

APOLLO MINERALS LIMITED (ASX:AON)

REOPENING THE WORLD'S HIGHEST GRADE TUNGSTEN MINE, WITH GOLD UPSIDE

Apollo Minerals Limited (ASX:AON) is an Australian Securities Exchange-listed tungsten-gold company with projects in the Pyrenees region of Southern Europe. In May 2016 the company was restructured with new management and capital that enabled it to acquire an 80% interest in the Couflens Project (July 2017) in southern France and a 75% interest in the Aurenere Project (April 2018) in northern Spain.

The key metals sought are tungsten and gold. At Couflens, high-grade tungsten/gold skarns occur at the contact between Permian granodiorite and Devonian limestone, the most famous being the Salau tungsten mine, which operated for 15 years and produced 11,500 tonnes (t) of tungsten trioxide (WO₃). The company will be examining the viability of reopening the tungsten mine as grades averaging close to 2.0% WO₃ were recovered in the latter years from the still open Veronique Shoot.

At Aurenere, recent samples (September 2017) from a 100m² gossan returned average grades of 0.7% WO₃ and 7.2 grams per tonne (g/t) gold. The geological similarity and proximity to Salau are notable especially as grades from rock chip samples as high as 5.49% WO₃ and 33.9 g/t gold were also reported.

Apart from tungsten production, investors will want to take note of the exploration potential over the combined 97 km² project area considering the following:

1. No significant exploration/mining activity in the area for 30 years
2. Well understood geologic model for ore mineralisation confirmed by recent field programmes
3. The world-class Salsigne gold mine (roughly 3mln ounces) lies 120 kilometres (km) to the north-east

Tungsten prices are increasing, up 54% in the past 12 months: According to the Metal Bulletin, benchmark Ammonium Paratungstate (APT) reached US\$324/mtu (metric tonne unit) in April 2018. Prized for its hardness and high melting point, it is commonly alloyed with carbon to form tungsten carbide, which is used in heavy industry for machining parts, drilling and in the automobile, aerospace and military industries. With 83% of global supply originating in China, the European Union recognises the high supply risk and high economic importance of tungsten to its economy and has placed the metal near the top of its list of Critical Raw Materials.

Management has an enviable track record in project development: The market has taken note of the fact that Apollo's management team is the same group that was behind Mantra Resources (sold for US\$1bn in 2011) and Papillon Resources whose Fekola Gold Mine was sold for US\$570mln in 2014 and is now major producing gold mine. The same team successfully completed a US\$120mln financing package for the construction of the Salamanca Uranium Project in Spain in 2017.

With institutional investors keen to back the team once more, Apollo Minerals recently raised A\$6mln at A\$0.23/share that will be put towards three main work programmes:

1. Assessing the viability of reopening the Salau tungsten mine
2. Exploring for stand-alone shear-hosted gold deposits
3. Evaluating the economic potential of the tungsten/gold skarn at Aurenere

The company is also investigating the potential to list on a European stock exchange, which will deliver increased access to capital and raise the company's profile in France.

MINING

14/05/2018

SHARE PRICE

▲ **A\$0.25**

52 WEEK LOW

▲ **A\$0.18**

MARKET CAP

▲ **£41.88m**

52 WEEK HIGH

▲ **A\$0.34**

SHARES ISSUED

▲ **167.5m**

INDEX

▲ **ASX**

MAJOR SHAREHOLDERS

1. **Directors & Management 21%**
2. **BlackRock 9.5%**
3. **Old Mutual 5.1%**

Shares in Issue 167.5m

Avg Volume 177,907

Primary index ASX

EPIC ASX:AON

Next Key Announcement Results from sampling programs to verify historical tungsten and gold data

Sector Mining

SHARE PRICE CHART



Important: All disclaimer information can be found on the last page of this document. Please note that this publication has been commissioned by the company to which this publication relates and therefore it cannot be considered independent.

