

**APEX MINERALS NL**

**ABN 22 098 612 974**

**NOTICE OF MEETING AND  
EXPLANATORY MEMORANDUM**

**A Meeting of the Company will be held at Plaza Ballroom 3, Hyatt Regency Hotel, 99 Adelaide Terrace, Perth, Western Australia, on Wednesday, 18 July 2007 at 10.00 am (WST).**

The Company is incorporated in Australia and listed on ASX Limited (**ASX**).

This Notice of Meeting and Explanatory Memorandum (including the Independent Expert's Report of BDO Consultants (WA) Pty Ltd) are designed to comply with the requirements of the Corporations Act, the Listing Rules of the ASX and the requirements of the Australian Securities and Investments Commission (**ASIC**).

This Notice of Meeting and the accompanying Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Neither the ASX or ASIC nor any securities regulatory authority has in any way passed any views on the merits of the transactions contemplated in the Notice of Meeting and accompanying Explanatory Memorandum.



Dear Shareholder

It is with great pleasure that I commend to your attention the enclosed Notice of Meeting and accompanying Explanatory Memorandum for Apex Minerals NL. The Notice of Meeting sets out a number of key Resolutions for consideration by shareholders relating to the Company's recently announced agreements to acquire three separate gold projects located in the Eastern Goldfields Region of Western Australia as the first stage of a broader regional refractory gold consolidation strategy.

Since unveiling a new board and management team and new strategic direction for Apex some twelve months ago, systematic analysis undertaken by the Board and Executive Team has identified numerous refractory gold deposits in Western Australia's goldfields which have remained undeveloped largely because their current fragmented ownership did not give them sufficient critical mass to justify stand-alone operations.

We believe that an opportunity exists to build a substantial long-term gold business for Apex by consolidating these projects, thereby creating sufficient critical mass to justify the construction of central processing facilities to be fed by a number of high grade gold deposits or concentrates. Subject to completion of relevant feasibility studies, this strategy has the potential to rapidly elevate Apex to the status of a mid-tier Australian gold producer with significant potential for further growth.

In order for these important acquisitions - which form the corner stone of this strategy - to proceed to completion, the Resolutions set out in this Notice of Meeting require approval by shareholders and I therefore urge you to give them your positive consideration.

I would also like to take this opportunity to thank our shareholders for their continued support while the Company has largely focused on project analysis and planning and I now look forward to sharing with you an exciting new period of growth for Apex as our strategy unfolds.

Should you require further information on this or other matters to do with the Company, please do not hesitate to contact me at the office of Apex Minerals on (08) 6311 5555.

Yours faithfully

Mark Ashley  
Managing Director and Chief Executive Officer

## **APEX MINERALS NL**

### **NOTICE OF MEETING**

**NOTICE IS HEREBY GIVEN** that a meeting (the **Meeting**) of the shareholders of Apex Minerals NL (the **Company**) will be held at Plaza Ballroom 3, Hyatt Regency Hotel, 99 Adelaide Terrace, Perth, Western Australia on Wednesday, 18 July 2007 at 10.00 am (WST).

Information on the proposals to which the Resolutions set out below relate is contained in the Explanatory Memorandum (**Explanatory Memorandum**) and the Independent Expert's Report of BDO Consultants (WA) Pty Ltd dated 5 June 2007 – attached as Appendix A to the Explanatory Memorandum (**Fairness Opinion**) which accompany and form part of this Notice of Meeting. Terms defined in the Glossary to the Explanatory Memorandum have the same meaning when used in this Notice of Meeting.

#### **AGENDA**

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#### **1. RESOLUTION 1 – GIDGEE PROJECT ACQUISITION**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, this meeting approves and agrees to:

- (a) the entering into by the Company and its wholly owned subsidiary, Apex Gold Pty Ltd (ACN 124 893 778), of a Sale Agreement (**Gidgee Sale Agreement**) with Legend Mining Limited (ACN 060 966 145) and Gidgee Resources Ltd (ACN 104 312 110) dated 1 May 2007;
- (b) the issue and allotment to Legend Mining Limited of 34 million ordinary fully paid shares in the Company (**Gidgee Consideration Shares**) on completion of the Gidgee Sale Agreement;
- (c) in addition to the acquisition by Legend Mining Limited as described in paragraph (b) above, the acquisition of a relevant interest in the Gidgee Consideration Shares under the Corporations Act by each of:
  - (i) Mr Mark Creasy; and
  - (ii) Yandal Investments Pty Ltd ACN 070 684 810."

#### **Notes:**

- 1. Implementation of Resolution 1 is subject to other conditions set out in the Gidgee Sale Agreement and described in the accompanying Explanatory Memorandum. In accordance with the terms of the Gidgee Sale Agreement, if Resolution 1 is not passed at the Meeting or if any of the other conditions under the Gidgee Sale Agreement are not satisfied or waived prior to 1 September 2007, the proposed acquisition will not proceed.

2. In accordance with section 611, item 7 Paragraph (a)(i) of the Corporations Act, any votes cast on Resolution 1 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution, or by the chairman of the Meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, Legend Mining Limited, Yandal Investments Pty Ltd, Mr Mark Creasy or any other person who might obtain a direct benefit if Resolution 1 is passed, or any of their respective associates, will be disregarded.

## 2. **RESOLUTION 2 – YOUANMI PROJECT ACQUISITION**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, this meeting approves and agrees to:

- (a) the entering into by the Company and its wholly owned subsidiary, Apex Gold Pty Ltd (ACN 124 893 778), of a Sale Agreement (**Youanmi Sale Agreement**) with Goldcrest Resources Limited dated 3 May 2007;
- (b) the issue of 14,285,714 ordinary fully paid shares in the Company to Goldcrest Resources Limited (**Goldcrest Consideration Shares**) on the completion of the Youanmi Sale Agreement."

### **Notes:**

1. Implementation of Resolution 2 is subject to other conditions set out in the Youanmi Sale Agreement and described in the accompanying Explanatory Memorandum. In accordance with the terms of the Youanmi Sale Agreement, if Resolution 2 is not passed at the Meeting or if any of the other conditions under the Youanmi Sale Agreement are not satisfied or waived prior to 3 August 2007, the proposed acquisition will not proceed.
2. In accordance with ASX Listing Rule 7.3.8, any votes cast on Resolution 2 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution, or by the chairman of the Meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, Goldcrest Resources Limited or any other person who may participate in the proposed issue or who might obtain a direct benefit if Resolution 2 is passed, or any of their respective associates, will be disregarded.

## 3. **RESOLUTION 3 – APRHODITE PROJECT ACQUISITION**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, this meeting approves and agrees to:

- (a) the entering into by the Company and its wholly owned subsidiary, Apex Gold Pty Ltd (ACN 124 893 778), of a Sale Agreement (**Aphrodite Sale Agreement**) with Kundana Gold Pty Limited (ABN 13 009 643 252) and Paddington Gold Pty Limited (ABN 98 008 585 886) dated 26 April 2007;

- (b) on completion of the Aphrodite Sale Agreement, the issue to Kundana Gold Pty Limited of that number of ordinary fully paid shares in the Company calculated by dividing the sum of \$2,000,000 by the average closing price of Apex Shares on the ASX over the 5 trading days immediately prior to completion (**Aphrodite Consideration Shares**)."

**Notes:**

1. Implementation of Resolution 3 is subject to other conditions set out in the Aphrodite Sale Agreement and described in the accompanying Explanatory Memorandum. In accordance with the terms of the Aphrodite Sale Agreement, if Resolution 3 is not passed at the Meeting or if any of the other conditions under the Aphrodite Sale Agreement are not satisfied or waived prior to 26 July 2007, the proposed acquisition will not proceed.
2. In accordance with ASX Listing Rule 7.3.8, any votes cast on Resolution 3 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution, or by the chairman of the Meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, Kundana Gold Pty Ltd or any other person who might participate in the proposed issue or who might obtain a direct benefit if Resolution 3 is passed, or any of their respective associates, will be disregarded.

**4. RESOLUTION 4 – RATIFICATION OF PLACEMENT OF SHARES**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.4 of ASX Limited and for all other purposes, this meeting approves and ratifies the allotment and issue of 23 million fully paid ordinary shares in the capital of the Company at an issue price of \$0.52 per share to Professional and Sophisticated Investors."

**Note:**

In accordance with Listing Rule 7.5.6, any votes cast on Resolution 4 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the resolution, or by the Chairman of the meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, the persons who participated in the issue, or any other person who might obtain a direct benefit if resolution 4 is passed, or any of their respective associates, will be disregarded.

**5. RESOLUTION 5 – APPROVAL OF PLACEMENT OF SHARES**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 of ASX Limited and for all other purposes, the Directors be authorised to allot and issue 39 million ordinary shares in the capital of the Company at an issue price of \$0.52 per share to Professional and Sophisticated Investors."

**Note:**

In accordance with Listing Rule 7.3.8, any votes cast on resolution 5 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how

the proxy is to vote on the resolution, or by the Chairman of the meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, the persons who may participate in the issue, or any other person who might obtain a direct benefit if resolution 5 is passed, or any of their respective associates, will be disregarded.

**6. RESOLUTION 6 – APPOINTMENT OF MR G JARDINE AS DIRECTOR AND ISSUE OF OPTIONS**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Mr Glenn Jardine, who was appointed a Director of the Company as Director – Operations and who, pursuant to the Constitution of the Company, retires at the end of this Meeting and who is eligible to be re-appointed a Director of the Company:

- (a) be re-appointed a Director of the Company with immediate effect; and
- (b) for the purposes of purposes of ASX Listing Rules 7.1 and 10.11, section 195(4) and Division 3 of Part 2E.1 of the Corporations Act and for all other purposes, the Directors be authorised to grant Mr Jardine or his nominee 1,000,000 options to subscribe for Shares in the Company on the terms and conditions set out in Section 9 of the Explanatory Memorandum accompanying this Notice."

**Note:**

In accordance with Listing Rule 7.3.8, any votes cast on resolution 6 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the resolution, or by the Chairman of the meeting as an undirected proxy for a member who is entitled to vote) by, or on behalf of, Mr Jardine, or any other person who might obtain a direct benefit if resolution 6 is passed, or any of their respective associates, will be disregarded.

**7. RESOLUTION 7 – GRANT OF OPTIONS TO MR K ROBINSON**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rules 7.1 and 10.11, section 195(4) and Division 3 of Part 2E.1 of the Corporations Act and for all other purposes, the Directors be authorised to grant Mr K Robinson or his nominee 300,000 options to subscribe for Shares in the Company on the terms and conditions set out in Section 9 of the Explanatory Memorandum accompanying this Notice."

**Notes:**

In accordance with ASX Listing Rules 7.3.8 and 10.13.6 and section 224 of the Corporations Act, any votes cast on Resolution 7 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution) by, or on behalf of, Mr Robinson or any other person who might obtain a direct benefit if Resolution 7 is passed, or any of their respective associates, will be disregarded.

**8. RESOLUTION 8 – GRANT OF OPTIONS TO MR M ASHLEY**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rules 7.1 and 10.11, section 195(4) and Division 3 of Part 2E.1 of the Corporations Act and for all other purposes, the Directors be authorised to grant Mr M Ashley or his nominee 500,000 options to subscribe for Shares in the Company on the terms and conditions set out in Section 9 of the Explanatory Memorandum accompanying this Notice."

**Notes:**

In accordance with ASX Listing Rules 7.3.8 and 10.13.6 and section 224 of the Corporations Act, any votes cast on Resolution 8 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution) by, or on behalf of, Mr Ashley or any other person who might obtain a direct benefit if Resolution 8 is passed, or any of their respective associates, will be disregarded.

**9. RESOLUTION 9 – GRANT OF OPTIONS TO MR M BENNETT**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rules 7.1 and 10.11, section 195(4) and Division 3 of Part 2E.1 of the Corporations Act and for all other purposes, the Directors be authorised to grant Mr M Bennett or his nominee 500,000 options to subscribe for Shares in the Company on the terms and conditions set out in Section 9 of the Explanatory Memorandum accompanying this Notice."

**Notes:**

In accordance with ASX Listing Rules 7.3.8 and 10.13.6 and section 224 of the Corporations Act, any votes cast on Resolution 9 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution) by, or on behalf of, Mr Bennett or any other person who might obtain a direct benefit if Resolution 9 is passed, or any of their respective associates, will be disregarded.

**10. RESOLUTION 10 – GRANT OF OPTIONS TO MR S LOWE**

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rules 7.1 and 10.11, section 195(4) and Division 3 of Part 2E.1 of the Corporations Act and for all other purposes, the Directors be authorised to grant Mr S Lowe or his nominee 300,000 options to subscribe for Shares in the Company on the terms and conditions set out in Section 9 of the Explanatory Memorandum accompanying this Notice."

**Notes:**

In accordance with ASX Listing Rules 7.3.8 and 10.13.6 and section 224 of the Corporations Act, any votes cast on Resolution 10 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the

Resolution) by, or on behalf of, Mr Lowe or any other person who might obtain a direct benefit if Resolution 10 is passed, or any of their respective associates, will be disregarded.

**11. RESOLUTION 11 – AMENDMENT TO THE CONSTITUTION OF THE COMPANY AND RATIFICATION OF REMUNERATION PAID**

To consider, and if thought fit to pass, the following resolution as a special resolution:

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes:

- (a) the Constitution of the Company be amended in the manner set out in the Explanatory Memorandum accompanying this Notice effective from the end of this meeting; and
- (b) all payments made to executive Directors of the Company prior to the date of this Meeting be ratified."

**Notes:**

In accordance with ASX Listing Rules 7.3.8 and 10.13.6 and section 224 of the Corporations Act, any votes cast on Resolution 11 (other than by a person as proxy for a member who is entitled to vote where the instrument of proxy specifies how the proxy is to vote on the Resolution) by, or on behalf of, Mr Jardine or any other person who might obtain a direct benefit if Resolution 11 is passed, or any of their respective associates, will be disregarded.

**REQUIRED MAJORITIES**

Resolutions 1 to 10 inclusive are ordinary resolutions and will be passed only if supported by a majority of the votes cast by Shareholders entitled to vote on the Resolutions.

