings per Share**
Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.
- (ii) **Diluted Earnings per Share**
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of partly paid shares or options outstanding during the financial year.

(q) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature without any cash consideration are not recognised as revenues.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(r) Joint Venture Operations

The Company's interest in joint ventures is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and share of its output on a line-by-line basis.

(s) Consolidations

The consolidated financial statements are those of the Group, comprising Apex Minerals NL (the parent company) and all entities that Apex Minerals NL controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2007 (CONTINUED)**

(t) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of the employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using marketing yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(u) Share based payments

(i) Equity settled transaction:

The group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently a Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives; and

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Apex Minerals NL (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees come fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon market condition.

APEX MINERALS NL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (CONTINUED)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had been vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earning per share.

(v) Comparatives

Some comparatives may have been reclassified to be consistent with the current year's disclosures.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

- *AASB 7 Financial Instruments: Disclosures* and *AASB 2005-10 Amendments to Australian Accounting Standards*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and parent entity's financial instrument.

- *AASB-I 10 Interim Financial Reporting and Impairment*

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(x) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects current and future periods.



**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2007 (CONTINUED)**

There are no critical judgements (apart from those involving estimations, which are dealt with below) used in applying the entity's accounting policies.

With regards to critical accounting estimates:

- the Group is subject to income tax in Australia and judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. In addition, the Group has carry forward tax losses of which the utilisation of the tax losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped;
- the Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black Scholes model, using the assumptions as detailed in note 24.



APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 2. REVENUE				
Revenue from outside the Operating Activities				
Interest revenue	182,835	59,823	182,835	59,823
Fair value of financial asset received from joint venture farminee as part of joint venture agreement	19,639	-	-	-
Sundry	-	30,929	-	30,929
Total Revenue	202,474	90,752	182,835	90,752

NOTE 3. OPERATING LOSS

(a) Operating loss from ordinary activities before income tax has been arrived at after charging the following items:

Depreciation of plant and equipment	106,434	11,093	106,434	11,093
Exploration expenditure written off	3,251,528	900,211	1,420,357	191,014
Provision for diminution of investment in controlled entity	-	-	-	160,000
Provision for non-recovery of loan to in controlled entity	-	-	3,474,736	549,197

NOTE 4. INCOME TAX

The prima facie tax on operating (loss) is reconciled to the income tax provided in the financial statements as follows:

Loss from ordinary activities before income tax expense	(5,906,489)	(1,728,331)	(8,035,362)	(1,728,331)
Prima facie tax payable on profit (loss) from ordinary activities at 30% (2006: 30%)	(1,771,947)	(518,499)	(2,410,609)	(518,499)

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Non-deductible expenses		99,498		99,498
Legal fees	2,281		2,281	
Share based payments	382,826		382,826	
Non-deductible entertainment (50/50 split method)	2,320		2,320	
Section 40-880 deduction	(62,503)		(62,503)	
Movement in capital project cost in relation to acquisitions	(105,171)		-	
Unrealised gains on asset revaluation	-		-	
Movement in provision for diminution in value	-		-	
Accrued income	21		21	
Movement in provision for accounting and audit fees	3,600		3,600	
Accrued interest payable	(9,131)		(9,131)	
Movement in provision for annual leave	31,783		31,783	
Movement in provision for superannuation	3,100		3,100	
Movement in provision for non-recovery	-		1,042,421	
	249,126	99,498	1,396,718	99,498
Income tax benefit not brought to account	1,522,820	419,001	1,013,890	419,001
Income tax expense	-	-	-	-
Unrecognised temporary differences				
Deferred tax assets				
On income tax account				
Capital raising costs	230,533	75,655	230,533	75,655
Provisions	46,522	17,170	1,495,350	458,899
Carry forward tax losses	3,008,130	1,485,310	2,499,200	1,485,310
	3,285,185	1,578,135	4,225,083	2,019,864
Deferred tax liability				
Provisions	(5,435)	(5,456)	(5,435)	(5,456)
Capitalised exploration expenditure	(105,171)	-	-	-
Available for sale investments revaluation reserve	(209,889)	-	(246,150)	-
	(320,495)	(5,456)	(251,585)	(5,456)



**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 4. INCOME TAX (cont)

(i) The deferred tax liability has not been recognised on the basis that it is not probable that any disposals of the investments will result in a tax payable due to the losses available to the Company and the Group.

(ii) This benefit for tax losses will only be obtained if:

- (a) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by Law; and
- (c) no changes in tax legislation adversely affect the ability of the Company to realise these benefits.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 5. CASH ASSETS				
Cash at bank and on hand	12,723,156	6,727,130	12,703,080	6,727,130
Deposits at call	540,655	513,660	540,655	513,660
	<u>13,263,811</u>	<u>7,240,790</u>	<u>13,243,735</u>	<u>7,240,790</u>
NOTE 6. RECEIVABLES				
Current				
Accrued interest	5,616	5,686	5,616	5,686
Accounts receivable	3,276	1,327	3,276	1,327
GST receivable	33,967	9,523	31,405	9,523
	<u>42,859</u>	<u>16,536</u>	<u>40,297</u>	<u>16,536</u>
NOTE 6. RECEIVABLES (cont)				
Non Current				
Loan to controlled entity	-	-	4,220,655	745,919
Provision for non-recovery	-	-	(4,220,655)	(745,919)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NOTE 7. PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment at cost	500,145	111,470	500,145	111,470
Accumulated depreciation	(143,026)	(36,592)	(143,026)	(36,592)
	<u>357,119</u>	<u>74,878</u>	<u>357,119</u>	<u>74,878</u>
Movement during the year				
Carrying amount at beginning of year	74,878	17,458	74,878	17,458
Additions	388,675	68,513	388,675	68,513
Depreciation	(106,434)	(11,093)	(106,434)	(11,093)
Carrying amount at end of year	<u>357,119</u>	<u>74,878</u>	<u>357,119</u>	<u>74,878</u>
NOTE 8. OTHER FINANCIAL ASSETS				
Controlled entities - unlisted	-	-	726,511	726,511
Less provision for diminution in value	-	-	(726,511)	(726,511)
Investment in other entity - available for sale (i)	1,275,800	249,500	1,070,000	249,500
Deposits in relation to post balance sheet acquisitions	1,000,000	-	-	-
Bank guarantees	150,389	127,889	150,389	127,889
Project costs in relation to post balance sheet date acquisitions	350,569	-	-	-
	<u>2,776,758</u>	<u>377,389</u>	<u>1,220,389</u>	<u>377,389</u>