Company Information

Address : 38 Jermyn Street, London, United Kingdom
www.apollominerals.com

Analyst Details

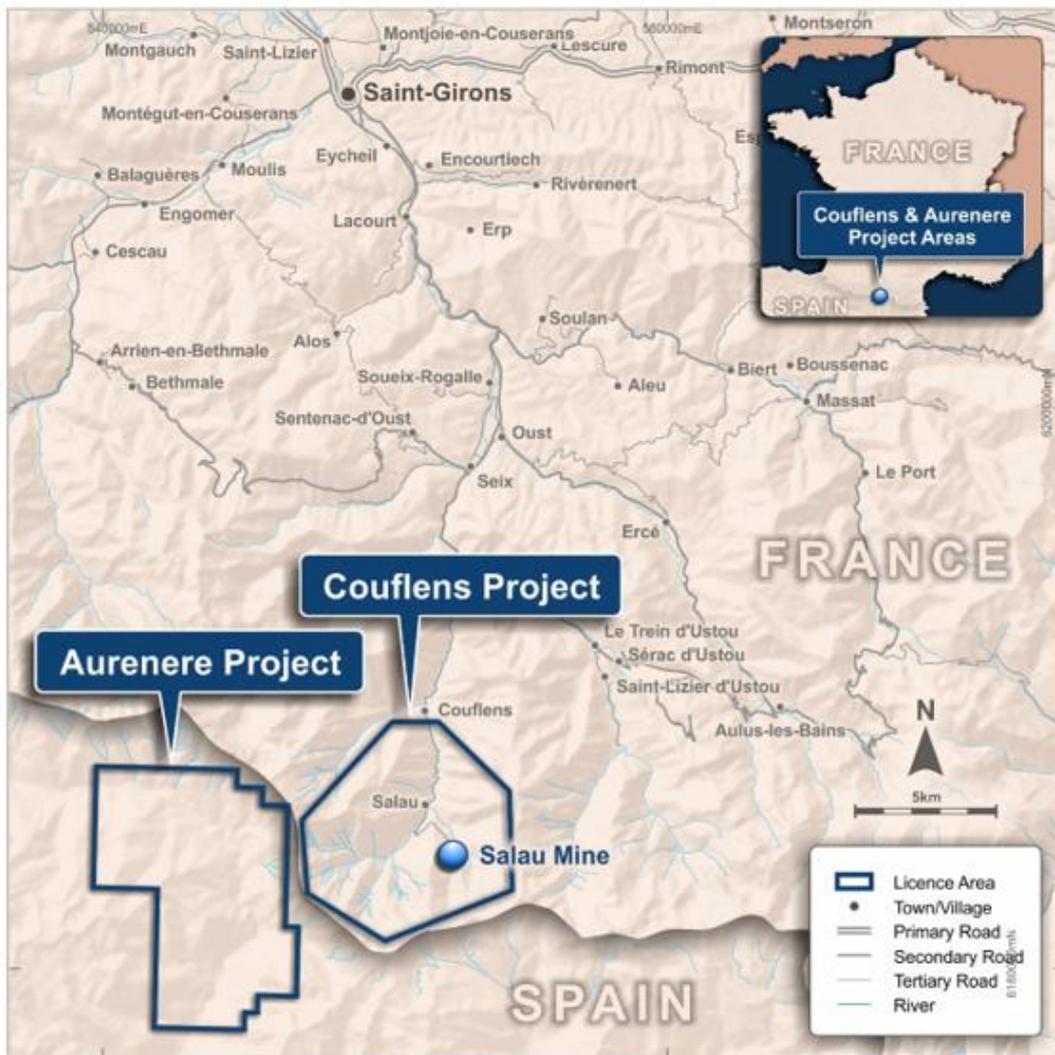
Scott.finlay@capitalnetwork.com
+44 (0)20 7264 3921

Valuation: Based on historical production figures, remaining resources, updated capital and operating costs it can be argued that Salau may be worth between US\$60-90m and that if Aurener turned out to be of similar size, then a similar valuation would apply. In addition, the stand-alone gold potential would need to be included so any estimate of company value at this stage would be unhelpfully broad. In our opinion, the market seems to have placed about half the value on the tungsten assets at Salau and the rest on the track record of the management team. We look forward to an active field season in 2018 where we expect to see further results from the field.