Resolution 11 is a special resolution and will be passed if supported by at least 75% of the votes cast by Shareholders entitled to vote on the Resolution.

**PROXIES**

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a member of the Company;
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified then in accordance with Section 249X(3) of the Corporations Act each proxy may exercise one half of the votes.

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purposes of receipt of proxy appointments by Shareholders registered on the Company's Australian register:

Registered Office : Ground Floor  
31 Ventnor Avenue  
West Perth  
Western Australia

Facsimile Number: +61 8 6311 5556

Postal Address : P.O Box 682  
West Perth  
Western Australia 6872

The proxies of Shareholders must be received at the relevant address set forth above no later than 48 hours prior to the time of commencement of the Meeting (WST).

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders of the Company on Monday, 16 July 2007 at 5.00pm WST.

By order of the Board

Graham Anderson  
Company Secretary  
13 June 2007

## APEX MINERALS NL

ABN 22 098 612 974

### EXPLANATORY MEMORANDUM

#### 1. INTRODUCTION

Apex Minerals NL announced on 3 May 2007 that it had entered into three separate Acquisition Agreements to acquire certain gold assets in the Eastern Goldfields Region of Western Australia as an initial step in a broader regional gold consolidation strategy focusing on high grade refractory gold deposits. The acquisitions include;

- **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; 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.

The Notice of Meeting, to which this Explanatory Memorandum forms part, provides notice of the Resolutions which require approval by Shareholders in order for the transactions to proceed.

The Resolutions relate mainly to the entry into and completion of the Acquisition Agreements, including the issue of Shares to the vendors of those assets. As a result of one of these transactions, namely the issue of shares to the vendor of the Gidgee Gold Project, Legend Mining Ltd, Mr Mark Creasy, could, by virtue of his existing direct and indirect shareholding in both Apex and Legend, have a relevant interest in 27.6% of Apex's issued voting capital which is in excess of the 20% limit prescribed under section 606 of the Corporations Act. For this reason, Shareholders are specifically being asked to approve this increase. However, it should be noted that, assuming all Resolutions are passed in accordance with the Notice of Meeting and the transactions duly completed, Mr Creasy's Relevant Interest in Apex Shares would be 21.9%. By reason of the provisions of section 608(3) of the Corporations Act, Mr Creasy's Relevant Interest in Apex Shares includes all of the Shares proposed to be issued to Legend Mining as part of the acquisition of the Gidgee Gold Project. This is because Mr Creasy controls in excess

of 20% of the issued capital of Legend Mining. If all of the transactions the subject of the Notice of Meeting are duly completed, Mr Creasy's direct interest in Apex Shares, which is currently 14.1%, would then be diluted to 9.4%. This is dealt with more particularly in Section 3.

Furthermore resolutions 6 to 10 deal with the issue of options to all existing Directors and the appointment of Mr Glenn Jardine to the Board of Apex Minerals and the subsequent issue of Options to him. The Options are issued as an incentive to the Directors to achieve the Company's aims.

Finally, Resolution 11 relates to the amendment of the Constitution of the Company to bring it more into line with existing practices concerning the retention and remuneration of executive Directors. This is explained in detail in Section 10 below.

## **2. THE PROJECTS**

### **2.1 Regional Strategy**

Apex Minerals NL intends to build a substantial gold business based on the consolidation of a number of refractory gold deposits in the Eastern Goldfields Region of Western Australia which currently remain undeveloped because, under their current fragmented ownership, each lacks the critical mass to justify a stand-alone operation.

By taking a broad regional view of the Eastern Goldfields region, which has access to excellent infrastructure, Apex has identified an opportunity to consolidate these projects, thus providing the critical mass to justify the construction of central processing facilities to be fed by a number of high grade gold deposits or concentrates.

The three acquisitions which are the subject of this Explanatory Memorandum represent the initial stage of a broader regional strategy which aims to see Apex rapidly elevated to the status of a mid-tier Australian gold producer with significant potential for further growth.

The acquisitions have also provided Apex with a valuable resource of refractory and non-refractory treatment plants which can be refurbished or relocated, reassembled and upgraded to suit the Company's specific requirements. Apex is also fortunate in having already assembled an experienced team of mining professionals capable of implementing its strategy.

The Wilsons (Gidgee) and Youanmi gold deposits are located around 200 kilometres apart, with both ore-bodies being readily accessible. Therefore, subject to the outcome of further technical studies, the deposits should be able to be developed quickly and at a low capital cost, enabling Apex to unlock their value through the implementation of significant economies of scale.

Subject to the completion of relevant feasibility studies, Apex's current plans contemplate the development of a central processing facility at Gidgee based on the refurbishment of the existing 600,000tpa Gidgee treatment plant and relocation and upgrading of the 270,000tpa flotation and related Bactech plant from Youanmi to Gidgee. High grade ore from Youanmi underground will be trucked to supplement feed from the Wilsons deposit to the refurbished treatment facility at Gidgee for processing.

In the longer term it is envisaged that the front end of the Youanmi plant will be relocated to Aphrodite where it will be refurbished, upgraded to enable a high grade gold concentrate to be produced, suitable for trucking to the Bactech facility at Gidgee. Previous preliminary metallurgical test-work on the Aphrodite ore has indicated very high recoveries to produce high grade gold concentrate.

Apex will initially target treatment of around 540,000tpa (approximately 370,000 tpa from Wilsons and 170,000tpa from Youanmi) for gold production of around 130,000 ounces per

annum from the centralised Gidgee treatment facility planned to commence in approximately 18 – 24 months. Subject to the outcome of further feasibility studies, it is expected that production from the Aphrodite facility could commence in approximately 2 – 3 years at an initial rate of around 150,000 ounces per annum, bringing Apex's total planned gold production to just under 300,000 ounces per annum.

## 2.2 Gidgee Treatment Concept

Gidgee will represent Apex's initial focus and is currently expected to become the Company's first regional processing hub. Under Apex's current plan, the 600,000 tpa treatment facilities at Gidgee will be refurbished and the 270,000 tpa flotation plant and related Bactech plant, currently located at Youanmi, will be relocated, upgraded and integrated into the Gidgee treatment facility which will be fed by ore from the nearby Wilsons deposit and supplemented by ore mined and trucked from the Youanmi deposit.

The Wilsons refractory gold deposit at Gidgee comprises three closely spaced sub-vertical shoots commencing at the base of three previously mined oxide open pits and is expected to be capable of being developed quickly and at low capital cost by a decline from the base of the central pit following de-watering and mine rehabilitation. Initial work will include confirmatory resource drilling and detailed metallurgical test-work.

The underground resource at Youanmi commences at approximately 600 metres below surface. However, decline development is already complete to this level (as a result of previous mining), which is expected to facilitate rapid, low cost access following de-watering and decline refurbishment to be carried out along with confirmatory drilling and further metallurgical test-work.

The Youanmi project commenced production in the 1980's. After a number of years of open pit production at around 600,000 tpa, the project moved to underground mining in 1995 where mining of refractory ore was carried out at the rate of between 150,000 and 180,000tpa at a head grade of approximately 11.5g/t, with metallurgical recoveries of around 90%, for gold production of between 50,000 – 60,000 ounces per year. The project ceased operating in November 1997 when a gold price of just over A\$400 per ounce made the project uneconomic due to the low tonnages resulting in high unit costs of production.

Apex's strategy of trucking the high grade Youanmi ore just 200kms to Gidgee for treatment with ore from the Wilsons deposit is designed to ensure the Gidgee processing facilities are fully utilised, thereby providing significant economies of scale. The current resource inventory for the Youanmi underground of 2.4 million tonnes @ 8.5 g/t for 658,000 ounces of gold, has been calculated using a cut off grade of 4 g/t. Apex believes that a higher cut off grade would be more appropriate and is likely to result in mining of a smaller tonnage at grades nearer to historic levels (i.e. around 11.5 g/t).

## 2.3 Aphrodite Treatment Concept

The Aphrodite gold deposit is located 65 kilometres north of Kalgoorlie and within 5 kilometres of the sealed Goldfields Highway. It includes an Inferred Resource of 1.44 million tonnes grading 6.2g/t gold for a contained 287,000 ounces of gold, as well as a significant inventory of unclassified gold mineralisation and substantial exploration potential. The deposit comprises three known mineralised lodes, Alpha, Phi East and Phi West, each of which dip steeply and plunge to the north over a known strike length of 400 metres and a vertical extent of 400 metres, and which remain open down plunge.

It is currently anticipated that the remaining treatment facility at Youanmi (not relocated to Gidgee) - namely the 600,000 tpa CIL plant - will be refurbished, upgraded and moved to Aphrodite where a float plant to produce a gold concentrate will be added.

The gold mineralisation at Aphrodite is sulphide hosted and refractory in nature but previous metallurgical test-work of bulk composite samples from the Inferred Resource component of the known mineralisation has shown that it can be efficiently upgraded using flotation to form a high grade concentrate which could then be economically trucked to the proposed centralised facility at Gidgee.

## 2.4 Consideration Summary

Total consideration for the projects are summarised in the table below

<b>Project</b>	<b>Current owner</b>	<b>Cash A\$m</b>	<b>Share A\$m</b>	<b>Total A\$m</b>	<b>Shares (number)</b>
Gidgee (Wilsons & 600ktpa plant)	Legend Mining - ASX listed	Nil	\$11	\$11*	34m
Youanmi (Deeps & 600ktpa plant)	Goldcrest Resources Limited - TSX listed	\$5	\$5	\$10	14m
Aphrodite (deposit)	Kundana Gold Pty Limited and Paddington Gold Pty Limited, subsidiaries of Barrick Gold Corporation	\$5	\$2	\$7	3m**
<b>Total</b>		<b>\$10</b>	<b>\$18</b>	<b>\$28</b>	<b>~51m</b>

\* Plus an additional \$5 million payment should future production from the Gidgee Project tenements exceed 250,000 ounces

\*\* The actual number of Shares to be issued will be calculated by dividing the Share consideration value of \$2,000,000 by the average closing price of Apex Shares on the ASX over the 5 trading days immediately prior to Completion of the Aphrodite Sale and Purchase Agreement. The number of Shares shown is illustrative only and based upon an average closing price of \$0.60 per Share.

The purchases total A\$28m with the cash component being A\$10m

## 2.5 Capital Raising

In order to fund the cash component and associated costs of these acquisitions and to provide the working capital necessary to substantially advance these projects towards a development decision and to allow additional regional exploration, a placement to institutional and sophisticated investors of 62 million Shares at an issue price of \$0.52 per Share to raise \$32 million has been arranged. This placement was arranged in accordance with a mandate previously entered into with Southern Cross Equities as announced by the Company on 3 May 2007.

## Use of Funds

Cash Component of the Acquisition	\$10 million
Project Advancement Expenditure (eg drilling/metallurgical test work on all three refractory deposits)	\$9 million
Stamp Duty and associated costs	\$3 million
Broker and Administration Fee payable to Southern Cross Equities	\$2 million
Working Capital/Regional Exploration	\$8 million
<b>Total</b>	<b>\$32 million</b>

The capital raising has been arranged in two tranches. The first, of 23 million Shares, has been made in accordance with Listing Rule 7.1. Resolution 4 seeks ratification of this first tranche of capital raising in order to restore the Company's ability to issue up to 15% of its share capital and is explained in more detail in Section 6 below. The second tranche of 39 million Shares is subject to the approval of Shareholder's pursuant to Resolution 5 and is explained in more detail in Section 7 below.

### 3. **RESOLUTION 1 – APPROVAL OF ACQUISITION OF GIDGEE PROJECT**

#### 3.1 Listing Rule 7.1

Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Shareholder approval is now sought pursuant to Listing Rule 7.1 to enable the Company to issue 34,000,000 Shares (**Gidgee Consideration Shares**) to Legend Mining Limited in order to complete the acquisition of the Gidgee Project.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.3 for the purpose of obtaining Shareholder approval under Listing Rule 7.1 for the proposed issue:

- (a) the number of Shares to be issued is 34,000,000 Shares;
- (b) the Shares will be issued and allotted within 3 months following the date of the General Meeting;
- (c) the Shares will be issued at an issue price of \$0.323529 per Share;
- (d) the Shares will be issued to Legend Mining Limited ACN 060 966 145;
- (e) the Shares will rank pari passu with existing Shares on issue; and
- (f) there will be no funds raised by the issue of Shares as they will be issued in consideration of the acquisition of the Gidgee Project.

In addition, Shareholders should note that Apex has been advised by Legend Mining that it intends to distribute the Gidgee Consideration Shares to its members by way of an in specie distribution.

### 3.2 Section 611 of the Corporations Act

Except as provided by Chapter 6 of the Corporations Act, section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after the acquisition, that person's, or someone else's, voting power in the Company increases above 20%.

Section 611, item 7 of the Corporations Act provides that section 606(1) of the Corporations Act does not apply to an acquisition of shares in a company by virtue of an allotment or agreement if the company has agreed to the allotment or agreement by resolution passed at a general meeting at which no votes are cast in relation to the resolution by the person to whom the shares are to be allotted or by an associate of that person. There are also specific disclosure requirements under section 611, item 7.

The issue of the Gidgee consideration Shares to Legend Mining will result in Legend Mining having a total maximum voting power of 15.8% on the assumption that no other Shares are approved for issue under the other Resolutions to be considered at this meeting. If all Shares the subject of Resolutions 2 to 5 inclusive are issued then Legend will have a total voting power of 12.5% on a fully diluted basis.

As explained in the Introduction, while Legend Mining itself will not acquire an interest in more than 20% of the Company's Shares, the issue to Legend Mining will cause the voting power of Mr Mark Creasy and his associates to increase above 20% which, in the absence of Shareholder approval, would be in contravention of section 606(1) of the Corporations Act. As a result, Apex is seeking the approval of Shareholders for the purposes of section 611, item 7 of the Corporations Act for the issue of the Gidgee Consideration Shares to Legend Mining and the resulting increase in the voting power of Mr Creasy and his associates, as outlined in further detail in Section 3.4.