(i) The investments were classified as held for trading in the prior year and have been reclassified as available-for-sale investments for the current year. As at 25 September 2007, the carrying value for the Company was \$450,000 and the Group was \$566,100.



APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 9. EXPLORATION COSTS				
Exploration at cost	-	-	-	-
	-	-	-	-
Movement during the year				
Balance at beginning of year	-	-	-	-
Expenditure incurred during the year	3,251,528	900,211	1,420,357	191,014
Exploration expenditure written off	(3,251,528)	(900,211)	(1,420,357)	(191,014)
Balance at end of year	-	-	-	-
NOTE 10. PAYABLES				
Trade creditors	186,737	110,385	186,737	110,385
Accrued expenses	2,220,576	513,293	2,220,484	513,293
	2,407,313	623,678	2,407,221	623,678
NOTE 11. PROVISIONS				
Employee benefits	117,740	11,796	117,740	11,796
	117,740	11,796	117,740	11,796
Number of employees	13	5	13	5
NOTE 12. LOAN PAYABLE				
Amount owing to subsidiaries	-	-	429,089	-
	-	-	429,089	-
NOTE 13. INTEREST BEARING LIABILITIES				
Yandal Investments Pty Ltd	-	550,000	-	550,000
	-	550,000	-	550,000
NOTE 14. CONTRIBUTED EQUITY				
Issued Capital				
Fully paid ordinary shares	24,080,407	12,768,607	24,080,407	12,768,607
20,348,750 shares partly paid to 0.001 cents each	203	203	203	203
	24,080,610	12,768,810	24,080,610	12,768,810

Partly Paid Shares - Terms and Conditions

- 1) No calls may be made by the Company for the partly paid shares currently on issue to be fully paid up, for 5 years from the date of the Meeting.
- 2) After the first anniversary of the date of this General Meeting, the holder of partly paid shares may request that a call be made by the Company to pay up the uncalled capital on no more than one half of the partly paid shares held by that shareholder.
- 3) After the second anniversary of the date of this General Meeting, the holder of partly paid shares may request that call be made by the Company to pay up the uncalled capital on all of the remaining partly paid shares held by that shareholder or from time to time a proportion thereof.

Movements in issued and paid up ordinary capital of the Company during the past year were as follows:

	2007	2006	2007	2006
	NUMBER OF SHARES		\$	\$
Balance at the beginning of the year:	158,619,755	44,733,755	12,768,607	4,612,384
Issues	-	-	-	-
Placement to Noranda at 20 cents	-	-	-	-
Placement at 10 cents	-	13,886,000	-	1,388,600
Placement at 7 cents	-	8,790,000	-	615,300
Placement at 7 cents	-	91,210,000	-	6,384,700
Placement at 52 cents	23,000,000	-	11,960,000	-
Cost of issue	-	-	(718,200)	(232,378)
Options exercised	500,000	-	70,000	-
Balance at year end	182,119,755	158,619,755	24,080,407	12,768,607



APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 15. (ACCUMULATED LOSSES)				
Accumulated losses				
Accumulated losses at beginning of year	(6,208,914)	(4,480,583)	(6,208,914)	(4,480,583)
Net loss attributable to Apex Minerals NL	(5,906,489)	(1,728,331)	(8,035,362)	(1,728,331)
Accumulated losses at end of year	<u>(12,115,403)</u>	<u>(6,208,914)</u>	<u>(14,244,276)</u>	<u>(6,208,914)</u>

NOTE 16. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

The Company must meet the following tenement expenditure commitments to maintain them in good standing until they joint ventured, sold, reduced, relinquished, exemptions from expenditure are applied for or are otherwise disposed of. These commitments, net of farm outs, are not provided for in the financial statements and are:

Not later than one year	1,433,480	256,200	163,000	256,200
After one year but less than two years	1,433,480	256,200	163,000	256,200
After two years but less than five years	4,300,440	768,600	489,000	768,600
After five years	1,433,480	-	163,000	-
	<u>8,600,880</u>	<u>1,281,000</u>	<u>978,000</u>	<u>1,281,000</u>

(b) Operating lease commitments - Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2007 are as follows:

Within one year	121,452	76,725	121,452	76,725
After one year but not more than five years	475,687	368,280	475,687	368,280
More than five years	-	92,070	-	92,070
	<u>597,139</u>	<u>537,075</u>	<u>597,139</u>	<u>537,075</u>

NOTE 17. RESERVES

Share-based payments reserve

Balance at beginning of year	-	-	-	-
Options issued to consultants	134,658	-	134,658	-
Options issued to employees	1,141,430	-	1,141,430	-
Balance at year end	<u>1,276,088</u>	<u>-</u>	<u>1,276,088</u>	<u>-</u>

The share based payments reserve is used to recognise the fair value of share based payments issued to employees and consultants.

