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Apex Minerals (ASX code - AXM) is poised to become Australia's next significant gold producer and has announced the release of the implementation study on its Wiluna Project in the North Eastern Goldfields of Western Australia. What were the major conclusions of the implementation study?

MD Mark Ashley

The implementation study, which is similar to a feasibility study in terms detail, has validated our integrated mine strategy. It has delivered results confirming our expectations on project commencement, production levels and cash costs that were announced in 2007. It also confirmed the strong financial returns we expect. As a result of the study, we commenced project development in June and we expect the first gold pour in November 2008. We'll ramp up from an initial rate of 100,000 ounces to 150,000 ounces on an annualised basis during the June half 2009 and then increase that to around 200,000 ounces per annum in the December half 2009.

The study estimated cash costs of approximately A\$560 per ounce compared with our original figure of A\$550 per ounce, but I think that is pretty credible given the recent high inflation experienced in the industry, particularly from the tight labour market and higher diesel prices.

The study also detailed pre-production capital costs of A\$62 million, which is a little higher than our original expectation of A\$55 million. That's capital prior to getting into commercial production, which we've said will be from the March quarter 2009.

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Can you briefly describe your key mining areas and potential production schedules?

MD Mark Ashley

As part of our consolidation strategy, we will have three mines - Wiluna, Wilsons and Youanmi – that will feed ore into the Wiluna plant. The Wiluna mine is scheduled to produce about 500,000 tonnes of ore per year, with an average grade of 6.5 g/t, which is half of the plant's capacity. The other 500,000 tonnes of ore will be sourced from our satellite deposits. Wilsons is expected to produce about 300,000 tonnes per annum at a resource grade of 6.5 g/t and Youanmi will contribute up to around 150,000 tonnes per annum, but at a higher grade of about 11-12 g/t.

In terms of ounces, Wiluna will produce around 100,000 ounces per annum and we'll get around 50,000 ounces per year each from Wilsons and Youanmi.

At the moment, we have established Reserves for both Wiluna and Wilsons giving just under a 3 year life between both projects, but we believe there is significant potential to add to that.

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Can you outline the financial returns from the Project and your major assumptions? How do you expect to achieve a significant reduction in cash costs from those of previous operators?

MD Mark Ashley

The financial returns detailed in the implementation study show an internal rate of return (IRR) of 36% pre-tax, based on a gold price of A\$900 per ounce and an initial three year project life. We are quite confident in our assumptions and the gold price we've used is a lot lower than current spot and most major bank forecasts.

Importantly, additional infill drilling has been undertaken to convert more of Inferred Resources into Indicated status, in order to put it into Reserves and we are confident that by the time we get into commercial production we will have increased the life to 5 years. That would substantially improve the financial returns and, given the higher gold price, the IRR could be greater than 36%.

As part of our integrated mine strategy, we expect to achieve economies of scale and unit cost benefits from the expanded production base from the Wiluna, Wilsons and Youanmi ore bodies. Previously, the plant was fed only by the Wiluna ore body and produced around 100,000 ounces per year from around one million tonnes of ore. In order to significantly increase gold production and reduce cash costs, we've acquired the two satellite deposits, Youanmi and Wilsons, to provide higher grade feed to the mill and double the ultimate gold production to 200,000 ounces per annum, but from around the same level of mill throughput.

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What is the potential upside to these financial returns? What are the major risks?

MD Mark Ashley

The upside is extending Reserves, thereby increasing mine life and production and achieving unit cost savings through economies of scale. Upside is likely to come from increasing reserves at Wiluna, where we're seeing a lot of exploration success. We had another announcement recently, on new high grade intersections, some of which were outside the previously announced reserves. It's just a matter of putting the time and effort into exploring, which we are now doing.

We believe the key risk in any project is the commodity price. However, we've used a conservative gold price and that's partly where there is potential improvement to the financial returns.

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What are the major tasks to get the projects into production?

MD Mark Ashley

It's more a refurbishment than a rebuild of the Wiluna plant and now that has commenced, we've ordered many of the long lead items and also the mining fleet to develop the various ore bodies. Between now and November, we expect to develop the declines and the underground infrastructure so that we can feed the plant with ore near the end of the year.

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What is the refurbishment process at the plant? What operating rate do you expect?

MD Mark Ashley

It is a standard refurbishment, but there are some improvements to the plant's efficiencies that really couldn't be justified previously because the owners were operating with only a 6-12 month mine life. The project under our control now has an initial three year project life and is expected to get to five years, so we'll invest more capital and improve the plant's performance. The refurbishment is quite advanced and we'll complete it in November.