Full details of Mr Creasy's current Shareholding in Apex together with the voting power of Legend Mining and its associates together with Mr Creasy and his associates in Apex on completion of the acquisition of the Gidgee Project are set out in the table in Section 3.4(b).

### 3.3 Expert's Report

An expert's report by BDO Consultants (WA) Pty Ltd, commenting on Resolution 1 is attached to and forms part of this Explanatory Memorandum. This report is provided pursuant to Australian Securities Commission Policy Statement 74, which reflects the views of the ASC on acquisitions of more than 20% of the shares in a company for which shareholder approval is sought.

In summary, the Independent Expert's Report concluded the proposed issue of the Shares is fair and reasonable to the non-associated shareholders of the Company taking into account the following factors:

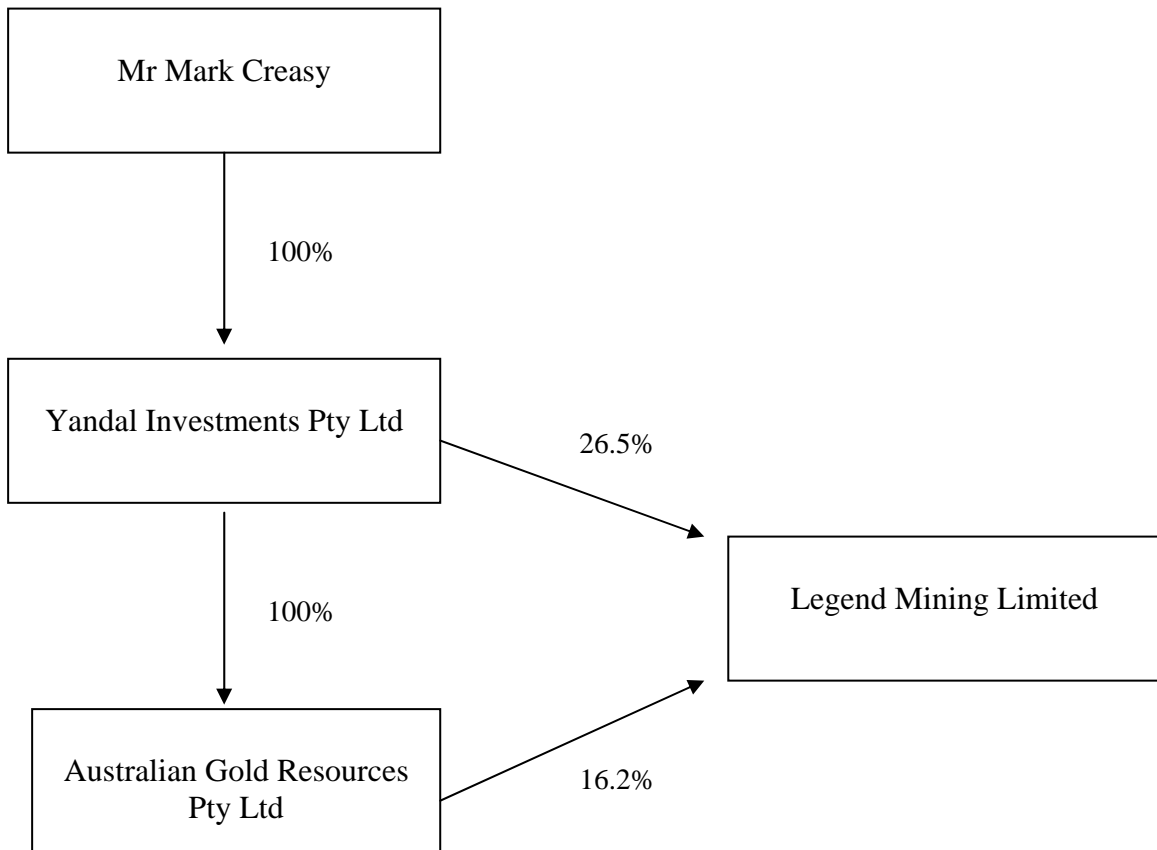
- (a) The value of the assets being acquired;
- (b) The potential for increase in Shareholder value;
- (c) The potential for future consolidation;
- (d) The fact that an existing mine is being acquired.

### 3.4 Required Information

Section 711, Item 7 of the Corporations Act provides that certain information must be provided to Shareholders when considering a vote on a resolution under that section. Further, the Australian Securities Commission, the predecessor to the ASIC, issued a Policy Statement (No. 74) which sets out the information that the ASC considered should be put before shareholders in relation to equivalent types of resolutions as the law then stood. It is assumed that the ASIC has adopted the same policy and that it will apply to section 611 Item 7 of the Corporations Act. The information set out below is provided in accordance with section 611 of the Corporations Act, and ASC Policy Statement 74.

- (a) The identity of the persons proposing to make the acquisition and their associates

The following diagram shows the corporate and ownership structure of Legend Mining following the issue and the identities of those persons who will have a Relevant Interest in the Gidgee Consideration Shares upon their issue.



The persons, in addition to Legend Mining, who will have a Relevant Interest in the Gidgee Consideration Shares following their issue are as follows:

- (i) Yandal Investments Pty Ltd ACN 070 684 810, because Yandal's voting power in Legend Mining is above 20% as it includes the shares in Legend Mining which it owns directly and the shares which are registered in the name of Australian Gold Resources Pty Ltd ACN 006 712 956 which it controls. Accordingly, pursuant to section 608(3)(a) of the Corporations Act, Yandal will be deemed to have the same power to vote or dispose of the Gidgee Consideration Shares as Legend Mining.

- (ii) Mr Mark Creasy, because Mr Creasy controls Yandal and AGR and, accordingly, pursuant to section 608(3)(b) of the Corporations Act, Mr Creasy will be deemed to have the same power to vote or dispose of the Gidgee Consideration Shares as AGR and Yandal and, in turn, Legend Mining.

Apex is advised by Legend Mining that there are no associates of Legend Mining as at the date of this Explanatory Memorandum.

Apex is advised by Legend Mining that Yandal and Mr Creasy are not associates of Legend Mining. The associates of Yandal and Mr Creasy who are known to Apex and as advised by Legend Mining as at the date of this Explanatory Memorandum are:

Australian Gold Resources Pty Ltd ACN 006 712 956

- (b) Change in Holding and Voting Power

If Resolution 1 is passed the Company will issue 34 million Shares to Legend Mining.

The following table sets out the voting power and the maximum extent of the increase in voting power in Apex of both Legend Mining and its associates and Yandal and Mr Creasy and their respective associates.

#### INTERESTS IN APEX SHARES

Person	Existing Shareholding	Existing Relevant Interest	Maximum Extent of Increase in Voting Power*	% Voting Power Assuming only Gidgee Shares Issued*	% Voting Power Assuming All Shares Issued**
Legend Mining	Nil	Nil	15.8%	15.8%	12.5%
Yandal Investments	Nil	Nil	15.8%	15.8%	12.5%
AGR	Nil	Nil	Nil	Nil	Nil
Mr Creasy	25,586,830 Shares and 11,125,000 partly paid shares	14.1%	13.5%	27.6%	21.9%

\*This assumes the other Resolutions are not passed and only the Gidgee Shares are issued.

\*\*This assumes all of the Resolutions are passed and all Shares are issued in accordance with the Acquisitions and the other matters considered at the Meeting but does not include the issue of Shares pursuant to the issue of any Options outstanding as at the date of this Explanatory Memorandum or the paying up of any Partly Paid

Shares on issue by the Company. It also assumes (for illustrative purposes) an issue price of \$0.60 for the purposes of the calculation of the number of Aphrodite Consideration Shares to be issued.

(c) Directors

It is not intended that there will be any change to the directors of Apex if the Shareholders approve Resolution 1 and the Gidgee Consideration Shares are issued.

(d) Intentions as to the future of Apex

If Resolution 1 is approved, neither Legend Mining, Mr Creasy, the Creasy Associates nor any of their respective associates has any present intention to do any of the following after the issue of the Gidgee Consideration Shares:

- (i) change the business of Apex;
- (ii) inject further capital into Apex;
- (iii) transfer any property between itself and Apex except, in the case of Legend Mining, the Gidgee Project; or
- (iv) redeploy the fixed assets of Apex.

(e) Particulars of the terms of the Issue and any other contract or proposed contract

The Gidgee Consideration Shares are proposed to be issued as consideration for the acquisition of the Gidgee Project by the Company (through its wholly owned subsidiary Apex Gold) pursuant to the terms of the Gidgee Sale and Purchase Agreement, particulars of which are set out elsewhere in this Explanatory Memorandum. If Shareholders do not pass Resolution 1, then the Gidgee Sale and Purchase Agreement will terminate and the acquisition of the Gidgee Project will not proceed.

Other than as set out above, there is no contract or proposed contract between Legend Mining, Apex, Yandal or Mr Creasy or any of their associates which is conditional upon or directly or indirectly dependent on Shareholders approving the issue of the Gidgee Consideration.

(f) Anticipated Date of Issue

Subject to the approval of Resolution 1 by Shareholders, the Gidgee Consideration Shares will be issued on completion of the Gidgee Sale and Purchase Agreement which is expected to take place within one month of the date of the passing of the resolution.

(g) Reasons for the issue

As mentioned above, the issue of the Gidgee Consideration Shares will be made to acquire the Gidgee Project.

(h) Interests of Directors in the Allotment and Acquisition

The directors of Apex do not have any interest in the issue of the Gidgee Consideration Shares.

(i) Approval of the Directors

A meeting of the Board was held on 12 April, 2007 at the Company's registered office where it was resolved unanimously to enter into the Gidgee Sale and Purchase Agreement. On 5 June, 2007 the Board resolved unanimously to proceed with the calling of a Shareholders Meeting and to issue the Notice of Meeting and Explanatory Memorandum in order to obtain Shareholder approval in the terms of the Resolutions.

(j) Recommendations by Directors

All of the directors of Apex recommend that the Shareholders of the Company vote in favour of Resolution 1 for the following reasons:

- (i) the acquisition of the Gidgee Project is considered by the Directors to be accretive to the value of the Company's Shares;
- (ii) the acquisition of the Gidgee Project will enable the Company to pursue its refractory gold business as outlined in further detail elsewhere in this Explanatory Memorandum;
- (iii) it is in the best interests of Shareholders and the Company.

In coming to its conclusions and recommendations, the Board considered a number of factors including the following:

- (iv) the exploration, development and operational profile of the Gidgee Project;
- (v) the current commodity price cycle;
- (vi) the terms and conditions of the Gidgee Sale and Purchase Agreement;
- (vii) the Expert's Report; and
- (viii) subject to the completion and acquisition of each of the **Projects**, the opportunity for near-term development of a mining operation by the Company.

(k) Financial and Dividend Policies of the Company

Neither Legend Mining nor any of its associates nor Mr Creasy nor any of the Creasy Associates has any intention to change the current financial and dividend policies of the Company.

### 3.5 Gidgee Sale and Purchase Agreement Terms

Set out below is a summary of the terms and conditions of the Gidgee Sale and Purchase Agreement.

#### *Representations and Warranties*

The Gidgee Sale and Purchase Agreement contains customary representations and warranties made by each of Legend Mining and Apex Gold. In the case of Apex Gold, these representations and warranties relate to, amongst other things, its corporate organisation, authority to enter into the agreement, the execution and delivery of the agreement, status of its solvency, litigation, and compliance with applicable laws. In the case of Legend Mining, these representations and warranties relate to the same matters as those warranted by Apex Gold and,

in addition, ownership and good standing of the Gidgee Project, encumbrances, validity of the mining tenements, intellectual property and software, and approvals and consents.

#### *Covenants of Legend Mining*

Until Completion of the sale and purchase, Legend Mining must maintain the Gidgee Project in accordance with normal practice in the Australian mining industry and keep the mining tenements in good standing, maintain the plant and equipment in accordance with its existing practices and maintenance schedules, not enter into any abnormal or unusual transaction which relates to or adversely affects the Gidgee Project, nor create or permit to arise any encumbrance over any part of the Gidgee Project. Apex is entitled to access the mining tenements in the period up to completion in order to carry out exploration and mining activities.

#### *Conditions to Completion of the Acquisition*

Completion of the Gidgee Sale and Purchase Agreement is subject to the following conditions:

- (a) Consent by the Minister under the Mining Act 1978 (WA) to the assignment of the mining tenements to Apex Gold;
- (b) Apex Minerals obtaining the Shareholder approvals as sought in the Notice of Meeting to which this Explanatory Memorandum forms part.

## **4. RESOLUTION 2 – APPROVAL OF ACQUISITION OF YOUANMI PROJECT**

### 4.1 Listing Rule 7.1

Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Shareholder approval is now sought pursuant to Listing Rule 7.1 to enable the Company to issue 14,285,714 Shares (**Youanmi Consideration Shares**) to Goldcrest Resources Ltd in order to complete the acquisition of the Youanmi Project.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.3 for the purpose of obtaining Shareholder approval under Listing Rule 7.1 for the proposed issue:

- (a) the number of Shares to be issued is 14,285,714 Shares;
- (b) the Shares will be issued and allotted within 1 month following the date of the General Meeting;
- (c) the Shares will be issued at an issue price of \$0.35 per Share;
- (d) the Shares will be issued to Goldcrest Resources Ltd;
- (e) the Shares will rank pari passu with existing Shares on issue; and
- (f) there will be no funds raised by the issue of Shares as they will be issued in consideration of the acquisition of the Youanmi Project.

### 4.2 Recommendations by Directors

All of the directors of Apex recommend that the Shareholders of the Company vote in favour of Resolution 2 for the following reasons:

- (a) the acquisition of the Youanmi Project is considered by the Directors to be accretive to the value of the Company's Shares;
- (b) the acquisition of the Youanmi Project will enable the Company to pursue its refractory gold business as outlined in further detail elsewhere in this Explanatory Memorandum;
- (c) it is in the best interests of Shareholders and the Company.

In coming to its conclusions and recommendations, the Board considered a number of factors including the following:

- (d) the exploration, development and operational profile of the Youanmi Project;
- (e) the current commodity price cycle;
- (f) the terms and conditions of the Youanmi Sale and Purchase Agreement; and
- (g) subject to the completion and acquisition of each of the Projects, the opportunity for near-term development of a mining operation by the Company.