1.0 BACKGROUND

In May 2016, Apollo Minerals was restructured and recapitalised with A\$5.2m (after fees) and the funds were used for acquiring an interest in the Couflens project in southern France.

Within this 42 km² area is Salau, a high-grade tungsten mine that operated between 1971 and 1986. During its 15-years of operation, it remained one of the highest-grade tungsten mines in the world producing 11,500 tonnes of tungsten trioxide (WO₃) from an average head grade of 1.5% WO₃.



Source: Apollo Minerals

The initial 80% stake in the Couflens Project was acquired in May 2017 allowing Apollo Minerals to carry out field programmes and database verification of the historical data obtained from both the underground mine and exploration activities. Results were encouraging and prompted the company to enter into an agreement to increase its ownership of the Couflens Project to 100% in March 2018.

During this time, the exploration model was used to identify further tungsten and gold targets resulting in Apollo Minerals also acquiring a 75% stake in the Aurener project that lies 6 km along strike from the Salau mine in northern Spain.

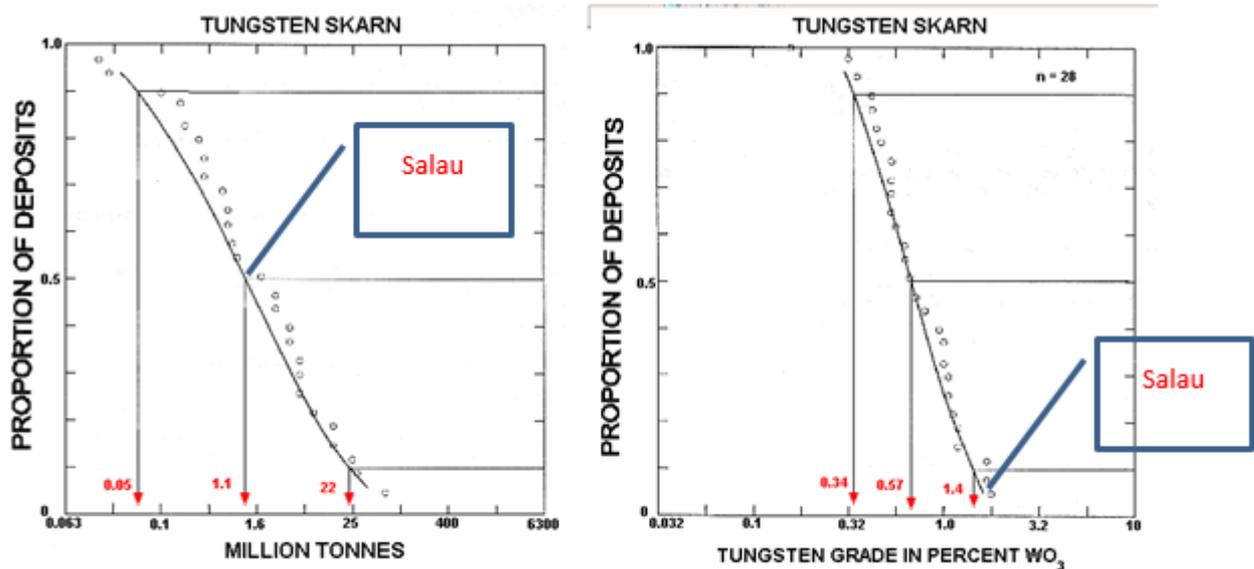
2.0 EXPLORATION & DEVELOPMENT OPTIONS

In our opinion, there are three main development priorities: the reopening of the Salau tungsten mine; the location of shear-hosted gold and the evaluation of the tungsten gold skarn at Aurenere.