Available-for-sale investments revaluation reserve

Balance at beginning of year	-	-	-	-
Revaluation	699,631	-	820,500	-
Balance at year end	<u>699,631</u>	<u>-</u>	<u>820,500</u>	<u>-</u>

Changes in the fair value and exchange differences arising on translation of investments, such as equities classified as available-for-sale financial assets, are taken to the available for-sale investments revaluation reserve. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

NOTE 18. CONTINGENT LIABILITIES

The directors are of the opinion that there are no contingent liabilities as at 30 June 2007.

NOTE 19. EARNINGS/(LOSS) PER SHARE

	Consolidated	
	2007	2006
	Cents per share	
a) Basic loss per share	(3.69)	(3.02)
b) Net loss used in calculating	\$	\$
- Basic loss per share	(5,906,489)	(1,728,331)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	Number of shares	
	<u>160,000,577</u>	<u>57,234,062</u>

Diluted earnings per share has not been disclosed as it does not result in a superior position.



**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 20. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk on financial assets of the Company which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

(b) Foreign Currency Risk Exposure

The Group has transactional currency exposures. Such exposure arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. Majority of the Group's transactions are on Australian dollars.

(c) Interest Rate Risk Exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

	Floating Interest Rate		Fixed Interest Less than 1 year		Non-Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets								
Cash Assets	12,723,156	6,727,130	540,655	513,660	-	-	13,263,811	7,240,790
Other financial assets	-	-	-	-	1,426,189	377,389	1,426,189	377,389
Receivables	-	-	-	-	42,859	16,536	42,859	16,536
	<u>12,723,156</u>	<u>6,727,130</u>	<u>540,655</u>	<u>513,660</u>	<u>1,469,048</u>	<u>393,925</u>	<u>14,732,859</u>	<u>7,634,715</u>
Interest Rate	4.00%	5.10%	5.00%	5.46%				
Financial Liabilities								
Payables	-	-	-	-	2,407,312	623,678	2,407,312	623,678
Interest bearing liability	-	-	-	550,000	-	-	-	550,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>2,407,312</u>	<u>623,678</u>	<u>2,407,312</u>	<u>1,173,678</u>
Interest Rate								
Net Financial Assets/(Liabilities)	<u>12,723,156</u>	<u>6,727,130</u>	<u>540,655</u>	<u>(36,340)</u>	<u>(938,264)</u>	<u>(229,753)</u>	<u>12,325,547</u>	<u>6,461,037</u>

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and liabilities are the same as their carrying amount.

(e) Commodity's Price Risk

The Group's exposure to price risk is minimal.

NOTE 21. AUDITORS REMUNERATION	Consolidated		Parent Entity	
	2007	2006	2007	2006
Amounts received or due and receivable by the auditors of parent entity:				
- auditing or reviewing the financial report	38,931	16,090	38,931	16,090
- other services	-	-	-	-
	<u>38,931</u>	<u>16,090</u>	<u>38,931</u>	<u>16,090</u>

NOTE 22. SEGMENT INFORMATION

The Company operates in the mining industry and geographical segments of Australia and China. All assets, liabilities and revenue of the Group are located in the geographical segment of Australia. Exploration costs written off during the year for the Group was \$306,909 (2006: \$842,287) relates to the China segment.

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Directors and Key Executive

(i) Directors

Mark Ashley	Managing Director - Appointed on the 18th April 2006
Mark Bennett	Exploration Director - Appointed on the 9th May 2006
Glenn Jardine	Operations Director - Appointed on the 1th June 2007
Kim Robinson	Chairman/Director (non-executive) - Appointed on the 26th September 2006
Stephen John Lowe	Director (non-executive)

(i) Key Executives

Graham Anderson	Company Secretary
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APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(b) Remuneration of Directors and Key Executive

	Short term employee benefits			Post employment benefits		Share based payments	Total	Percentage of remuneration by options
	Salary and Directors' Fees	Other Services	Non-Monetary Benefits	Superannuation	Retirement Benefit	Options		
	\$	\$	\$	\$	\$	\$		
Director								
M Ashley								
2007	298,495	-	-	24,750	-	249,032	572,277	44%
2006	62,500	-	65,000	3,375	-	-	130,875	0%
M Bennett								
2007	257,336	-	-	21,591	-	249,032	527,959	47%
2006	34,205	-	1,469	3,079	-	-	38,753	0%
G Jardine								
2007	29,375	-	-	2,250	-	-	31,625	0%
2006	-	-	-	-	-	-	-	0%
K Robinson								
2007	28,424	-	-	-	-	118,891	147,315	81%
2006	7,477	-	-	-	-	-	7,477	0%
S Lowe								
2007	33,511	9,293	-	-	-	59,445	102,249	58%
2006	34,940	4,066	-	-	-	-	39,006	0%
S Stone								
2007	8,308	-	-	-	-	116,383	124,691	93%
2006	226,675	18,182	-	-	200,000	-	444,857	0%
Total								
2007	655,449	9,293	-	48,591	-	792,783	1,506,116	53%
2006	365,797	22,248	66,469	6,454	200,000	-	660,968	0%
Key Executives								
G Anderson								
2007	-	66,000	-	-	-	2,798	68,798	4%
2006	-	69,450	-	-	-	-	69,450	0%

The Managing Director, Mark Ashley, current employment contract is a 3 year contract that commenced on the 18 April 2006 and terminates on the 17 April 2009, unless earlier terminated in accordance with this agreement. Upon the expiration of the term of this agreement, the Executive's appointment will continue on the same terms as this agreement unless the agreement is terminated in accordance with its terms. Under the terms of the present contract:

- Mr Ashley will be paid a minimum remuneration package of \$300,000p.a. base salary plus statutory superannuation. The Company will also provide a motor vehicle to the value of \$65,000 and will be responsible for costs associated with the maintenance, licensing, running of and repairs to the vehicle together with any fringe benefits tax payable in relation to the vehicle.
- The Company may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Company is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Company. On termination on notice by the Company, the Company is obliged to pay the Executive a six month service fee.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

The Exploration Director, Mark Bennett, current employment contract is a 3 year contract that commenced on the 9 May 2006 and terminates on the 8 May 2009, unless earlier terminated in accordance with this agreement. Upon the expiration of the term of this agreement, the Executive's appointment will continue on the same terms as this agreement unless the agreement is terminated in accordance with its terms. Under the terms of the present contract:

- Mr Bennett will be paid a minimum remuneration package of \$300,000p.a. base salary plus statutory superannuation. The Company will also provide a motor vehicle to the value of \$65,000 and will be responsible for costs associated with the maintenance, licensing, running of and repairs to the vehicle together with any fringe benefits tax payable in relation to the vehicle.