## **5. RESOLUTION 3 – APPROVAL OF ACQUISITION OF APHRODITE PROJECT**

### **5.1 Listing Rule 7.1**

Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Shareholder approval is now sought pursuant to Listing Rule 7.1 to enable the Company to issue those Shares (**Aphrodite Consideration Shares**) which are required to be issued to Kundana Gold Pty Limited in order to complete the acquisition of the Aphrodite Project.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.3 for the purpose of obtaining Shareholder approval under Listing Rule 7.1 for the proposed issue:

- (a) the Shares to be issued will be that number calculated by dividing the sum of \$2,000,000 by the average closing price of Apex Shares on the ASX over the 5 trading days immediately prior to completion of the Aphrodite Acquisition Agreement;
- (b) the Shares will be issued and allotted within 1 month following the date of the General Meeting;
- (c) the issue price of the Shares will be the average closing price of Apex Shares on the ASX over the 5 trading days immediately prior to completion;
- (d) the Shares will be issued to Kundana Gold Pty Limited;
- (e) the Shares will rank pari passu with existing Shares on issue; and
- (f) there will be no funds raised by the issue of Shares as they will be issued in consideration of the acquisition of the Aphrodite Project.

## 5.2 Recommendations by Directors

All of the directors of Apex recommend that the Shareholders of the Company vote in favour of Resolution 3 for the following reasons:

- (a) the acquisition of the Aphrodite Project is considered by the Directors to be accretive to the value of the Company's Shares;
- (b) the acquisition of the Aphrodite Project will enable the Company to pursue its refractory gold business as outlined in further detail elsewhere in this Explanatory Memorandum;
- (c) it is in the best interests of Shareholders and the Company.

In coming to its conclusions and recommendations, the Board considered a number of factors including the following:

- (d) the exploration, development and operational profile of the Aphrodite Project;
- (e) the current commodity price cycle;
- (f) the terms and conditions of the Aphrodite Sale and Purchase Agreement; and
- (g) subject to the completion and acquisition of each of the Projects, the opportunity for near-term development of a mining operation by the Company.

## 6. RESOLUTION 4 – RATIFICATION OF SHARE ISSUE

ASX Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period. Listing Rule 7.4 enables a company to restore its ability to issue securities within the 15% annual limit by obtaining shareholder ratification of an issue previously made within that limit.

Shareholder ratification pursuant to Listing Rule 7.4 is now sought in respect of an issue of 23 million Shares made to Professional and Sophisticated Investors as explained in Section 2.5 above. The Resolution will restore the Company's ability to issue securities within the 15% annual limit.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.5 for the purpose of obtaining Shareholder ratification under Listing Rule 7.4 for the prior placement:

- (a) the number of Shares placed was 23 million Shares;
- (b) the placement of the Shares occurred in during the week commencing 4 June, 2007;
- (c) the Shares were issued at an issue price of \$0.52 per Share;
- (d) the allottees of the Shares were Professional and Sophisticated Investors who were identified by Southern Cross Equities;
- (e) the Shares rank pari passu with existing Shares on issue; and
- (f) funds raised by the placement of Shares will be utilised by the Company as outlined in the table in Section 2.5.

If the resolution is passed, the Company will, pursuant to Listing Rule 7.1, be able to issue up to 15% of its issued Share capital without the requirement to seek the approval of Shareholders. The Directors believe this will be beneficial to the Company as it will allow it to capitalise on business opportunities if, and when, they become available.

**7. RESOLUTION 5: APPROVAL OF PLACEMENT OF SHARES**

ASX Listing Rule 7.1 requires that a listed company obtain Shareholder approval prior to an issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

Shareholder approval is now sought pursuant to Listing Rule 7.1 to enable the Company to issue up to 39 million Shares at an issue price of \$0.52 as also referred to in Section 2.5 above.

Outlined below is the information required to be provided to Shareholders pursuant to Listing Rule 7.3 for the purpose of obtaining Shareholder approval under Listing Rule 7.1 for the proposed placement:

- (a) the number of Shares to be issued is 39 million Shares;
- (b) the Shares will be issued and allotted within 3 months of the date of the General Meeting;
- (c) the Shares will be issued at an issue price of \$0.52 per Share;
- (d) the allottees of the Shares will be Professional and Sophisticated Investors identified by Southern Cross Equities;
- (e) the Shares will rank pari passu with existing Shares on issue; and
- (f) funds raised by the issue of Shares will be used as outlined in the table in Section 2.5 above.

The Board recommends the approval of the placement of Shares in accordance with Resolution 5 to allow the Company to assist in the acquisition of the Projects and their subsequent development.

**8. RESOLUTION 6: APPOINTMENT OF MR G JARDINE AS A DIRECTOR AND ISSUE OF OPTIONS**

Mr Glenn Jardine was appointed a Director of the Company on 1 June, 2007 as Director - Operations. Pursuant to Article 14.2 of the Constitution of the Company, Mr Jardine's appointment expires on the conclusion of the next general meeting of the Company. As a result, Resolution 6 seeks the approval of Shareholders to the re-appointment of Mr Jardine as a Director.

Mr Jardine has over 20 years experience in the mining industry and was most recently 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 recognized by the achievement of two separate major environmental awards.

Mr Jardine 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.

The Board recommends the re-appointment of Mr Jardine to Shareholders.

As part of Mr Jardine's appointment as an executive Director, Resolution 6 also asks Shareholders to approve the issue of 1 million Options to Mr Jardine. Information concerning the issue of Options to Mr Jardine is set out in Section 9 below.

## 9. ISSUE OF OPTIONS TO DIRECTORS

Resolutions 6 to 10 (**Options Resolutions**) inclusive seek Shareholder approval for the Company to grant Options to each of the Directors of the Company.

Shareholder approval for the grant of the Options the subject of the Options Resolutions is sought for the purposes of:

- (a) Division 3 of Part 2E.1 of the Corporations Act – which governs the giving of financial benefits to “related parties”, e.g. directors of a company;
- (b) Listing Rule 7.1 – which generally prohibits a company from issuing more than 15% of its capital within a 12 month period without shareholder approval; and
- (c) Listing Rule 10.14 – which requires the grant of securities to a director of a Company under an employee incentive scheme to be approved by shareholders.

The Directors believe that the proposed Option issue is an appropriate means of providing the Board with an incentive to continue to create value for Shareholders.

The Options are being granted for no consideration. Consequently no funds will be raised as a result of the grant of the Options. A total of \$1,690,000 in additional Share capital would be raised if the options were exercised in full.

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure “A” to this Explanatory Statement.

Part 2E.1 of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed grant of Options to each of the Directors involves the provision of a financial benefit to a related party of the Company and, therefore, requires prior Shareholder approval.

In accordance with the requirements of Part 2E of the Corporations Act, and in particular sections 218 and 221, the following information is provided to Shareholders to allow them to assess the proposed grant of Options:

- (a) The persons to whom the Options Resolutions would permit a financial benefit to be given are Mr K Robinson, Mr M Ashley, Mr M Bennett, Mr S Lowe and Mr G Jardine who are each Directors of the Company and thereby are a related party of the Company by virtue of Section 228(2)(a) of the Corporations Act;
- (b) the nature of the financial benefit to be given is the grant of Options on the terms set out in Annexure “A” to this Explanatory Statement;

- (c) each of the Directors has a material personal interest in the outcome of the Options Resolution which relates to that person;
- (d) none of the Directors wish to make a recommendation to Shareholders on any of the Options Resolutions on the basis that they may be seen as having an interest in the outcome of the resolutions or there may be a conflict of interest in making such a recommendation;
- (e) the Options will be issued free of charge and therefore no funds will be raised by their issue. Any funds raised from the exercise of the Options will be used for the Company's general working capital requirements;
- (f) the Options will be issued within one month of Shareholder approval;
- (g) The exercise price of each Option is 0.65 and the Options may be exercised during the period commencing 1 June 2009 and ending on their expiry date of 1 June 2012;
- (h) Based on a Black & Scholes valuation method, the Company estimates that each Option the subject of the Options Resolutions has a value of \$0.3378 as at 1 June 2007.

This estimate is based on the following assumptions:

Exercise price	\$0.65
Market value of underlying Shares	\$0.52
Time to expiration of Option	5 years
Vesting Date	1 June 2009
Volatility	82.33 %
Risk free interest rate	6.25%
Annualised dividend yield	Nil

- (i) over the last 12 months, the lowest recorded price of Shares in SEATS trading on ASX was \$0.21 (on 3 August 2006) and the highest was \$0.95 (on 13 June 2007). At the close of trading on 12 June 2007, the Share price was \$ 0.81;
- (j) the current direct and indirect beneficial holdings of the Directors in securities of the Company are as follows:

<b>Name</b>	<b>Position</b>	<b>Shares</b>	<b>Options*</b>
M Ashley	Managing Director	16,250,000	2,000,000
G Jardine	Director Operations	2,215,000	1,500,000
M Bennett	Exploration Director	1,450,000	2,000,000
K Robinson	Chairman	5,000,000	500,000
S Lowe	Non-Executive Director	171,201	500,000

\*Excludes Options proposed to be issued pursuant to Resolutions 6 to 10.

(k) the current annual compensation of Directors is as follows:

<b>Name</b>	<b>Salary &amp; Fees</b>	<b>Non Monetary Benefits</b>	<b>Post employment Benefits and Super-annuation</b>	<b>Total</b>
K Robinson	\$45,000	Nil	\$4,050	\$49,050
M Ashley	\$300,000	\$17,500	\$27,000	\$344,500
M Bennett	\$300,000	\$17,500	\$27,000	\$344,500
S Lowe	\$40,000	Nil	\$3,600	\$43,600
G Jardine	\$300,000		\$27,000	\$327,000

- (l) If all of the 2.6 million Options the subject of the Options Resolutions were to be exercised, existing Shareholders interests in the Company would be diluted by approximately 0.9% (assuming the issue of all of the other Shares the subject of this Explanatory Memorandum, the paying up of all Partly Paid Shares on issue, the exercise of all existing Options and no other Shares being issued prior to the exercise of these Options); and
- (m) neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision whether it is in the best interests of the Company to pass Resolutions 6 to 10.

## **10. RESOLUTION 11: AMENDMENT OF THE CONSTITUTION OF THE COMPANY**

On a recent review of the Constitution of the Company it became apparent that the Constitution contained some unusual terms regarding the remuneration of executive Directors of the Company. These terms required the remuneration of executive Directors to be considered and approved by Shareholders in general meeting. To the knowledge of the current Directors, this has not been the practice of the Company in the past.

In order to bring the Constitution in line with what the Board considers to be normal corporate practice, Resolution 11 seeks the amendment of the Constitution of the Company in accordance with the amendments set out in Annexure C to this Explanatory Memorandum.

The effect of the amendments will be that:

- (a) in addition to Managing Directors, the Board will be entitled to appoint one or more of their number as Executive Directors;
- (b) both the Managing Director and Executive Directors will have their remuneration determined by the Board provided that no such Director will be entitled to be paid, as remuneration, a commission or percentage of operating revenue.

The Resolution also seeks the ratification of previous payments made by the Company to executive and Managing Director which may not have been determined by the Company in general meeting. The Directors consider that this is reasonable and in the best interests of the Company as they consider the monies are, and were at the time of payment, duly payable to those persons notwithstanding any failure to have such remuneration fixed in general meeting.

## 11. PRO-FORMA EFFECT ON THE COMPANY

Set out below is the pro forma unaudited financial effect on the Company's statement of financial position as at 31 December 2007 assuming that all Resolutions are passed, the Acquisition Agreements are completed in accordance with their terms and :

<b>Apex Minerals NL</b>		
<b>Proforma Balance Sheet as at December 2006</b>	<b>31 Dec 06</b>	<b>Proforma 31 Dec 06</b>
<b>Current Assets</b>		
Cash assets	2,516,149	19,756,149
Receivables	69,131	69,131
Other financial assets	-	-
Other	46,712	46,712
<b>Total Current Assets</b>	<b>2,631,992</b>	<b>19,871,992</b>
<b>Non Current Assets</b>		
Receivables	-	-
Property, plant and equipment	378,272	378,272
Investments	2,643,498	2,643,498
Exploration, evaluation and development expenditure	-	28,000,000
Other	140,389	140,389
<b>Total Non Current Assets</b>	<b>3,162,159</b>	<b>31,162,159</b>
<b>Total Assets</b>	<b>5,794,151</b>	<b>51,034,151</b>
<b>Current Liabilities</b>		
Payables	312,861	312,861
Interest bearing liabilities	-	-
Provisions	35,153	35,153
<b>Total Current Liabilities</b>	<b>348,014</b>	<b>348,014</b>
<b>Total Liabilities</b>	<b>348,014</b>	<b>348,014</b>
<b>NET ASSETS</b>	<b>5,446,137</b>	<b>50,686,137</b>
<b>Equity</b>		
Contributed equity	12,837,610	63,077,610
Option Reserve	633,481	633,481
Net Unrealised Gain Reserve	846,966	846,966
Capital Raising Costs	-	(5,000,000)
Accumulated losses	(6,208,914)	(6,208,914)
Current Earnings Profit/(Loss)	(2,663,006)	(2,663,006)
<b>TOTAL EQUITY</b>	<b>5,446,137</b>	<b>50,686,137</b>

## Competent Persons Statement

The Information in this Explanatory Memorandum that relates to the Gidgee Measured, Indicated and Inferred Resources is based on studies commissioned and published by Legend Mining and its consultant Mr Spiro Carras, as quoted in Legend Mining's 2006 Annual Report.

The Information in this Explanatory Memorandum that relates to the Youanmi Measured, Indicated and Inferred Resources is based on studies commissioned and published by Goldcrest Resources and its consultants Mr John Haywood and Mr Steve Hyland, to comply with NI 43-101 reporting standards, as disclosed on Goldcrest's website and their TSX announcement of 20<sup>th</sup> July 2006.