2.1 Assessing the viability of reopening the Salau tungsten mine:

In 1971, the mine began with 400,000 tonnes @ 1.3% WO₃, one of the highest-grade tungsten mines in the world to this day. At closure in 1986, a total of 930,000 tonnes @ 1.5% WO₃ had been extracted with an estimated 200,000 tonnes of unmined high-grade Veronique ore still in-situ. Ore grades mined in the latter years averaged 2% WO₃ and while it is usually the case that any mine will indulge in a little 'high grading' towards the end, ore grades nonetheless steadily increased from 1.3% to 2.0% as the mine progressed deeper into the high-grade Veronique lens, which remains open at depth today.

Ore grades mined in the latter years averaged 2% WO₃ and while it is usually the case that any mine will indulge in a little 'high grading' towards the end, ore grades nonetheless steadily increased from 1.3% to 2.0% as the mine progressed deeper into the high-grade Veronique lens, which remains open at depth today.



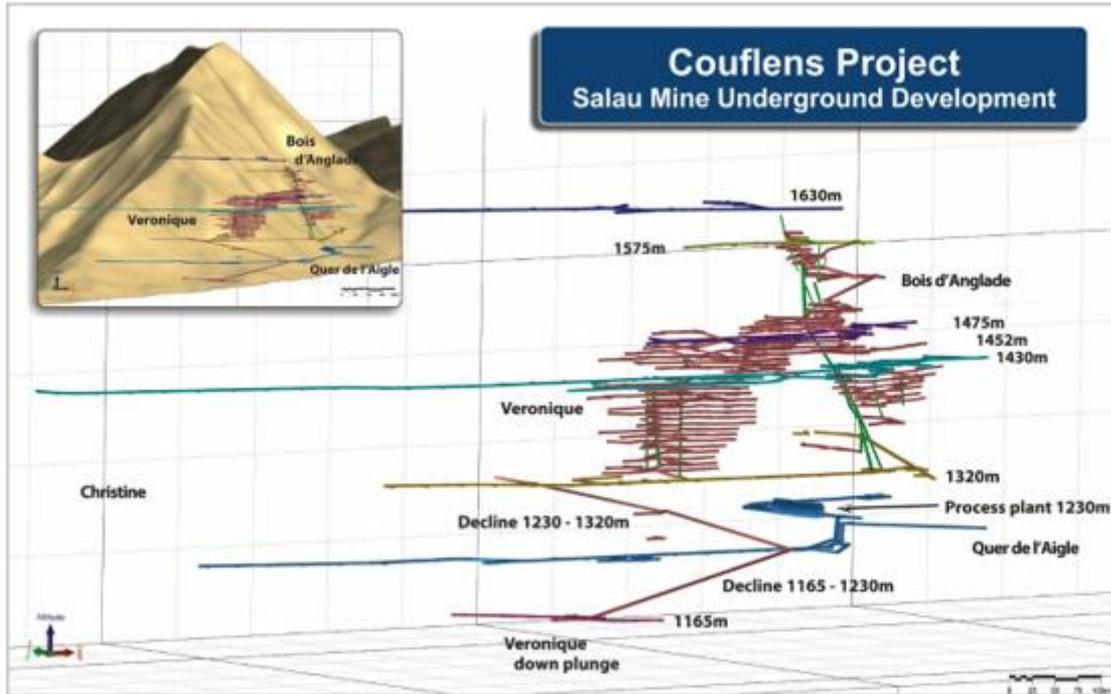
Source: Grade & tonnage models Tungsten Skarns (Menzie & Jones):

To put into context what high-grade tungsten means, the table below compares a range of typical ore grades for tungsten, gold and copper mines compared to Salau. Rock value is estimated by multiplying the unit metal price by grade and recovery to arrive at a dollar value per tonne. Salau's dollar value per tonne exceeds most high-grade gold, copper or tungsten mines. Put differently, the average tungsten grade of Salau of 1.5% WO₃ during its 15 years of operation is equivalent to a gold mine with a head grade of 9 grams per tonne. Considering that an underground mine of this scale could these days be expected to have operating costs of between US\$80 - 120/t, there is more than enough operating margin at Salau to warrant detailed follow up.