**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(b) Remuneration of Directors and Key Executive (cont)

Exploration Director (cont).

- The Company may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Company is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Company. On termination on notice by the Company, the Company is obliged to pay the Executive a six month service fee.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

The Operations Director, Glenn Jardine, current employment contract is a contract that commenced on the 31 May 2007. Upon the expiration of the term of this agreement, the Executive's appointment will continue on the same terms as this agreement unless the agreement is terminated in accordance with its terms. Under the terms of the present contract:

- Mr Jardine will be paid a minimum remuneration package of \$300,000p.a. base salary plus statutory superannuation.
- The Company may terminate this agreement by not less than three months' notice in writing if the Executive becomes incapacitated by illness or accident for an accumulated period of three months or the Company is advised by an independent medical officer that the Executive's health has deteriorated to a degree that it is advisable for the Executive to leave the Company. On termination on notice by the Company, the Company is obliged to pay the Executive a six month service fee.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. On termination with cause, the Executive is not entitled to any payment.

(c) Remuneration options: Granted and vested during the year

Directors and key executives were granted options during the year.

The Group has an ownership-based compensation scheme for executives and employees of the Group. Each employee share option converts into one ordinary share of Apex Minerals NL on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	Value of options granted at the grant date \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse \$	Total \$
Directors				
Stephen Stone	116,383	116,383	-	232,766
Mark Ashley	465,532	-	-	465,532
Mark Bennett	465,532	-	-	465,532
Glenn Jardine	-	-	-	-
Kim Robinson	232,766	-	-	232,766
Stephen Lowe	116,383	-	-	116,383
Key Executives				
Graham Anderson	68,260	-	-	68,260

1,500,000 options were issued to Glenn Jardine as a consultant but prior to him being an employee or director of the Company.

The terms of conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Options Series	Number	Grant Date	Expiry date	Exercise Price \$	Fair value at Grant Date \$
(1) Issued 20 July 2006	6,000,000	22/06/2006	20/07/2011	0.14	0.23
(11) Issued 1 June 2007	2,875,000	1/06/2007	1/06/2012	0.65	0.34

All of the options above vest two years after the date of issue. The expense is spread over the two year vesting period with \$726,214 to be expensed in the year ended 30 June 2008. See note 24 for the assumptions used in the Black Scholes valuation.



**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 23. DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

(d) Shareholdings of Directors and Key Executives

Fully Paid Ordinary Shares

	Held at 1 July 2006	Purchases	Sales	Held at 30 June 2007
<u>(i) Directors</u>				
Mark Ashley	16,000,000	250,000	-	16,250,000
Mark Bennett	1,400,000	50,000	-	1,450,000
Glenn Jardine	215,000	2,000,000	-	2,215,000
Kim Robinson	4,800,000	200,000	-	5,000,000
Stephen John Lowe	171,201	-	-	171,201

(ii) Key Executives

Graham Anderson	85,001	-	-	85,001
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Options

	Held at 1 July 2006	Granted	Exercised	Held at 30 June 2007
<u>(i) Directors</u>				
Mark Ashley	-	2,000,000	-	2,000,000
Mark Bennett	-	2,000,000	-	2,000,000
Glenn Jardine	-	1,500,000	-	1,500,000
Kim Robinson	-	1,000,000	-	1,000,000
Stephen John Lowe	-	500,000	-	500,000

(ii) Key Executives

Graham Anderson	-	200,000	-	200,000
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(e) Other transactions of Directors and Director-Related entities

During the year the Company paid taxation and business consulting fees of \$9,293 to MKT at normal professional rates an accounting firm of which S J Lowe is a non-executive director.

Aggregate amounts of each of the above types of transactions with Directors and their Director-related entities are included in Directors' remuneration disclosed above.

(f) Remuneration Practices

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive director. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as a part of the executives' way of conducting business.

The Company's performance, and hence that of its directors and executives, is measured in terms of:

- (i) Company share price growth;
- (ii) Cash raised;
- (iii) Exploration carried out; and
- (iv) Farm-in expenditure attracted.

Upon retirement no benefits will be paid to specified directors and executives.



**APEX MINERALS NL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 24. SHARE BASED PAYMENTS

The Group has an ownership-based compensation scheme for executives and employees of the Group. Each employee share option converts into one ordinary share of Apex Minerals NL on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends or voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payments arrangements were in existence during the current and comparative reporting periods:

Options Series	Number	Grant Date	Expiry date	Exercise Price	Fair value at Grant Date
				\$	\$
(1) Issued 20 July 2006	6,000,000	22/06/2006	20/07/2011	0.14	0.23
(2) Issued 20 July 2006	350,000	24/04/2006	20/07/2011	0.14	0.24
(3) Issued 20 July 2006	1,000,000	7/05/2006	20/07/2011	0.14	0.23
(4) Issued 20 July 2006	350,000	29/05/2006	20/07/2011	0.14	0.22
(5) Issued 18 August 2006	250,000	18/08/2006	17/08/2011	0.30	0.10
(6) Issued 15 September 2006	250,000	4/09/2006	14/09/2011	0.35	0.26
(7) Issued 1 November 2006	1,500,000	13/10/2006	1/11/2011	0.35	0.23
(8) Issued 15 November 2006	75,000	20/11/2006	30/11/2011	0.45	0.14
(9) Issued 15 November 2006	100,000	1/09/2006	30/11/2011	0.45	0.14
(10) Issued 23 January 2007	20,000	23/01/2007	12/01/2012	0.45	0.18
(11) Issued 1 June 2007	2,875,000	1/06/2007	1/06/2012	0.65	0.34

All of the options above vest two years after the date of issue with the exception of 500,000 options in series 7 which vested immediately. The options are expensed over the two year vesting period and there is \$2,067,681 to be expensed in the year ended 30 June 2008 and the year ended 30 June 2009.