The information in this report that relates to the Aphrodite Inferred Resource is based on Barrick Gold's December 2005 Year end Resource Statement, and confirmed by Mr Richard Allan of Barrick Gold.

This information has been verified by Dr Mark Bennett and Mr Andrew Thompson, who are both full time employees of Apex.

Dr Bennett, Mr Thompson, Mr Carras, Mr Haywood and Mr Hyland are Members of the Australasian Institute of Mining and Metallurgy, and Mr Allan is Barrick's Qualified Person. All have sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration and to the activities undertaken, to qualify as Competent Persons as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Dr Bennett, Mr Thompson, Mr Carras, Mr Haywood, Mr Hyland and Mr Allan consent to the inclusion of this Explanatory Memorandum of the matters based on information in the form and context in which it appears.

## Glossary

**Acquisition Agreements** means the Gidgee Sale and Purchase Agreement, the Youanmi Sale and Purchase Agreement and the Aphrodite Sale and Purchase Agreement or any of them as the context may require.

**Apex** means Apex Minerals NL ABN 22 098 612 974.

**Apex Gold** means Apex Gold Pty Ltd ACN 124 893 778.

**Aphrodite Consideration Shares** means those Shares required to be issued to Kundana Gold Pty Limited pursuant to the terms of the Aphrodite Sale and Purchase Agreement as more particularly set out in paragraph 5.1.

**Aphrodite Project** means the tenements, plant and equipment and other assets to be acquired by Apex Gold pursuant to the Aphrodite Sale and Purchase Agreement.

**Aphrodite Sale and Purchase Agreement** means the sale agreement made between Kundana Gold Pty Limited ABN 13 009 643 252, Paddington Gold Pty Limited ABN 98 008 585 886, Apex and Apex Gold dated 26 April 2007.

**AGR** means Australian Gold Resources Pty Ltd ACN 006 712 956.

**ASC** means the Australian Securities Commission, the precursor body to ASIC.

**ASIC** means the Australian Securities and Investments Commission.

**Board** means the board of Directors of the Company.

**Constitution** means the constitution of the Company.

**Company** means Apex Minerals NL (ABN 22 098 612 974).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means directors of the Company.

**Explanatory Memorandum** means this explanatory memorandum.

**Gidgee Sale and Purchase Agreement** means the sale agreement made between Legend Mining, Gidgee Resources Ltd, Apex and Apex Gold dated 1 May 2007.

**Gidgee Consideration Shares** means 34,000,000 Shares to be issued to Legend Mining pursuant to the Gidgee Sale and Purchase Agreement.

**Gidgee Project** means the tenements, plant and equipment and other assets to be acquired by Apex Gold pursuant to the Gidgee Sale and Purchase Agreement.

**General Meeting** means the meeting of the Shareholders called by the notice of meeting which this Explanatory Memorandum forms part.

**Independent Expert** means BDO Consultants (WA) Pty Ltd ABN 92 008 864 435.

**Independent Expert's Report** means the report by the Independent Expert attached to this Explanatory Memorandum as Annexure A and dated 5 June 2007.

**JORC** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

**Legend Mining** means Legend Mining Limited ACN 060 966 145.

**Listing Rules** means the Listing Rules of ASX Limited.

**Notice of Meeting** means the notice of meeting which this Explanatory Memorandum forms part.

**Options** means options to subscribe for and be issued Shares in the Company.

**Options Resolutions** means Resolutions 6 to 10 inclusive of the Notice of Meeting to which this Explanatory Memorandum forms part or any of them as the context may require.

**Projects** means the Aphrodite Project, the Gidgee Project and the Youanmi Project or any of them as the context may require.

**Relevant Interest** is defined in section 608 of the Corporations Act and arises in respect of a security where a person is the holder of the security or has the power to exercise or control the exercise of the right to vote, or the power to dispose, of the security.

**Partly Paid Shares** means partly paid shares issued by the Company.

**Resolution** means a resolution to be considered by the Shareholders at the General Meeting.

**Share** means an ordinary share in the capital of the Company.

**Shareholder** or member means a registered member of the Company.

**Southern Cross Equities** means Southern Cross Equities Limited ABN 87 07 441 AFSL No.: 247027.

**Voting Power** is defined in section 610 of the Corporations Act and means the total number of votes attached to all the voting shares in the Company of a person and their associates as a percentage of the total voting shares of the Company.

**Yandal** means Yandal Investments Pty Ltd ACN 070 684 810.

**Youanmi Consideration Shares** means 14,285,714 Shares to be issued to Goldcrest Resources Ltd pursuant to the Youanmi Sale and Purchase Agreement.

**Youanmi Project** means the tenements, plant and equipment and other assets to be acquired by Apex Gold pursuant to the Youanmi Sale and Purchase Agreement

**Youanmi Sale and Purchase Agreement** means the sale agreement made between Goldcrest Resources Ltd, Apex and Apex Gold dated 3 May 2007.

**ANNEXURE A**  
**EXPERT'S REPORT**

**FINANCIAL SERVICES GUIDE**

**AND**

**INDEPENDENT EXPERT'S  
REPORT**

**Apex Minerals NL**

**5 June 2007**



Consultants (WA) Pty Ltd  
ABN 92 008 864 435



**BDO Consultants (WA) Pty Ltd**

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## **Financial Services Guide**

5 June 2007

**BDO Consultants (WA) Pty Ltd** ABN 92 008 864 435 ("**BDO Consultants**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by Apex Minerals NL ("**Apex**") to provide an independent expert's report on the proposal to issue 34 million shares to Legend Mining Ltd ("**Legend**") as consideration for the purchase of the Gidgee Gold Project, which consists of tenements, mining information and other assets. You will be provided with a copy of our report as a retail client because you are a shareholder of Apex.

### **Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 246328**;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### **Information about us**

BDO Consultants (WA) Pty Ltd is a member firm of the BDO Kendalls network in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Consultants (WA) Pty Ltd and not by BDO Kendalls or its related entities. BDO Kendalls and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO Kendalls (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice to retail and wholesale clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues in relation to:

- ◆ derivatives limited to old law securities options contracts and warrants;
- ◆ debentures, stocks or bonds issued or proposed to be issued by a government;
- ◆ interests in managed investments schemes (excluding investor directed portfolio services);
- ◆ securities; and
- ◆ superannuation.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### **General Financial Product Advice**

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

## Financial Services Guide Page 2

### **Fees, Commissions and Other Benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is \$18,000 (excluding GST).

Except for the fees referred to above, neither BDO Consultants, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We will receive a fee from Apex for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

### **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### **Complaints resolution**

#### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Consultants (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("**FICS**"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FICS will be able to advise you as to whether or not they can be of assistance in this matter. Our FICS Membership Number is F-3820.

Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Services Limited  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Toll free: 1300 780 808  
Facsimile: (03) 9621 2291  
Email: [fics@fics.asn.au](mailto:fics@fics.asn.au)

### **Contact details**

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

**APEX MINERALS NL**  
**INDEPENDENT EXPERT'S REPORT**  
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5 June 2007

The Directors  
Apex Minerals NL  
Ground Floor  
31 Ventnor Avenue  
West Perth  
WA 6005

Dear Sirs

## **INDEPENDENT EXPERT'S REPORT – APEX MINERALS NL**

### **1. INTRODUCTION**

BDO Consultants (WA) Pty Ltd (“**BDO**”) has been engaged by Apex Minerals NL (“**Apex**” or “**the Company**”) to prepare an Independent Expert’s Report (“**our Report**”) to express an opinion as to whether or not the issue of 34 million shares in Apex to Legend Mining Ltd (“**Legend**”) in consideration for the purchase of the Gidgee Gold Project (“**the Transaction**”) is fair and reasonable to non-associated shareholders (“**Shareholders**”) of Apex.

Our Report is to be included in the Explanatory Memorandum for Apex to be sent to all Shareholders to assist them in deciding whether to accept or reject the Transaction.

### **2. SUMMARY AND OPINION**

#### **2.1 Opinion**

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders.

We believe that the Directors would be justified in recommending that Shareholders vote in favour of the Transaction.

#### **2.2 Fairness**

In Section 10 we determined that the Transaction is fair in that the value of the assets being acquired compares to the value of the consideration as follows:

	<b>Preferred Values</b>
	<b>\$</b>
<b>Value of 34 million Apex Shares (Section 8.3)</b>	<b>11,560,000</b>
<b>Value of assets being acquired (Section 9.4)</b>	<b>17,068,196</b>

The above pricing indicates that the Transaction is fair for Shareholders.

#### **2.3 Reasonableness**

We have considered the analysis in Sections 11 and 13 of this report, in terms of both

- Advantages and disadvantages of the Transaction; and
- Alternatives, including the position of Shareholders if the Transaction does not proceed.

In our opinion, the position of Shareholders if the Transaction proceeds is more advantageous than the position if the Transaction does not proceed. Accordingly, we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The transaction is fair	13.2.1	Dilution of existing shareholders' interests
13.1.2	Potential for increase in shareholder value		
13.1.3	Potential for future consolidation		
13.1.4	Acquisition of existing mine		
13.1.5	Value of other assets		

### 3. OUTLINE OF TRANSACTION

#### 3.1 The Transaction

The Proposed transaction is contained in Resolution 1 of the Notice of Meeting as detailed below:

To consider, and if thought fit to pass, the following resolution as an ordinary resolution:

"That, for the purposes of section 611, item 7 of the Corporations Act and for all other purposes, this meeting approves and agrees to:

- a. the entering into by the Company and its wholly owned subsidiary, Apex Gold Pty Ltd (ACN 124 893 778), of a Sale Agreement (**Gidgee Sale Agreement**) with Legend Mining Limited (ACN 060 966 145) and Gidgee Resources Ltd (ACN 104 312 110) dated 1 May 2007;
- b. the issue and allotment to Legend Mining Limited of 34 million ordinary fully paid shares in the Company (**Gidgee Consideration Shares**) on completion of the Gidgee Sale Agreement;
- c. in addition to the acquisition by Legend Mining Limited as described in paragraph (b) above, the acquisition of a relevant interest in the Gidgee Consideration Shares under the Corporations Act by each of:

(i) Mr Mark Creasy; and

(ii) Yandal Investments Pty Ltd ACN 070 684 810."

#### 3.2 The Transaction background

The proposed transaction involves the acquisition by Apex (through its 100% owned subsidiary, Apex Gold Pty Ltd) of the Gidgee Gold Project from Legend. The Gidgee Gold Project is located 640km northeast of Perth and encompasses tenements, plant and infrastructure. The consideration will be 34 million ordinary shares in Apex. In addition, a further consideration of \$5m will be payable on the milestone of gold production by Apex from the Gidgee tenements reaching 250,000 ounces.

The Company has also entered into sale agreements to acquire two other projects in WA's Eastern Goldfields. The agreements relate to the acquisition of the Youanmi Project and the Aphrodite Project. The acquisitions of the projects are not interdependent, but the Directors have embarked upon these acquisitions as part of a consolidation strategy in this area.

### 3.3 Capital Structure

The capital structure as at 21 May 2007 is as follows:

Ordinary Shares	21 May 2007
Total Ordinary Shares on Issue	159,119,755
Top Twenty Shareholders – Ordinary Shares	90,941,630
Top Twenty Shareholders - % of Ordinary Shares on Issue	<b>57.2%</b>

The spread of ordinary shareholders at 21 May 2007 is as follows:

Range of Shares Held	No. of Ordinary Shareholders
1-1,000	39
1,001-5,000	186
5,001-10,000	184
10,001-100,000	497
100,001 – and over	159
<b>TOTAL</b>	<b>1,065</b>

Source: Apex share registry reports

The number of ordinary shares held by the substantial shareholders as at 21 May 2007 is detailed below:

Shareholder	Ordinary Shares	% Shares Held
Mark Creasy	25,586,830	16.08%
Mark Ashley	16,250,000	10.21%

Source: Apex share registry reports

A placement of 23 million additional shares will take place during the week ending 15 June 2007.

11,595,000 unlisted options are also in existence, with exercise prices between \$0.14 and \$0.45. The top option holders are listed in the table below:

Option holders	Number	Exercise price	Expiry
Revedor Pty Ltd	2,000,000	\$0.14	20/06/2011
Kim Robinson	1,000,000	\$0.14	20/06/2011
William Robert Dix	1,000,000	\$0.14	20/06/2011
Shelay Investments Pty Ltd	2,000,000	\$0.14	20/06/2011
Lost Ark Nominees	1,500,000	\$0.20	03/07/2011
Glenn Jardine	1,000,000	\$0.35	01/11/2011

Certain of the above options are fully vested and others vest at varying times during 2008 and 2009.

### 3.4 Historical Consolidated Balance Sheets

Apex Minerals NL	Note	As at	As at	As at
		31 December 2006	30 June 2006	30 June 2005
		\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		2,516,149	7,240,790	688,279
Trade and other receivables		69,131	16,536	3,167
Prepayments		-	35,777	-
Other		46,712	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>2,631,992</b>	<b>7,293,103</b>	<b>691,446</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment		378,272	74,878	17,458
Other financial assets	3.4.1	2,783,887	377,389	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,162,159</b>	<b>452,267</b>	<b>17,458</b>
<b>TOTAL ASSETS</b>		<b>5,794,151</b>	<b>7,745,370</b>	<b>708,904</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		312,861	623,678	76,900
Provisions		35,153	11,796	-
Interest bearing liabilities		-	550,000	500,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>348,014</b>	<b>1,185,474</b>	<b>576,900</b>
<b>TOTAL LIABILITIES</b>		<b>348,014</b>	<b>1,185,474</b>	<b>576,900</b>
<b>NET ASSETS</b>		<b>5,446,137</b>	<b>6,559,896</b>	<b>132,004</b>
<b>EQUITY</b>				
Contributed equity	3.4.2	12,837,610	12,768,810	4,612,587
Options reserve		633,481	-	-
Net unrealisable gain reserve		846,966	-	-
Accumulated losses		8,871,920	6,208,914	4,480,583
<b>TOTAL EQUITY</b>		<b>5,446,137</b>	<b>6,559,896</b>	<b>132,004</b>

Source: Audited financial statements for the years ended 30 June 2006 and 30 June 2005, and reviewed half year accounts for the period ended 31 December 2006.