Metal	US\$/unit	L Grade	H Grade	Recovery	Rock Value	
		% / g/t	% / g/t		L US\$/t	H US\$/t
Salau Mine	24,600	0.8%	2.0%	83%	163	408
Tungsten (US\$/t WO ₃)*	24,600	0.5%	1.4%	80%	89	276
Gold (US\$/oz)*	1,300	1.0	10.0	90%	38	376
Copper (US\$/t)*	6,945	0.3%	5.0%	90%	19	313

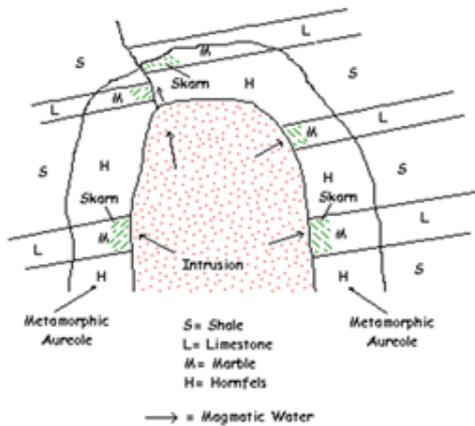
Source: Capital Network estimates, * typical mine grades; assumes WO₃ concentrate at 18% discount to benchmark APT price US\$300/mtu.

Considering the facts that the mine was started with a 400,000 tonnes mineral resource, produced more than 930,000 tonnes of ore over 15 years, unmined high-grade Veronique ore remains in-situ, the Veronique shoot is open down plunge and that other zones of mineralisation have been identified within the mine area, then the task of producing a commercially viable mineral resource within the next few years looks promising.



Source: Apollo Minerals

A second related exercise is the evaluation of gold occurring within the tungsten skarns at Salau. Gold was never produced from Salau as it was not until late in the mine's life that its occurrence was recorded.

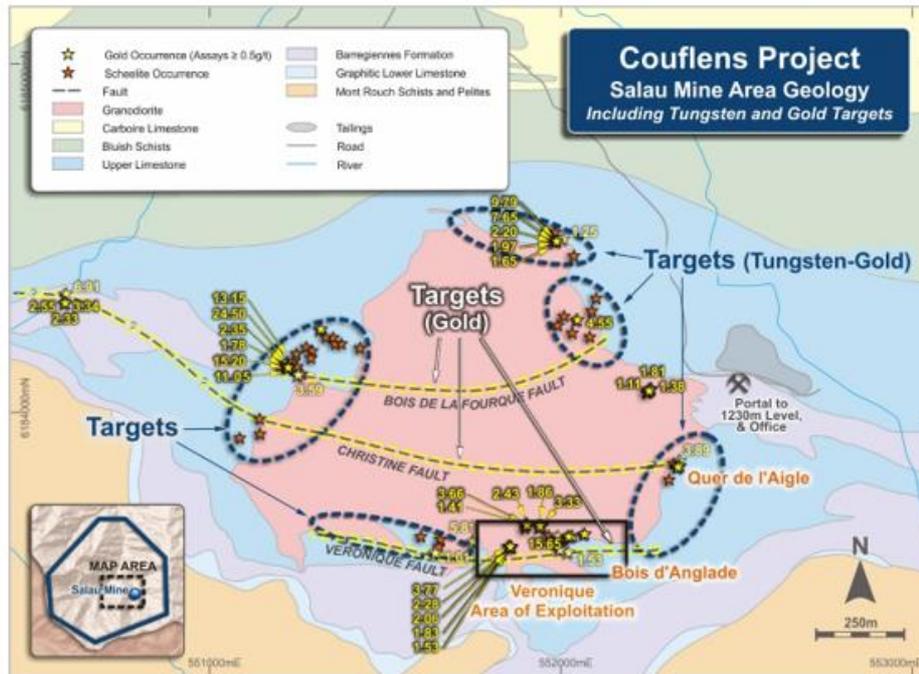


Source: Ore Geology (Evans 1997); Real Gold Price US\$/oz World Bank; Salau timeline from Apollo Minerals

Recall that from when Salau was discovered right up to the first year of production in 1971, the price of gold was fixed at US\$200/oz in real dollars (US\$35/oz in dollars of the day). Optimising the plant and mine around tungsten recovery was understandable; however, Apollo Minerals confirmed in September 2017 that samples collected from one of Salau's two tailings disposal areas (containing 900,000 tonnes in total) run as high as 8.94 g/t Au. The presence of high-grade gold in discarded tailings from the mine coupled with historical assays from underground means that any scoping study to reopen Salau will need to examine additional revenue generated from gold.