As I've indicated, the plant's capacity is around 0.85–1 million tonnes per year. That's the same capacity as for the previous owners, but processing rates depend on the hardness of the rocks and the grinding required. We intend on operating it as close to capacity as we can and with higher ore grades.

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Can you explain the biological oxidation process you will be using to extract gold? What are the risks in using such a system to economically produce gold?

MD Mark Ashley

The ore that we are feeding into this plant is refractory ore – gold that's locked up in sulphides - and the BIOX[®] technology liberates the gold by using micro-organisms. BIOX[®] technology has been used for many years, and in fact it was used at Wiluna for 15 years. It's not new technology and it's used in other projects in the world, including Ashanti's gold project in Ghana. We see few risks associated with the process. It's important to note that the implementation study also verified the integrity of the BIOX[®] plant at Wiluna.

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Can you describe the executive team you are putting together to run your projects?

MD Mark Ashley

We established the executive team two years ago, when we took control of Apex. I have worked with most of the team previously at LionOre including Mark Bennett and Glenn Jardine who are both executive directors responsible for exploration and operations respectively. Both Mark and Glen previously worked with me at LionOre for over ten years in similar capacities.

As far as running our projects, both Mark and Glenn brought their own teams including geologists and operations personnel from LionOre. We have top operators who can bring on people who have worked with them previously.

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What is the extent of gold mineralisation and the geology at Wiluna and surrounding tenements?

MD Mark Ashley

Wiluna is a world class gold system. It has produced over 4 million ounces in its hundred year life over four or five different phases. Open pit mining in the 1980s led to the discovery of the Bulletin deposit, which justified building a bio-oxidation plant some 15 to 16 years ago.

We've been drilling over the last 12 months in an area that isn't necessarily the most prospective, but it's the most appropriate to drill given its proximity to existing underground infrastructure. We can get into mining cheaply and quickly to mine our reserves.

We are now also steadily expanding our exploration program to include areas that we believe are more prospective. From the 4 million ounces produced to date, approximately half has come from the East Lode and West Lode ore bodies, which haven't been mined or drilled below the 600 metre level for over 50 years.

Clearly, this is a world class gold field, but it has had limited exploration particularly over the last few years and we're just beginning to see some substantial exploration upside now that we are better understanding the geology of the area.

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Where do you see the best chances of further exploration success on your tenements?

MD Mark Ashley

We think on all of them. We're already having early drilling success at Wiluna. Then there are the Gidgee tenements consisting of 2,500 square kilometres, but we've only focused on the Wilsons deposit because it has refractory ore and therefore fits the process of the plant. There is a 70 kilometre corridor of mineralisation containing over 20 previously mined open pits which are free milling, or non refractory, gold mineralisation. Those pits haven't been re-optimised for over 10 years so we are taking a fresh look.

Gidgee also has a second-hand processing plant that's not operating, so if we discover something there, we can either truck the ore to the nearby Wiluna plant or refurbish and restart the Gidgee plant for a relatively modest capital cost.

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What is your funding position and your major expenditure plans and commitments? Do you have any hedging in place?

MD Mark Ashley

We do not have any hedging. We raised around \$60 million in March as part of a placement through the brokers Goldman Sachs and Southern Cross Equities and we currently have about \$40 million in cash. That amount is expected to fund most of the capital for the Project. We're also considering a debt facility in order to optimise our capital structure and that will also underpin our exploration program and allow us to expand it.

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What are Apex Minerals' longer term objectives to add value? What is required to achieve these?

MD Mark Ashley

Our main longer term objective is commencing production and generating cash flow. We've consolidated projects in our region and there is more consolidation that can be done. There are other refractory deposits, which could be processed through our plant. We are also keeping an eye on the anticipated consolidation in the gold sector generally and any opportunities that may arise.

We also have nickel exploration. We have an agreement with Barrick to earn an initial 56% interest in the nickel exploration rights in the Lawlers district of the North Eastern Goldfields. This area is surrounded by significant nickel discoveries such as Cosmos and Norilsk, BHP Billiton and Xstrata also operate nearby. Our ground hasn't actually been explored for nickel for some 30 years, because it was previously held by gold explorers.

With the quality of our exploration, operations and management teams, I think growth opportunities will come our way and we will utilise the infrastructure already in place at Wiluna and Gidgee to add further significant value for shareholders.

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Thank you Mark

For further information on Apex Minerals please visit www.apexminerals.com or contact Glenn Jardine (Operations Director), Mark Bennett (Exploration Director) or Mark Ashley (Managing Director), on (08) 6311 5555.

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