The 500,000 options which vested immediately were issued to a consultant were valued at \$24,725 as the value of the service provided.

The weighted average fair value of the share options granted during the financial year is \$0.23 (2006: \$nil).

Options were priced using a Black Scholes option pricing model using the inputs below.

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7	Series 8	Series 9	Series 10	Series 11
Grant Date Share price	0.30	0.31	0.30	0.29	0.27	0.40	0.36	0.36	0.35	0.32	0.56
Exercise Price	0.14	0.14	0.14	0.14	0.30	0.35	0.35	0.45	0.45	0.45	0.65
Expected volatility	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Option life	20/07/2011	20/07/2011	20/07/2011	20/07/2011	17/08/2011	14/09/2011	1/11/2011	30/11/2011	30/11/2011	12/01/2012	1/06/2012
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Interest rate	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%

The following reconciles the outstanding share options granted to employees and directors at the beginning and the end of the financial year:

	2007		2006	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at the beginning of the financial year	-	-	-	-
Granted during the financial year	12,770,000	0.29	-	-
Exercised during the financial year (i)	(500,000)	0.14	-	-
Expired during the financial year	-	-	-	-
Balance at the end of the financial year	<u>12,270,000</u>	<u>0.29</u>	<u>-</u>	<u>-</u>
Exercisable at end of the financial year	<u>500,000</u>	<u>0.35</u>	<u>-</u>	<u>-</u>

(i) Exercised during the year

	Number exercised	Exercise date	Share price at exercise date
2007			
Option Series			
(1) Issued 20 July 2006	500,000	16/11/2006	0.38



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NOTE 25. INTEREST IN JOINT VENTURES

The Company has entered into unincorporated joint ventures where the joint venturer may earn its interest in mining and exploration tenements held by the Company, as set out in the various agreements. The joint ventures agreements are listed as follows:

Apex Minerals NL - Windimurra Resources Pty Ltd Farm-In and Joint Venture Agreement
 Apex Minerals NL - Bernfried Gunter Franz Wasse Farm-In and Joint Venture Agreement
 Apex Minerals NL - Tyson Resources Pty Ltd/ Wedgetail Resources Pty Ltd Sale and Joint Venture Agreement
 Apex Minerals NL - Mark Gareth Creasy Deed
 Apex Minerals NL - Mark Gareth Creasy 33.3% - Bruce Legendre (33.3%) - Voermans Geological Services Pty Ltd (33.3%) Farm-In and Joint Venture Agreement
 Apex Minerals NL – Maximus Resources Ltd Farm-In and Joint Venture Agreement
 Apex Minerals NL – Abra Mining Farm-In and Joint Venture Agreement

NOTE 26. INVESTMENT IN CONTROLLED ENTITIES

Details of investments in the ordinary share capital of controlled entities is as follows:

Name of Entity	Equity Holding		Cost of Parent Entity's Investment	
	2007 %	2006 %	2007 \$	2006 \$
Parent Entity				
Apex Minerals N.L. (Incorporated Australia)			-	-
Controlled Entities				
Apex Xinjiang N.L. (Incorporated Australia)	100	100	726,511	726,511
Apex Nickel Australia Pty Ltd (Incorporated Australia)	100	-	-	-
Apex Gold Pty Ltd (Incorporated Australia)	100	-	-	-
Sonax Investment Pty Ltd (Incorporated Australia)	100	-	-	-
Apex Greenstone Mountain Pty Ltd (Incorporated Australia)	100	100	-	-
Subsidiaries of Apex Xinjiang N.L.				
Apex Copper Mountain Pty Ltd (Incorporated Australia)	100	100	-	-
			726,511	726,511

NOTE 27. SUBSEQUENT EVENTS

The Group has entered into several agreements for the purchase of exploration and mining assets prior to the 2007 financial year end however the recognition of the assets purchased are based upon events that have occurred prior to the release of the annual report for Apex.

The details of these events are as follows:

Gidgee Gold Project ("Gidgee")

The purchase of Gidgee was entered in with Legend Mining Ltd and was effective at the end of July 2007 at an agreed value of \$11,000,000 satisfied through the issue of 34,000,000 Apex shares. At 10th August 2007 when the shares were issued, the share price was \$0.93.

Youanmi Gold Project ("Youanmi")

The purchase of Youanmi was entered in with Goldcrest Resources Ltd effective at the end of July 2007 for the total purchase price of \$10,000,000 consisting of the issue of 14,285,714 Apex shares and \$5,000,000 in cash. At 31st July 2007 when the shares were issued, the share price was \$1.10.

A completion fee of \$500,000 was paid to Prime Corporate Finance in relation to this acquisition.

Aphrodite Gold Project ("Aphrodite")

The purchase of Aphrodite was entered in with Barrick Australia Limited and effective at the end of July 2007 for the purchase price of \$7,000,000 consisting of \$5,000,000 cash payment and 2,051,272 of Apex shares. At 8th August 2007 when the shares were issued, the share price was \$0.96.