2.2 Shear-hosted gold potential:

Perhaps the most exciting part of the portfolio is the stand-alone gold potential. With the application of modern mining software and the work of recent PhD studies, Apollo Minerals hypothesised that not only was gold occurring in association with tungsten in the skarns but also on its own, in quartz-veined east-west striking fault structures.



Source: Apollo Minerals

The three main fault structures recognised within the granodiorite have a combined strike length of about 3.5 km and it is known that mineralisation can extend down 600 metres for a rough target potential of 5.7mIn tonnes (assuming 1 metre width and rock density of 2.7 grams per cubic centimetre). Based on local rock chip samples, expected grades could range from 2 to 8 g/t giving a target potential of between 360,000 oz – 1.5mIn oz.

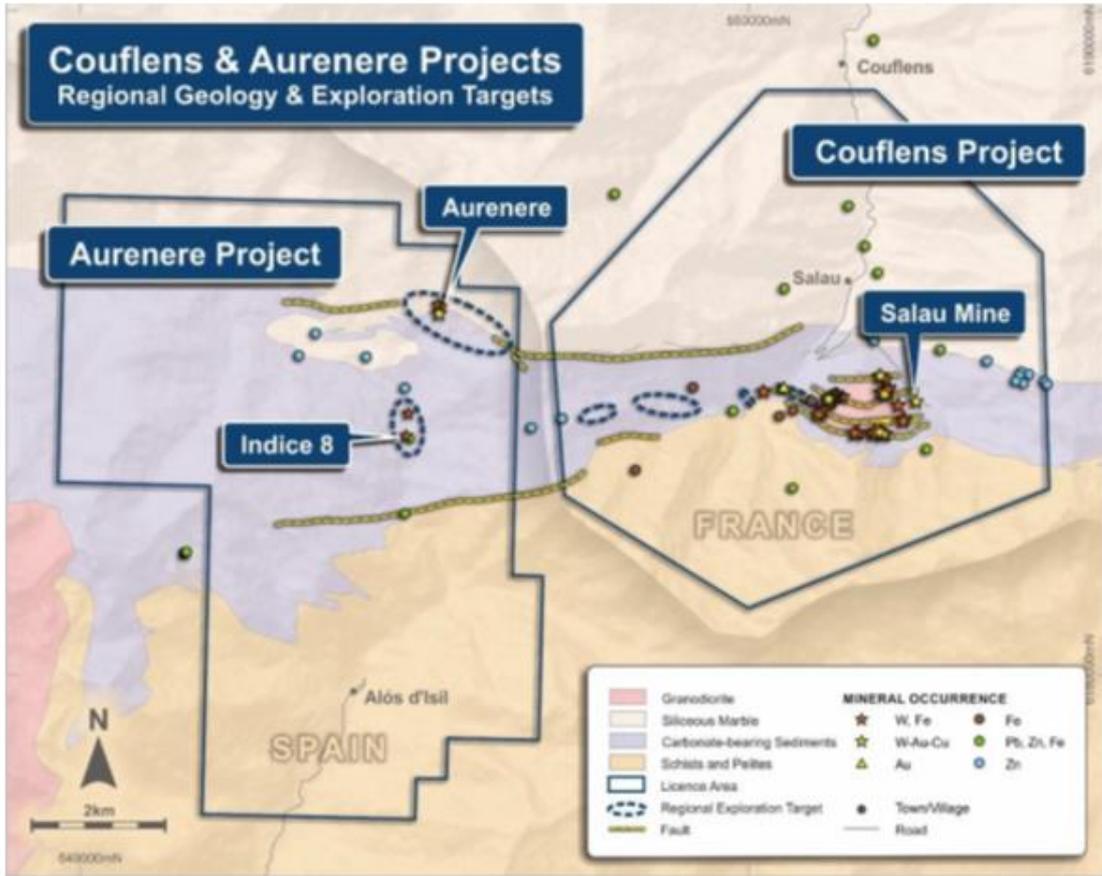
Regional evidence that this area is highly prospective for gold can be found 120 km to the north-east of Couflens where the largest gold mine in Western Europe produced 3.2mIn oz gold and 300 tonnes of silver over its life before closing in 2004. Underground head grades at Salsigne were reportedly 8 g/t gold with minor silver, copper and bismuth.