**3.4.1** The movement in other financial assets relates to the purchase of shares in a number of listed companies.

**3.4.2** In April 2006 the company completed a successful capital raising of approximately \$7.9 million, bringing the contributed equity to approximately \$12.7 million.

### 3.5 Historical Consolidated Income Statements

Apex Minerals NL	Half year ended 31 December 2006	Year ended 30 June 2006	Year ended 30 June 2005
	\$	\$	\$
Revenues	130,036	90,752	71,135
Increase in value of financial asset	72,500	249,500	
Marketing expenses	(8,997)	(3,071)	(11,214)
Occupancy expenses	(40,583)	(63,201)	(18,508)
Administrative expenses	(792,539)	(1,078,613)	(383,719)
Exploration expenditure	(1,383,456)	(900,211)	(807,183)
Share based payments	(633,481)	-	-
Interest expense	(6,486)	-	-
Corporate Costs	-	(23,487)	(45,056)
<b>Loss before related income tax expense</b>	<b>(2,663,006)</b>	<b>(1,728,331)</b>	<b>(1,194,545)</b>
Income tax attributable to operating loss	-	-	-
<b>Loss after related income tax expense</b>	<b>(2,663,006)</b>	<b>(1,728,331)</b>	<b>(1,194,545)</b>

Source: Audited financial statements for the years ended 30 June 2006 and 30 June 2005, and reviewed half year accounts for the period ended 31 December 2006.

### 4. REPORT REQUIREMENTS

Mr Mark Creasy is a shareholder of Apex, and currently holds 16.1% of the issued shares in Apex. Mr Creasy is also a major shareholder in Legend, with a 42.7% interest in that company through Yandal Investments Pty Ltd and Australian Gold Resources Pty Ltd. By reason of section 608(3) of the Corporations Act, Mr Creasy and Yandal Investments Pty Ltd are deemed to have a relevant interest in any shares which are owned by Legend Mining Limited as they hold in excess of 20% of the voting shares of that company.

The consideration for the purchase of the Gidgee Gold Project is the issue of 34 million Apex shares, ("**Consideration Shares**"). Because of the interests of Yandal Investments Pty Ltd and Australian Gold Resources Pty Ltd in Legend Mining Limited, Mr Creasy and Australian Gold Resources will have a relevant interest in all of the shares to be issued to Legend.

Section 606 of the Corporations Act ("**the Act**") expressly prohibits a transaction which causes a shareholder's voting power in a company to increase from 20% or below to more than 20%. Following the approval of the Transaction, and ignoring the issue of Apex Shares pursuant to the other transactions included in the Notice of Meeting, Mr Creasy will have a relevant interest in 30.9% of Apex's issued capital. Mr Creasy's direct interest in Apex Shares excluding his relevant interest in the Shares issued to Legend will be 13.2%.

Section 611 permits an exception to the prohibition contained in section 606 if shareholders of that entity have agreed to the issue of the shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Policy Statement 74 issued by the Australian Securities Commission, the precursor to the Australian Securities and Investments Commission ("**ASIC**") deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Apex, by either:

- o undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- o by commissioning an Independent Expert's Report.

The directors of Apex have commissioned this Independent Expert's Report to satisfy this obligation.

## **5. BASIS OF EVALUATION**

### **5.1 Regulation Guidelines**

In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by the ASIC in their Policy Statements 74 and 75 and Practice Notes 42. These Policy Statements suggest that an opinion as to whether transactions are fair and reasonable should entail consideration of all the circumstances of the Transaction.

Such consideration includes a comparison of the likely advantages and disadvantages for Shareholders if the Transaction is accepted, with the advantages and disadvantages to those Shareholders if it is not.

### **5.2 Adopted Basis of Evaluation**

Having regard to both Policy Statements above, BDO has completed this comparison in two parts:

- A comparison between the Transaction consideration for each Company Share and the value of each Company Share. (Fairness – see Section 10 "Is the Transaction Fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (Reasonableness – see Section 13 "Is the Transaction Reasonable?").

**5.3** The Transaction could be considered "reasonable" if there are valid reasons to approve the Transaction, notwithstanding that it may not be regarded as "fair" to Shareholders.

## **6. PROFILE OF APEX**

### **6.1 History and background**

Apex is a Perth based mineral exploration company which listed on the Australian Stock Exchange in June 2002 under the Code AXM. The Company's main focus is gold and base metal exploration. In April 2006, the Company undertook a successful capital raising of \$7.9m, and unveiled a new strategic direction with a number of key board and management changes. Mark Ashley was appointed Managing Director, having moved

from LionOre Australia Ltd. A number of his colleagues from LionOre Australia Ltd also joined Apex at that time.

Apex Minerals' primary focus is the exploration for gold and base metals in Australia. Apex operates within three joint ventures in Australia including the Apollo Hill JV, the Jillawarra JV and the Narndee JV. Apex also operates an exploration program within the Tianshan Belt of Northern China. A brief summary of these projects is outlined below.

#### **Apollo Hill, Leonora**

Apex is currently earning up to 60% from Hampton Hill Mining through a staged earn in. Apollo Hill represents an advanced gold exploration project which in Apex's first round of drilling returned significant mineralisation.

#### **Jillawarra, Meekatharra**

Apex currently holds an 80% interest in these tenements with Abra Mining earning up to 70% interest through a staged earn in. It is located along strike from the large Abra polymetallic (Pb-Zn-Cu) deposit and it contains untested geochemical and geophysical targets at the Copper Chert prospect.

#### **Narndee, Windimurra**

Apex currently holds an 80% interest in the Narndee tenements with Maximus Resources earning up to a 70% interest through a staged earn in. The tenements cover the Windimurra and Narndee intrusions and are considered highly prospective for Ni-Cu-PGE, and gold mineralisation. LionOre has recently entered into an agreement with Maximus to sell its interests in the Narndee tenements in consideration for an issue of shares in Maximus.

#### **Xinjiang, China**

Apex is involved in the exploration for giant copper-gold deposits in the Tianshan Belt of Northern China. Apex's activities include a Strategic Alliance with Xstrata.

### **6.2 The Gidgee Gold Project**

The Gidgee Gold Project is 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 operation (currently not in operation), a 150 man camp, additional high grade non-refractory resources close to the existing development and significant exploration upside.

Gold was first discovered at Gidgee in 1926 and approximately 20,000 ounces were mined over the next 15 years. Contemporary exploration and mining commenced in 1987, and up until March 2005 when the mine was placed on care and maintenance, 1.26 million ounces (Moz) of gold were recovered from 10.1 million tonnes (Mt) of ore at an average grade of 3.9 grams per tonne (g/t) gold.

## **6.3 The Industry**

### **6.3.1 Historical gold prices**

From 1934 until 1971, the "official" price of gold was US\$35 an ounce (current prices), and did not reach the "floor price" of US\$300 an ounce until July 1979, a level which it generally stayed above throughout the 1980s and 1990s. The "gold boom" of 1979-1980, a period in which gold prices skyrocketed and peaked at US\$850 an ounce, was a result of the public buying up gold stocks and pushing up prices to unsustainably high levels in response to uncertain political and economic times. Prices fell soon after due to oversupply, and remained within a US\$300 to US\$450 band until the late 1990s.

In 1998, prices fell below the US\$300 per ounce floor price as a result of the Asian economic crisis and Russia's debt default, although the European Central Banks declaration of a 5 year freeze on gold trading in 1999 stopped prices from plummeting any further. Gold benefits from its status as a store of value during difficult times, and this has been a key factor contributing to its recent boom. Gold rose above the floor price in April 2002, and has been on the increase ever since. The strong buying of gold by the Japanese in 2002, as people converted their savings into this tangible commodity, continued as uncertainty remained about the Japanese banking system.

Continued uncertainty regarding terrorist activity and the US-led attack on Iraq bolstered the demand for gold as a store of value and also pushed up gold prices during 2002 and 2003. The devaluation of the US\$ in late 2003 has caused people to shift out of this currency and into gold. Low interest rates and low stock market yields in the US have also helped fuel the boom as investors look to increase their wealth. Human behaviour has been a considerable factor behind several of these activities which have affected gold prices.

The price of gold has grown at an annualised rate of 16.9% over the past five years and the volatility of gold prices over this period falls into the medium band. The reason for the high level of growth over this time has been the higher demand for gold as investors attempt to hedge themselves against inflation or a possible depreciation in the US dollar.

In May 2006 gold prices reached a 26 year high of US\$725 per ounce, however this price fell below the US\$600 mark in June and again in September 2006 before making a partial recovery. In the first quarter of 2007, global gold prices were 22% higher than in the first quarter of 2006.

### **6.3.2 Outlook**

Gold is a commodity that does not really get 'consumed' in the sense that it is never used up, but its demand runs at about 3,800 tonnes per year - notably faster than it is being mined (2,600 tonnes). Gold's major demand comes from jewellery manufacture, while other areas of demand come from retail investment, electronics and dental surgery.

The gold mining industry is a significant industry in Australia. It produces \$4.5B of export income being the second largest contributor after coal to our balance of trade. Gold prices are forecast to increase over the next year due to an expected

rise in investment demand as investors again purchase gold as a hedge against depreciation of the US dollar.

Because gold has vast quantities of above-ground stocks, forward prices almost invariably (but not always) rise as the maturity of the contract extends. The table below summarises the gold future prices as at 18 May 2007:

<b>Date</b>	<b>Future Gold Price (\$USD/ounce)</b>
June 2007	657.2
July 2007	660.3
August 2007	663.4
October 2007	669.6
December 2007	675.8
February 2008	681.8

Source: NYMEX.com

Gold production is forecast to increase by 3.4% in 2007 due to higher production in South America, Australia and the US. Demand for gold is forecast to decline due to slower global growth. The combination of a decline in demand and higher production of gold should see the price of gold start to ease in the medium term. This will be supported by a general easing in base metal prices and reduced concerns over inflationary pressures as oil prices stabilise.

## **7. VALUATION METHODOLOGIES**

**7.1** Methodologies commonly used for valuing assets and businesses are as follows:

### **7.1.1 Capitalisation of future maintainable earnings ("FME")**

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

### **7.1.2 Discounted future cash flows ("DCF")**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often

called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

### **7.1.3 Net tangible asset value on a going concern basis (“NTA”)**

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity’s assets are liquid or for asset holding companies.

#### **7.1.4 Net Realisable Value (“NRV”)**

NRV is usually appropriate when an asset or business is to be sold or wound up. The NRV should provide a realistic indication of the value that could be obtained in the event of an orderly realisation of assets.

#### **7.1.5 Quoted Market Price Basis**

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

### **7.2 Valuation methods adopted to value Apex**

A history of positive earnings is required for the FME methodology to be appropriate to be used in the valuation of a company. Apex does not have a recent history of positive earnings, therefore we have been unable to use the FME methodology in our valuation of the Company.

DCF valuations require reliable forecast cash flows to be prepared, generally for five or more years. We have not been provided with forecast cash flows for the Company and therefore are unable to use this valuation method.

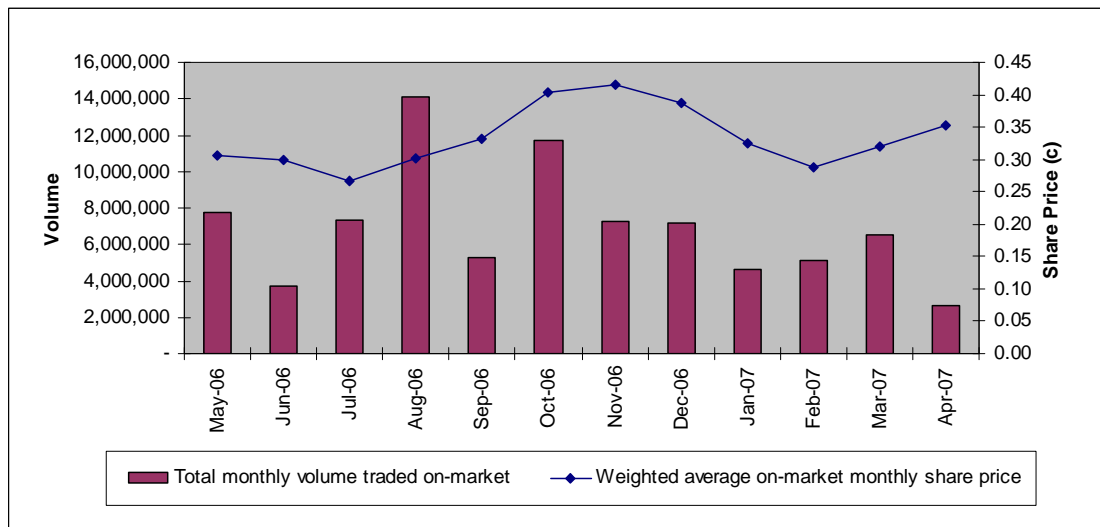
As Apex is an ASX listed company the Quoted Market Price Basis is an applicable approach. This measure will represent the market’s view of the value of Apex. The market value is likely to differ somewhat from the net asset value of the Company, due to the observable difference between the market perception of the exploration assets of the Company and their book value. Most of the Shareholders hold market sized parcels of shares (section 3.3), and there has been regular trading in the Company’s shares (Section 8.1) making this approach applicable.

We have also considered the net tangible asset value on a going concern basis as a secondary valuation methodology as a large proportion of the Company’s assets are made up of liquid assets, being cash and cash equivalents and investments.

## **8. VALUATION OF AN APEX SHARE PRIOR TO THE TRANSACTION**

### **8.1 Quoted Market Prices for Apex shares**

The following chart provides a summary of the share price movement over the past year.



The daily price of Apex shares from 24 April 2006 to 23 April 2007 (last trading day prior to announcement of the Transaction) has ranged from a high of \$0.50 on 27 August 2006 to a low of \$0.21 on 27 October 2006.

To provide further analysis of the market prices for an Apex share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 23 April 2007.