Wiluna Project ("Wiluna")

The purchase of Wiluna was entered in with Oxiana Limited effective from the 1st of August 2007 for the purchase price of \$16,500,000 in cash and \$10,000,000 worth of Apex shares.

Stamp Duty

Stamp duty in relation to the above acquisitions will be quantified and paid subsequent to the date of this report.



**APEX MINERALS NL
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FOR THE YEAR ENDED 30 JUNE 2007**

NOTE 27. SUBSEQUENT EVENTS (cont)

Capital Raising

A capital raising of 62,000,000 shares at \$0.52 cents per share being equivalent of \$32,200,000 was placed with institutional shareholders and overseas investors in June 2007. The placement had been taken in two tranches and the initial 15% being \$11,960,000 (gross) was received on the 13th of June 2007 and the second tranche received on the 24th of July 2007.

On the 30th of July 2007, it was announced that there was a placement of 35,000,000 shares at \$1 per share. It will be completed in two tranches, with the initial 30 million shares being issued using Apex's ability to issue up to 15% of its issued capital within a 12 month period without the need for shareholder approval. The issue of the remaining 5 million shares will be subject to shareholder approval which will be sought at an Extraordinary General Meeting of Apex expected to be held around the end of August.

Investment with Maximus Resources ("Maximus")

On the 23rd of May 2007, an announcement was made that there was a restructure of the residual minority interests with Maximus that would see Apex increase its shares in Maximus to 3,500,000 shares and 2,000,000 options). The restructure had to be met by shareholders approval and this took place in July 2007.

Options Issued

(i) 2,050,000 options were issued on 1st August 2007 pursuant to the Employee Share Option Plan to new employees due to the Wiluna Project Acquisition.

(ii) 2,600,000 options were issued to directors at 65 cents expiring 1st June 2012 pursuant to a Resolution of shareholders at General Meeting.

NOTE 28. PLACE OF INCORPORATION

The Company and all subsidiaries are domiciled and incorporated in Australia.

The principal place of business for the Company and the Group is Western Australia.

NOTE 29. RELATED PARTIES

Copper Mountain Joint Venture was liquidated on 11 June 2007 and proceeds of the liquidation had been forwarded to Apex Greenstone Pty Ltd in the amount of \$22,018 representing the cash held by the the Company.

Apex Minerals NL provides working capital to its controlled entities. Transactions between Apex Mineral NL and other controlled entities in the wholly owned Group during the year ended 30 June 2007 consisted of:

- (i) Working capital advanced by Apex Minerals NL;
- (ii) Provision of management and other services by Apex Minerals NL, and
- (iii) Expenses paid by Apex Minerals NL on behalf of its controlled entities, and
- (iv) Cash received by Apex Minerals NL on behalf of subsidiaries with no bank accounts.

The above transactions were made interest free with no fixed terms for the repayment of principal on the working capital advanced. At balance date amounts receivable from controlled entities totalled \$4,220,655 (2006: \$745,919) and the amounts payable to controlled entities was \$429,089 (2006: nil)

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for corporate governance of the Company and its controlled entities ('Group' and 'Company'). The Board considers good corporate governance a matter of high importance and aims for best practice in the area of corporate governance. This section describes the main corporate governance practices of the Company.

In reviewing the corporate governance structure of Apex, the Board have reviewed and considered the ASX Corporate Governance Council's recommendations. Comment is made where key principles are not followed due to the size and nature of Apex.

Board responsibilities

The Board's key responsibilities are:

- oversight of the operation of the Group including establishing, reviewing and changing corporate strategies;
- ensuring that appropriate internal control, reporting, risk management and compliance frameworks are in place;
- appointing, removing, reviewing and monitoring the performance of the Managing Director to whom the Board have delegated the day to day management of the Group;
- approval of the annual report (including the accounts), the budget and the business plan of the Group;
- regular (at present at least monthly) review of the Group's performance against the budget and the business plan;
- approving material contractual arrangements including all major investments and strategic commitments;
- making decisions concerning the Group's capital structure, the issue of any new securities and the dividend policy;
- establishing and monitoring appropriate committees of the Board;
- reporting to shareholders; and
- ensuring the Company's compliance with all legal requirements including the ASX Listing Rules.

Structure of Board

The Company currently has 5 directors on the Board. A director may be appointed by resolution passed at a general meeting or, in the case of casual vacancies, by the directors.

Potential additions to the Board are carefully considered by the Board prior to being nominated to shareholders or appointed as casual vacancies.

The Company has a Remuneration Committee which consists of the 5 directors on the Board.

The skills, experience, expertise and period of office of each of the directors are set out in the Board and Management Section of the Annual Report.

The Board currently has 5 directors being Mark Ashley, Mark Bennett, Glenn Jardine, Kim Robinson and Stephen Lowe. The Company has a Managing Director, Mark Ashley, who is also a substantial shareholder of the Company. Mr Ashley's appointment as Managing Director is based on his strong understanding and experience in the mining industry. His role is strongly supported by the presence of the other 4 directors and their strength, abilities and knowledge of the Company and mining industry. The Board believes that the benefits of these attributes have a greater impact on the Company's performance at this stage in its development.

Under ASX guidelines none of the current Board is considered to be independent directors. The Board is satisfied that the structure of the Board is appropriate for the size of the Company and the nature of its operations and is a cost effective structure for managing the Company.



The Company facilitates and pays for directors and Board committee members to obtain professional independent advice if they require it.

Code of Conduct

The Company has a Code of Conduct as well as a number of internal policies and operating procedures aimed at providing guidance to directors, senior management and employees on the standards of personal and corporate behaviour required of all Apex personnel.

The Code of Conduct covers specific issues such as trading in Company securities by Directors, officers and employees and also provides guidance on how to deal with business issues in a manner that is consistent with the Company's responsibilities to its shareholders.