2.3 A second tungsten/gold skarn at Aurenere:

The Aurenere project lies 6 km west of Salau in northern Spain. Apollo Minerals recently acquired a 75% stake in the 55 km² project whose exploration licence application is currently being reviewed by the relevant Spanish authorities.

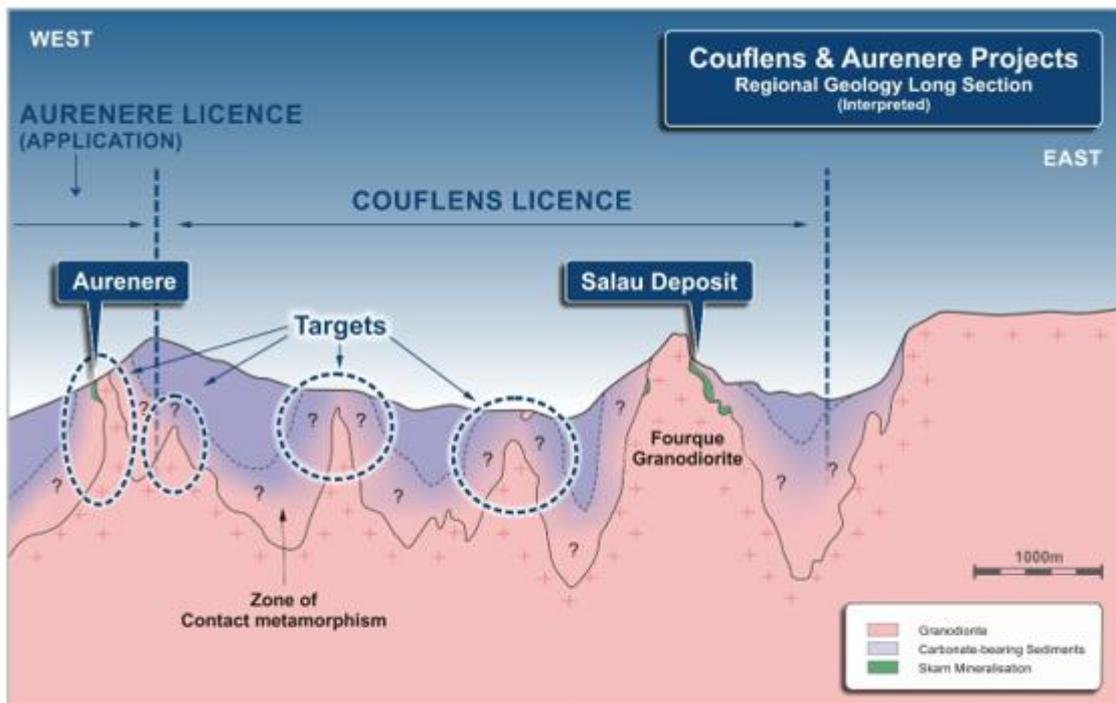
The latest rock chip sampling from a 100 m² gossan reported average grades of 0.7% WO₃ and 7.2 g/t gold including grades as high as 5.49% WO₃ and 33.9 g/t gold. Geologically speaking the same ore-forming process that formed Salau appears to have created the gossan at Aurenere with the tungsten and gold-rich skarn forming at the contact between the younger granodiorite and the older carbonaceous sediments.