Apex per share	24 April 2007	10 Days	30 Days	60 Days	90 Days
Closing Price	0.350				
Weighted Average		0.356	0.335	0.315	0.333

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Apex shares that has occurred since the offer was announced. The closing price at 4 June 2007 of \$0.655 demonstrates the post announcement increase.

An analysis of the volume of trading in Apex shares prior to the announcement of the Transaction is set out below:

Pre announcement period	Share price (low) \$	Share price (high) \$	Cumulative volume traded	As a % of issued capital
1 day	0.335	0.350	64,600	0.04%
1 week	0.325	0.370	603,100	0.38%
1 month	0.290	0.385	6,814,374	4.28%
3 months	0.250	0.385	15,051,048	9.46%
6 months	0.250	0.495	34,866,221	21.91%
12 months	0.210	0.500	84,441,740	53.07%

Source: CommSec

Our assessment is that a range of values for Apex shares based on market pricing, after disregarding for post announcement pricing from 24<sup>th</sup> April 2007, is between \$0.33 and \$0.35.

## 8.2 Net Tangible Asset Valuation of Apex

To provide a comparison to the valuation of Apex in Section 8.1, we have also assessed the value of an Apex share on a net asset valuation basis.

Apex Minerals NL		As at 30 April 2007	
	ref	\$	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,792,685	
Trade and other receivables		32,462	
Prepayments		19,935	
Other		987	
<b>TOTAL CURRENT ASSETS</b>		<b>2,846,069</b>	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8.2.1	365,572	
Other financial assets	8.2.2	1,008,000	
Exploration expenditure	8.2.3	552,823	
Other non-current assets	8.2.3	140,389	
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,066,784</b>	
<b>TOTAL ASSETS</b>		<b>4,912,853</b>	
<b>CURRENT LIABILITIES</b>			
Trade and other payables		886,376	
Provisions		72,989	
<b>TOTAL CURRENT LIABILITIES</b>		<b>959,365</b>	
<b>TOTAL LIABILITIES</b>		<b>959,365</b>	
<b>NET ASSETS</b>		<b>3,953,488</b>	
<b>EQUITY</b>			
Contributed equity		12,837,610	
Options reserve		633,481	
Accumulated losses		9,517,603	
<b>TOTAL EQUITY</b>		<b>3,953,488</b>	
No of shares on issue		159,119,755	
Value per share (cents)		2.5	

Source: Apex management accounts to 30 April 2007

### 8.2.1 Property, plant and equipment

The carrying values of plant and equipment were reviewed for impairment at December 2006. Due to the results of the impairment testing performed, we have no reason to believe that the carrying value is significantly different to its net realisable value. Therefore we have not adjusted the balance of the 30 April 2007 property, plant and equipment shown above.

### 8.2.2 Other financial assets

Other Financial Assets are made up of investments in two listed companies that have been valued at \$1.08 million based at market value on 30 April 2007.

We have no reason to believe that the fair value of these investments are any different to the carrying value as the share price is reviewed on a monthly basis and the carrying value is adjusted if necessary.

### 8.2.3 Exploration expenditure

Exploration expenditure represents actual amounts incurred on exploration costs. The value of the exploration assets may be more than the book value, however the increase in value would not be sufficient to impact on our opinion.

### 8.2.4 Other non-current assets

Other non-current assets comprise bank guarantees for credit cards and office lease, and represent amounts on deposit with the bank.

Based on 159,119,755 shares on issue in Apex at 30<sup>th</sup> April 2007, the value per Apex share, equates to approximately 2.5c on a net asset basis.

## 8.3 Assessment of Apex Share Value

The results of the valuations performed are summarised in the table below:

Valuation	Value per Apex share \$	
	Low	High
ASX market prices (Section 8.1)	0.33	0.35
Net tangible assets (Section 8.2)	0.025	0.025

Based on the results above, we consider the value of an Apex share to be between \$0.33 and \$0.35. We have preferred the Quoted Market Price as this best reflects the value per share that could be derived from placing the shares to the public.

## 9. VALUE OF THE ASSETS BEING ACQUIRED

### 9.1 Gold deposits

The Gidgee Gold Project comprises tenements, resources, mining information, leases, plant and equipment and infrastructure. A professional technical review of the value of the Wilson's resource, the Premium and Swift resources and the Kingfisher resource, all of which form part of the Gidgee Gold Project has been undertaken by SRK Consulting ("SRK"). This review has determined the preferred values of the resources to be:

Wilson resource	\$7,800,000.
Premium and Swift resources	\$4,400,000
Kingfisher resource	\$1,600,000

A copy of the SRK memo is included at Appendix 2.

### 9.2 Plant and equipment

A professional valuation of the plant and equipment being acquired has been prepared by Rapallo Consulting and Contracting Engineers ("**Rapallo**"). This valuation report ("**the Rapallo Report**") has ascribed a value of \$3,268,196 to the plant and equipment forming part of the sale. A copy of the summarised valuation report is included at Appendix 3. A copy of the full report is available for inspection from Apex and is available on their website [www.apexminerals.com.au](http://www.apexminerals.com.au).

### 9.3 Excluded assets

The independent specialist valuations do not encompass all of the assets being acquired as part of the project. Specifically excluded from the SRK report are:

- The in-situ value of other JORC Compliant Resources at Gidgee
- The value of the infrastructure (though this has been included in the Rapallo Report)
- The value of the exploration tenements

The Rapallo report specifically excludes the roads, airstrip and water assets included on the site.

### 9.4 Overall assessment of value of assets being acquired

The value attributed by the professional valuations to the assets being acquired is as follows:

Asset	Valued By	Preferred valuation
Wilson's resource	SRK	\$7,800,000
Premium and Swift resources	SRK	\$4,400,000
Kingfisher resource	SRK	\$1,600,000
Treatment, mining and camp assets at the Gidgee Gold Mine	Rapallo	\$3,268,196
<b>Total</b>		<b>\$17,068,196</b>

Any value that could be attributed to the excluded assets would add to our overall assessment of the value of the assets being acquired.

## 10. IS THE TRANSACTION FAIR?

The table below summarises our assessment of the value of the assets being acquired and the value of the consideration being offered:

	Section ref	Value
Value of consideration offered (ie 34 million Apex shares)	8.3	11,560,000
Value of assets being acquired	9.4	17,068,196

The table above illustrates that the value of the assets being acquired exceed the value of the consideration and as such the transaction is fair for Shareholders.

## **11. OTHER CONSIDERATIONS**

### **11.1 Alternative Proposal**

We are unaware of any alternative proposal that might offer the non-associated shareholders of Apex a premium over the value ascribed to that resulting from the Transaction.

### **11.2 Implications of the Transaction not being approved**

The Company has undertaken an evaluation of a number of small deposits of high grade refractory in the WA Eastern Goldfields area, and has concluded that none of the projects examined, on a stand alone basis, have the critical mass to justify a development. The fixed costs associated with a development are prohibitively high and the annual tonnage per year to be extracted from the individual projects could not support the capital required to cover these costs. However, if a number of projects are brought together then the critical mass to justify development is achieved. On this basis, the Company has entered into three separate sale agreements to acquire three projects in the WA Eastern Goldfields region as part of a consolidation strategy.

The Directors believe that economies of scale, essential to ensure the viability of the separate projects, will be achieved through this consolidation strategy.

If the Transaction is not approved, the Company will proceed with the acquisition of the other two projects, as the sale agreements entered into by the Company are not inter-dependent. Should this happen the Company will not be in a position to benefit from the economies of scale outlined through the consolidation strategy outlined above. This is likely to have a significant impact on the profitability of the Company and therefore Shareholder value.

### **11.3 Additional consideration**

The sale agreement includes a provision for additional consideration of \$5m which will be payable on the gold production from the project exceeding 250,000 ounces. At current gold prices (AUD\$806.28), this additional consideration would represent only approx 2.5% of the total revenue which would be derived from the project at that point.

We have ignored the effect of the additional consideration in our assessment as the amount is not material and its payment is contingent upon the production reaching a target in the future which would generate approximately \$202m in revenue.

## **12. POSITION IF TRANSACTION IS ACCEPTED**

In accordance with our basis of evaluation (Section 5.2) we have investigated other significant factors to which Apex shareholders might give consideration prior to approving the Transaction. The matters we have considered are outlined below.

### **13. IS THE TRANSACTION REASONABLE?**

We have considered the position of Shareholders if the Transaction is approved and have taken into account the advantages and disadvantages outlined below in this assessment. We have assessed that in all cases the advantages and disadvantages of rejecting the Transaction are the inverse of accepting the Transaction. Thus for simplicity

of evaluation of the Transaction we have set out the significant factors only in the context of accepting the Transaction.

### **13.1 Advantages**

#### **13.1.1 The Transaction is fair**

As shown in Section 10 we have assessed the Transaction to be fair to Shareholders. ASIC Policy Statement 75 states that “an offer is reasonable if it is fair”.

#### **13.1.2 Potential for increase in Shareholder value**

The Directors believe that Shareholder value can be significantly increased as a result of acquisition of the Gidgee Gold Project. As set out in section 11.2, as a result of the acquisition of the three projects, critical mass to justify development can be achieved. The Directors believe that this will lead to economies of scale which will ensure that the revenues generated from the three projects have the potential to be in excess of the costs associated with the projects and thus enable the Company to become profitable.

#### **13.1.3 Potential for future consolidation**

The Directors have advised that it is their intention to acquire additional projects in the WA Eastern Goldfields in the future. As critical mass will be achieved through the acquisition of the three projects currently being purchased, any future projects that are acquired in the area will add further economies of scale and therefore increase the profitability of the Company.

#### **13.1.4 Acquisition of existing mine**

The Gidgee mine had been in operation up until 2005. The acquisition of a mine that has previously been in operation is advantageous in that it reduces the development time and risk required to enable Apex to produce gold more quickly. This is important in that the gold can be produced quickly while gold prices are high.

#### **13.1.5 Value of other assets**

As mentioned in section 9, not all of the assets being acquired have been professionally valued and have therefore been excluded as part of our fairness assessment. Were these assets to be valued, and value attributable to them would increase the overall value.

### **13.2 Disadvantages**

#### **13.2.1 Dilution of existing Shareholders interests**

The interests of existing Shareholders will be diluted by virtue of the additional share issue. The non-associated Shareholders’ collective interest in Apex will be diluted to 69.1% from their current collective interest of 83.9%.

## **14. CONCLUSION**

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the non-associated shareholders.

## **15. SOURCES OF INFORMATION**

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Apex for the years ended 30 June 2006 and 30 June 2005;
- Financial report for the half year ended 31 December 2006;
- Year –to –date management accounts to 30 April 2007;
- The Sale agreement dated 1st May 2007 between Apex Minerals and Legend Mining Limited, Gidgee Resources Ltd, and Apex Gold Pty Ltd;
- Extracts from the share registry reports of Apex and Legend;
- An Independent Geologist report prepared by SRK Consulting, dated 22 May 2007, on the value of the Wilson’s gold deposit which forms part of the Gidgee Gold Project;
- An independent valuation of the treatment, mining and camp assets at the Gidgee Gold Mine, prepared by Rapallo Consulting and Contracting Engineers;
- Information in the public domain; and
- Discussions with Directors and Management of Apex.

## **16. INDEPENDENCE**

BDO Consultants (WA) Pty Ltd is entitled to receive a fee of \$18,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Consultants (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Consultants (WA) Pty Ltd has been indemnified by Apex in respect of any claim arising from BDO Consultants (WA) Pty Ltd’s reliance on information provided by Apex, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Consultants (WA) Pty Ltd considered its independence with respect to Apex and Legend and any of their respective associates with reference to ASIC Practice Note 42 “Independence of Expert’s Reports”. In BDO Consultants (WA) Pty Ltd’s opinion it is independent of Apex and Legend and their respective associates.

Neither the two signatories to this report nor BDO Consultants (WA) Pty Ltd, have had within the past two years any professional relationship with Apex, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Apex and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

## **17. QUALIFICATIONS**

BDO Consultants (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Consultants (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes, Matt Giles, Caitriona Callaghan and Fiona Eyres of BDO Consultants (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia.

## **18. DISCLAIMERS AND CONSENTS**

This report has been prepared at the request of Apex for inclusion in the Explanatory Memorandum which will be sent to all Apex Shareholders. Apex engaged BDO Consultants (WA) Pty Ltd to prepare an independent expert's report to consider the fairness and reasonableness of the proposal to purchase of the Gidgee Gold Project, the consideration for which is to be 34 million Apex shares.

BDO Consultants (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Consultants (WA) Pty Ltd.

BDO Consultants (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Consultants (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of Apex or Legend. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

BDO Consultants (WA) Pty Ltd has also considered and relied upon an independent Geologist valuation report for the tenements forming part of the Gidgee Gold Project.

The valuers engaged for the Independent valuation possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuations are appropriate for this report. We have received consent from the valuers for the use of their valuation report in the preparation of this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Consultants (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.



Consultants (WA) Pty Ltd  
ABN 92 008 864 435

The Directors  
Apex Minerals NL

5 June 2007

Yours faithfully

**BDO CONSULTANTS (WA) PTY LTD**

**Sherif Andrawes**  
Director

**Matt Giles**  
Director

## Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Apex	Apex Mineral NL
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange
BDO	BDO Consultants (WA) Pty Ltd
Consideration shares	34 million shares in Apex to be issued to Legend in consideration for the acquisition of the Gidgee Gold Project
The Company	Apex Minerals NL
DCF	Discounted Future Cash Flows
Directors	The Directors of Apex in office at the date of Our Report
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Gidgee Gold Project	The deposits, exploration tenements, plant and equipment and infrastructure forming the assets being acquired by Apex from Legend
Legend	Legend Mining Limited
NRV	Net Realisable Value
NTA	Net Tangible Assets
The Transaction	The proposal to issue 34 million shares in Apex to the vendors of the Gidgee Gold Project
Our Report	This Independent Expert's Report prepared by BDO
Rapallo	Rapallo Consulting and Contracting Engineers
Shareholders	Shareholders of Apex not associated with Legend
SRK	SRK Consulting

## Appendix 2 – SRK Report



SRK Consulting  
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[www.srk.com.au](http://www.srk.com.au)

Tel: 61 8 9288 2000  
Fax: 61 8 9288 2001

## Memo

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<b>To:</b>	BDO Consultants WA Pty Ltd	<b>Date:</b>	24 <sup>th</sup> May 2007
<b>cc:</b>		<b>From:</b>	Alison Morley, Danny Kentwell
<b>Subject:</b>	Wilsons Valuation Technical Input	<b>Project #:</b>	APX002

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### 1. BACKGROUND

SRK Consulting (“SRK”) was asked by Apex Minerals NL (“Apex”) to prepare a technical review of resources in the Gidgee project area for input to an IER to be prepared by BDO Consultants WA Pty Ltd. SRK understands that the information used in this report will be used as a Technical Input to a document that will be publicly available. However, SRK notes that, on its own, this memo does **not** represent a valuation under the VALMIN Code as it does not take into account all factors necessary.