Audit and Corporate Governance Committee

The Board has an Audit and Corporate Governance Committee which consists of the 5 directors on the Board. The Committee members are responsible for ensuring:

- the system of internal control which management has established effectively safeguards the assets of the economic entity;
- accounting records are properly maintained in accordance with statutory requirements;
- financial information provided to shareholders is accurate and reliable; and
- the external audit function is effective.

The Committee is responsible for the appointment of the external auditor and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit.

The external audit partner will be required to rotate every five balance dates in accordance with Clerp 9 requirements.

The Committee meets to review the half-year and annual results of the Group, and to review the audit process, and those representations made by management in support of monitoring the Group's commitment to integrity in financial reporting.

Disclosure

The Company's policy is that shareholders are informed of all major developments that impact on the Company. The Company treats its continuous disclosure obligations seriously and has a number of internal operating policies and principles (including the Code of Conduct referred to above) that are designed to promote responsible decision-making and timely and balanced disclosure.

The Board is ultimately responsible for ensuring compliance by senior management and employees of the Company with the Company policies and therefore requires that senior management and employees have an up to date understanding of ASX listing requirements.

The Company also ensures that the directors and senior management obtain timely and appropriate external advice where necessary.

The Company currently places all relevant announcements made to the market including all past annual reports together with related information on its website: www.apexminerals.com

Additionally, the Company ensures that its external auditor is represented at the annual general meeting to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.

Business risk management

The Company endeavours at all times to minimise and effectively manage risk. The Board reviews the control systems and policies of the Company in relation to risk management on an ongoing basis and maintains a diagrammatic representation of the key operating and control systems of the company.

The Board reviews key matters of business risk management and ensures appropriate measures are in place to protect the assets of the Company including the security of its software, the security of its premises and the appropriate provisioning of insurance policies.

In addition, the Board regularly provides specific advice or recommendations to the Board regarding the existence and status of business risks that the Company faces.

Performance and remuneration

The Remuneration Committee monitors and reviews the performance of the Managing Director as well as the performance of management. The Remuneration Committee receives regular updates of the performance of the Group as a whole. The Remuneration Committee also has responsibility for ensuring that the Company:

- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general pay environment.

The Remuneration Committee receives external assistance and advice to assist it in determining appropriate levels of remuneration for the directors of the Company.

Remuneration details of each of the directors and senior management are set out in the Financial Report.

ASX Core Principles of Corporate Governance and ASX Guidelines

Australian Stock Exchange Ltd (ASX) has published 10 core principles of corporate governance which it believes underlie good corporate governance together with guidelines to satisfy those core principles. Under ASX listing rules, listed companies are required to provide a statement in their annual reports outlining the extent to which they have followed these best practice guidelines. In the following table the ASX core principles and guidelines are listed in the left hand column, and the Company's comment/response is listed in the right hand column.

<p>ASX Principle 1: Lay Solid Foundations <i>Recognise and publish the respective roles and responsibilities of the board and management</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>1.1 Formalise and disclose the functions reserved to the Board and those delegated to management</p>	<p>The Board is comprised of a Non-Executive Chairman, Managing Director, Exploration Director, Operations Director and one Non Executive Director. Management of the Company is carried out by the Managing Director with the support from the other directors. The full board meets on a regular basis for both management and board meetings.</p>
<p>ASX Principle 2: Board Structure <i>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>2.1 A majority of Board members should be independent directors</p>	<p>None of the five directors are independent in accordance to the ASX definition. In view of the size of the Company and the nature of its activities the Board considers that the current Board is a cost effective and practical method of directing and managing the Company.</p>
<p>2.2 The chairperson should be an independent director</p>	<p>As stated above the chairman is not considered independent under the ASX definition. The Company is mindful of the costs and availability of experienced managing director and is satisfied the current Board structure is appropriate for the size of the Company and the nature of its activities.</p>
<p>2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual</p>	<p>Since April 2006, the roles of chairman and chief executive officer have been separated.</p>
<p>2.4 The Board should establish a nomination committee</p>	<p>In view of the size of the Company and the nature of its activities, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>

<p>2.5 The information indicated in Guide to reporting on Principle 2 should be provided. (See Guide Notes at end of table)</p>	<p>Not applicable.</p>
<p>ASX Principle 3: Ethical and responsible decision-making <i>Actively promote ethical and responsible decision-making</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>3.1 The Company should establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to the practices necessary to maintain confidence in the company's integrity, and the responsibility and accountability of individuals for reporting or investigating reports of unethical practices</p>	<p>Apex has a Code of Conduct as well as a number of internal policies and operating procedures aimed at providing guidance to directors and employees on the standards of personal and corporate behaviour required of all Apex personnel.</p>
<p>3.2 Disclose the policy concerning trading in company securities by directors, officers and employees</p>	<p>The Code of Conduct covers specific issues such as trading in Company securities by Directors, officers and employees and also provides guidance on how to deal with business issues in a manner that is consistent with the Company's responsibilities to its shareholders.</p>
<p>3.3 Provide the information indicated in Guide to Reporting on Principles. (See Guide Notes at end of table)</p>	<p>Not applicable – see above.</p>
<p>ASX Principle 4: Financial reporting integrity <i>Have a structure in place to independently verify and safeguard the integrity of the company's financial reporting</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards</p>	<p>The Managing Director and General Manager Finance are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p>