SRK has provided a valuation of the Wilsons, Premium, Swift and Kingfisher resources and the Wilsons exploration potential only – this memo does not take into account native title, environmental, taxation, mill and capital costs or mine closure costs.

This technical review does not account for:

- The in-situ value of other JORC Compliant Resources at Gidgee
- The value of the infrastructure
- The value of the exploration tenements

All values quoted are in Australian Dollars.

### 2. METHODOLOGY

SRK used two methods to examine the Wilsons Resource. Pre tax cash flows (exclusive of acquisition costs) were analysed to assess potential viability of a project on the Wilsons Resource. Senior Consultant Danny Kentwell used the block model supplied by Apex Minerals and publicly reported mining and processing cash costs for underground operations similar to Wilsons. Undiscounted cash flows are reported here as the mine life is expected to be only two years on the currently defined Resource, and therefore the effect of discounting is negligible. Only the Indicated Resource has been valued using this method, in line with industry practise of using only Indicated and Measured Resource as the basis of Proved and Probable Ore Reserves for mine planning.

The following assumptions were used in the pre tax cash flow analysis:

- Costs include a decline, access drives, ore drives and stoping.
- Current (2004-2006) publicly reported mining and processing cash costs typically range from \$400/oz to \$500/oz.
- SRK used \$50/t mining cost because a short strike extent, proportionally longer dip extents and horizontal separation of each the three Wilsons shoots indicates that more access drives and decline meters will be required to access the ore.
- The refractory processing required combined with the relatively small size of the deposit will put the costs at the high end of the range SRK has used and \$40/t processing costs
- The equivalent combined mining and processing cost per ounce are \$534/oz for 734kt @ 6.9g/t Au or \$505/oz for 448 kt @ 7.3 g/t Au.
- A brief geotech report indicates no serious ground support issues so the associated costs are expected to be approximately average.

SRK notes that the following values contain **no provision** for taxes, acquisition costs, capital, extension/infill drilling and mine closure costs:

Potential Cash flow range	
Low	\$0
Preferred (median)	\$23.6 million
High	\$50.5 million

This analysis suggests that the project delivers fairly robust mining scenarios provided that the capital costs are not excessive, that the Bachtech bacterial oxidation performance is as predicted, that mining costs do not increase markedly compared to current levels, and that contractors costs can be negotiated to fall within the range used by SRK.

Costs that are not included by SRK in the above figures include:

- Acquisition Costs
- Financing Costs
- Gidgee mill refurbishment and upgrade to Bachtech Biox plant.
- Infill drilling

SRK also compared the Wilsons, Premium, Swift and Kingfisher resources to other recent comparable transactions that were undertaken in 2006/2007 and have been publicly reported. These are listed below:

RSG valued Norseman for Kalgoorlie- Boulder Resources February 2007
Prime to earn 80% of 'Star of Mangaroon' from Fox Resources
Gindalbie sold Minjar to Monarch April 2007
Saracen Minerals bought Wallbrook from Jackson Gold March 2007

Monarch acquired 50% of Mt Ida from International Goldfields May 2007
Cortona bought Majors Creek from Moly Mines November 2006
Tasman Gold bought Adelong from Golden Cross Resources April 2007
Regal Resources bought Menzies from Rox Resources, March 2006

SRK subdivided the comparable transaction valuation into three categories:

- Near mine extension potential (for Wilsons resource only)
- Inferred Resource
- Indicated Resource

The details of the SRK valuation methodology will be supplied in a memo at a later date. Only reported resources of over 25,000oz contained Au have been included in this analysis.

The summary of the SRK resultant values for the **Wilsons** resource, based on comparable market transactions are as follows:

Value Range	SRK Value
Low	\$3.7 million
Medium	\$6.0 million
<b>Preferred</b>	<b>\$7.8 million</b>
High	\$9.5 million

As the cash flow analysis indicates that the Wilsons project has the potential to become a viable project, SRK considers that a value toward the high end of the range is appropriate. Thus SRK's preferred value for the Wilsons Resource, including Indicated and Inferred Resource and near-mine extension potential is **AUD\$7.8 million**. These figures are based on an Indicated Resource of 105,000oz contained Au, an Inferred Resources of 60,000oz contained Au and variable scenarios of 50,000oz, 75,000az and 100,000oz for near mine exploration potential.

The summary of the SRK resultant values for the combined **Premium and Swift** resources, based on comparable market transactions are as follows:

Value Range	SRK Value
Low	\$2.9 million
<b>Medium (Preferred)</b>	<b>\$4.4 million</b>
High	\$6.7 million

As there is little additional information regarding the mining and distribution of the Premium and Swift resources, SRK considers that the medium value of the range, calculated from the average cost per ounce of comparable transactions, is appropriate. Thus SRK's preferred value for the Premium and Swift Resources, including Indicated and Inferred Resource, but not near-mine extension potential is **AUD\$4.4 million**. This is additional to the Wilsons Resource. These figures are based on the combined reported resource figures for all three deposits, both underground and open pit;

including an Indicated Resource of 143,700oz contained Au and an Inferred Resource of 31,600oz contained Au.

The summary of the SRK resultant values for the **Kingfisher** resource, based on comparable market transactions are as follows:

Value Range	SRK Value
Low	\$1.0 million
<b>Average (Preferred)</b>	<b>\$1.6 million</b>
High	\$2.1 million

As there is little additional information regarding the mining and distribution and no data on Minimum Mining Width and Mining Dilution of the Kingfisher resources, SRK considers that the low value of the range is appropriate. Thus SRK's preferred value for the Kingfisher Inferred Resource, but not near-mine extension potential is **AUD\$1.6 million**. This is additional to the Wilsons, Premium and Swift Resources. These figures are based on the reported resource figures for Kingfisher Underground Inferred Resource of 85,300oz contained Au.

Summary of SRK's preferred value for Gidgee resources reported to be greater than 25,000 ounces:

<b>Deposit:</b>	SRK Preferred Value:
Wilsons	\$7.8 million
Premium + Swift	\$4.4 million
Kingfisher	\$1.6 million
<b>Total (Preferred)</b>	<b>\$13.8 million</b>

SRK's preferred value for the combined Wilsons, Premium, Swift and Kingfisher resources at Gidgee is **AUD\$13.8 million**.

**Appendix 3**  
**Rapallo Report**

**VALUATION SUMMARY**  
**GIDGEE GOLD MINE**

for

**APEX MINERALS NL**

<b>Rev</b>	<b>Date</b>	<b>Revision Description</b>	<b>Prepared by</b>	<b>Reviewed By</b>	<b>Approved by</b>
B	24-5-2007		K.A. George	A. Kerr	K.A. George

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### **3. EXECUTIVE SUMMARY**

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Rapallo Pty Ltd was directed by Apex Minerals NL to review any significant treatment, mining and camp assets at the Gidgee Gold Mine, south west of Wiluna in Western Australia and to estimate and report the value of those assets.

The value of the significant camp, office, mining, crushing and treatment facilities in the current market is estimated at **\$3,268,196**

No attempt has been made to value the roads, airstrip, general salvage yard and water assets included on the site in this valuation.

The Gidgee Gold Mine is owned by Legend Mining Ltd and subject to an offer to purchase by Apex Minerals NL

Legend Mining provided a number of reports, drawings and asset lists to assist in verification of assets and preparation of the valuation.

The report was intended to confirm and supplement documents prepared separately for Legend Mining in 2005.

The observations in the reports to Legend Mining were largely regarded as correct to treatment plant and camp condition and location. However, as those reports were written in June 2005, all costs and values had to be substantially increased to represent the increases in demand and cost of materials and labour since that time.

The core Processing plant encompassing crushing, grinding and carbon in pulp circuit is approximately 20 years old and showing evidence of age, operator and general wear and tear.

The core assets in all areas are useable with extensive maintenance and refurbishment. The extent of these works varies from area to area.

### **4. SUPPORTING DATA**

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This summary is supported by;

- Reports prepared for Legend Mining Ltd by other parties.
- Asset Register supplied by Legend Mining Ltd
- Drawings
- Photographs
- Site visit by Rapallo Pty Ltd staff
- Condition & Valuation Report by Rapallo Pty Ltd to Apex Minerals Ltd – 22-5-2007
- Supporting Data

## 5. VALUATION

This valuation excludes;

- Site preparation
- Foundations
- Buried services
- Stores
- Salvage yard equipment
- Roads
- Airstrip
- Equipment / services remaining underground
- Water assets
- Tenements

The valuation includes;

- Items listed on the asset register that could be readily identified.
- Items that could be inspected
- Items that could be removed / relocated to other sites.

### Estimated Values of Gidgee Gold Mine equipment – as is – where is.

Item No.	Description	New Equip Cost	Discount Sale Value
Area	1.0.0 Primary Crusher	\$ 1,359,790	\$ 543,916
Area	2.0.0 Milling	\$ 3,022,300	\$ 1,052,970
Area	3.0.0 CIL Thickening	\$ -	\$ -
Area	4.0.0 Compressor/Electrical Building	\$ 150,000	\$ 45,000
Area	5.0.0 Gold Recovery Building	\$ 40,000	\$ 16,450
Area	6.0.0 Buildings Admin/Process Offices and Stores	\$ 450,000	\$ 135,000
Area	7.0.0 Camp	\$ 975,000	\$ 307,500
Area	8.0.0 Misc	\$ 713,400	\$ 330,360
Area	9.0.0 Mining	\$ 1,435,000	\$ 837,000
<b>OVERALL ASSET VALUE TOTALS</b>		<b>\$8,145,490.00</b>	<b>\$3,268,196.00</b>

## **Disclaimer**

This document has been prepared based on assumptions as reported throughout and upon information and data supplied by others.

While Rapallo Pty. Ltd. has taken all reasonable care to ensure the facts and opinions expressed in this document are accurate, it does not accept any legal responsibility to any person for any loss or damage suffered by him resulting from his use of this report however caused and whether by breach of contract, negligence or otherwise.

## ANNEXURE B

### OPTION TERMS

1. Each Option entitles the holder to subscribe for and be allotted one fully paid ordinary share in the Company after the date of vesting being 1 June 2009 or such earlier date approved by the Board (**Vesting Date**).
2. The exercise price of the Options is \$0.65 each ("**Exercise Price**").
3. The Options will lapse upon the earlier of 5 years from their date of issue or the expiry of 30 days after the Optionholder ceases to be a director of the Company for whatever reason ("**Expiry Date**").
4. Any Options which have not been exercised on or before the Expiry Date lapse automatically.
5. The Options are not transferable without the prior written consent of the Board.
6. All shares allotted upon the exercise of Options rank pari passu in all respects with other fully paid ordinary shares in the Company then on issue, and in particular, entitle their holders to participate fully in:
  - (a) dividends declared by the Company after the date of allotment; and
  - (b) all issues of securities offered to holders of ordinary shares where entitlements to participate in those issues are determined by reference to holders of shares after that date.
7. Options may only be exercised by notice in writing delivered after the Vesting Date to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:
  - (a) the Exercise Price for the number of Options specified in the notice; and
  - (c) the certificate for those Options, for cancellation by the Company.
8. The notice only becomes effective when the Company has received cleared funds for the full amount of the Exercise Price.
9. Within 10 Business Days after the notice referred to in paragraph 7 becomes effective, the Board must:
  - (a) allot and issue the number of shares specified in the notice to the Option Holder;
  - (d) cancel the certificate for the Options being exercised; and
  - (e) if applicable, issue a new certificate for any remaining Options covered by the certificate accompanying the notice.
10. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will send a notice to each holder of Options at least nine business days before the record date. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
11. If from time to time on or prior to the Expiry Date the Company makes an issue of shares to the holders of ordinary shares in the Company by way of capitalisation of profits or reserves (a bonus issue), then upon exercise of his Options an optionholder will be entitled to have issued to him (in addition to the shares which would otherwise be issued to him upon such exercise) the number of shares of the class which would have been issued to him under that bonus issue (bonus shares) if on the record date for the bonus issue he had been registered as the holder of the number of shares of which he would have been registered as holder if, immediately prior to that date, he had duly exercised his Options and the shares the subject of such exercise had been duly allotted and issued to him. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
12. There is no right to a change in the exercise price of the Options or to the number of shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.

## ANNEXURE C

### AMENDMENTS TO THE CONSTITUTION

#### 1. AMENDMENTS

The Constitution of the Company is sought to be amended by:

- (a) Inserting the following definition into Article 1.1 in alphabetical order:

""**Executive Director**" means a Director appointed by the Board to a full or part-time executive position;"

- (b) Deleting Articles 15.1 to 15.4 inclusive and replacing them with the following:

"15.1 The Directors may from time to time appoint one or more of their number to the office of Managing Director or Managing Directors of the Company or to the office of Executive Director or Executive Directors either for a fixed term not exceeding 5 years or at will, but not for life and, subject to the terms of any agreement entered into in a particular case, may revoke any such appointment. The appointment of a Managing Director or Executive Director so appointed automatically terminates if he ceases for any reason to be a Director.

15.2 A Managing Director or Executive Director shall, subject to the terms of any agreement entered into in a particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another, but not a commission on or a percentage of operating revenue) as the Directors may determine.

15.3 Neither Managing Directors nor Executive Directors shall retire by rotation.

15.4 Not Used."