<p>4.2 The Board should establish an audit committee</p>	<p>An Audit & Corporate Governance Committee was established in the year. Accordingly audit matters are reviewed by the Committee as a whole and approved by resolution of the Committee (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>4.3 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> - Only non-executive directors - A majority of independent directors - An independent chairperson who is not the chairperson of the Board - At least three members 	<p>The Audit and Corporate Governance Committee consists of all five members of the Board. In view of the size of the Company and the nature of its activities, this is felt to be appropriate.</p>
<p>4.4 Create a formal operating charter for the audit committee</p>	<p>The Audit & Corporate Governance Committee Charter is available on the Company website.</p>
<p>4.5 Understand and provide the information indicated in the Guide to reporting on Principle 4. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>ASX Principle 5: Timely and balanced disclosure <i>Promote timely and balanced disclosure of all material matters concerning the company</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance</p>	<p>Due to its size and structure the Board is able to meet on a regular basis for both management and board meetings to ensure compliance with ASX Listing Rule disclosure requirements. The full Board is accountable for ASX compliance.</p>
<p>5.2 Understand and provide the information indicated in the Guide to Reporting on Principle 5. (See Guide Notes at end of table)</p>	<p>See above.</p>
<p>ASX Principle 6: Shareholder rights <i>Respect the rights of shareholders and facilitate the effective exercise of those rights</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings</p>	<p>See the section on Communication to Market and Shareholders.</p>

<p>6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content, of the auditor's report</p>	<p>It is Company policy that the auditor attends the AGM and part of the agenda is the tabling of the accounts and inviting shareholders to ask the directors or the auditor any questions about the report including the audit report.</p>
<p>ASX Principle 7: Risk Management <i>Establish a sound system of risk oversight and management and internal control</i></p>	<p>Comment/Response by Company</p>
<p>ASX Recommendations</p> <p>7.1 The Board or appropriate board committee should establish policies on risk oversight and management</p>	<p>The Audit and Corporate Governance Committee consists of all five members of the Board and includes risk management in its' charter. Accordingly risk oversight and management issues and policies are reviewed by the Committee and approved by resolution of the Committee (with abstentions from relevant Directors where there is a conflict of interest).</p>
<p>7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:</p> <p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the Board</p> <p>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects</p>	<p>The Managing Director and General Manager Finance are required to sign a declaration addressing the integrity of the financial statements and maintenance of financial records in accordance with s286 of the Corporations Act.</p> <p>As above</p>
<p>7.3 Information indicated in the Guide to Reporting on Principle 7 should be understood and provided. (See Guide Notes at end of table)</p>	<p>Not applicable for reasons stated above</p>

ASX Principle 8: Enhanced Performance <i>Fairly review and actively encourage enhanced board and management effectiveness</i>	Comment/Response by Company
ASX Recommendations 8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	<p>Due to the size and structure of the Board a formal evaluation process is not conducted.</p> <p>The company uses consultants for geological and company secretarial functions and pays market rates for experienced professionals.</p>
ASX Principle 9: Remunerate fairly <i>Ensure that the level and composition of remuneration is sufficient and reasonable and its relationship to corporate and individual performance is defined</i>	Comment/Response by Company
ASX Recommendations 9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	<p>The company does not have a remuneration policy other than to ensure that Directors, staff and consultants are paid market rates in accordance with their qualifications, experience and contribution to the company. Directors' remuneration for both executive and non executive directors is compared to other "junior explorers" as a guide to industry rates.</p> <p>There are no schemes of retirement benefits.</p>
9.2 The Board should establish a remuneration committee	<p>A Remuneration Committee has been established in the year and consists of all 5 directors. Accordingly remuneration matters are reviewed by the Committee and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).</p>
9.3 The structure of non-executive directors' remuneration should be clearly distinguished from that of executives	<p>Remuneration terms of all Executive directors are governed by formal contracts. Directors' fees are paid separately to all Directors. The different types of remuneration including consulting fees and directors' fees are all clearly outlined in the Annual Report.</p>
9.4 Ensure equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	<p>All Directors, executives and staff equity-based remuneration has been made only in accordance with shareholder resolution.</p>
9.5 Ensure information indicated in ASX Guide to Reporting on Principle 9 is understood and provided. (See Guide Notes at end of table)	<p>See above</p>

ASX Principle 10: Interest of Stakeholders <i>Recognise the legal and other obligations of all legitimate stakeholders</i>	Comment/Response by Company
ASX Recommendations 10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities. There is a formal Board Code of Conduct in place for the Board.

ASX Guide to Reporting on Principles

ASX rules requires that the following material should be included in the corporate governance section of the annual report:

- Principles 1 to 10 inclusive - an explanation of any departure from best practice recommendations 1.1 to 10.1
- Principle 2 - the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.
- Principle 2 - The names of the directors considered by the board to constitute independent directors and the company's materiality thresholds.
- Principle 2 - A statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.
- Principle 2 - The term of office held by each director in office at the date of the annual report
- Principle 2 - The names of members of the nomination committee and their attendance at meetings of the committee.
- Principle 4 - Details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee.
- Principle 4 - The number of meetings of the audit committee and the names of the attendees.
- Principle 8 - Whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted.
- Principle 9 - Disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1.
- Principle 9 - The names of the members of the remuneration committee and their attendance at meetings of the committee.
- Principle 9 - The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

ASX guidelines also recommend that the following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:

- Principle 1 - a statement of matters reserved for the board or a summary of the board charter or a statement of delegated authority to management.

ASX Guide to Reporting on Principles (cont)

- Principle 2 - A description of the procedure for the selection and appointment of new directors to the board.
- Principle 2 - The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 2 - The nomination committee's policy for the appointment of directors.
- Principle 3 - Any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under principle 10.
- Principle 3 - The trading policy or a summary of its main provisions.
- Principle 4 - The audit committee charter.
- Principle 4 - Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.
- Principle 5 - A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.
- Principle 6 - A description of the arrangements the company has to promote communication with shareholders.
- Principle 7 - A description of the company's risk management policy and internal compliance and control system.
- Principle 8 - A description of the process for performance evaluation of the board, its committees and individual directors, and key executives.
- Principle 9 - The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.
- Principle 10 - Any applicable code of conduct or a summary of its main provisions.