The Indice 8 site has also returned anomalous levels of tungsten and other base metals associated with a sulphide -rich skarn.



Source: Apollo Minerals

In summarising the exploration model, the 10 km of prospective ground around and between Salau and Aurenere remains to be evaluated for additional skarn mineralisation prospective for both tungsten and gold skarns and stand-alone shear-hosted gold mineralisation. Follow-up programmes to test the multiple skarn hypothesis and regional gold potential will likely take a few years but in the meantime, advancements can be made at the sites of known mineralisation at Couflens and Aurenere.



Source: Apollo Minerals

3.0 MANAGEMENT TEAM

Ian Middlemas B.Com, CA

Chairman - appointed July 2016

Middlemas is a chartered accountant and a member of the Financial Services Institute of Australasia. He worked for a large international chartered accounting firm before joining the Normandy Mining Group where he was a senior group executive for around 10 years. He has extensive corporate and management experience and is currently a director with the following publicly listed resource companies: Cradle Resources Ltd, Paringa Resources Ltd, Berkeley Energia Ltd, Prairie Mining Ltd, Salt Lake Potash Ltd, Equatorial Resources Ltd, Piedmont Lithium Ltd, Sovereign Metals Ltd and Odyssey Energy Ltd.

Hugo Schuman MBA (INSEAD), CFA, B.Bus.Sci (Hons)

Executive director – appointed May 2018

Schumann commenced his career as a management consultant before moving into the natural resources sector where he has spent the last decade in corporate development functions for a number of listed mining companies. Most recently he was the chief commercial officer of Berkeley Energia where he was instrumental in delivering a US\$120mln financing package for the development of the Salamanca uranium mine in Spain. He holds an MBA from INSEAD in France, is a CFA charter holder and holds a Bachelor of Business Science (Finance CA) from the University of Cape Town.

Robert Behets B.Sc (Hons), FAusIMM, MAIG

Non-executive director – appointed October 2016

Behets is a geologist with more than 28 years' experience in the mineral exploration and mining industry in Australia and internationally. He has extensive corporate and management experience and has been director of several ASX-listed companies in the resources sector, including Mantra Resources Limited, Papillon Resources Limited, and Berkeley Energia Limited. Prior to Mantra, he held various senior management positions during a long career with WMC Resources. Behets currently holds directorships in Piedmont Lithium, Berkeley Energia and Equatorial Resources.

Dr Michel Bonnemaïson D.Sc, PhD, F. SEG

Non-executive director – appointed June 2017

Dr Bonnemaïson is a French geologist with extensive experience in Europe, Africa and South America. He spent much of the last 35 years working with the French geological survey (BRGM) and was the deputy head of the minerals resources division. He was the president and chief executive officer of SEIEMSA, a subsidiary of the BRGM mining group in Spain. Dr Bonnemaïson completed a PhD on the metallogeny of the Salsigne gold mine and is widely recognised as one of the pre-eminent authorities on gold deposits in France.

Jon Evans MRSC, DMS, MS ENSMP, LLM

Director of Sustainable Development

Evans has in excess of 28 years of professional experience as environmental risk consultant around the world and has spent more than 18 years working in France. He holds a master's in engineering from Ecole des Mines in Paris and specialises in site investigations, remediation and environmental auditing. He previously worked at WSP Energy and Environment, where he was responsible for environmental auditing and site surveys in France, as well as the commercial development of environmental consulting services for the oil/gas, industrial and mining sectors. Projects he was worked on in France include Vermilion's acquisition of Total's Paris basin, Umicore Cadmium/Zinc Smelter in Viviez and a wind farm in central France.

Important – Please read this information: This report has been commissioned by Apollo Minerals Ltd and prepared and issued by Capital Network for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however, we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Capital Network at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. Capital Network does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Capital Network's solicitation to effect, or attempt to effect, any transaction in a security. This document is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Capital Network has a restrictive policy relating to personal dealing. Capital Network does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Capital Network may have a position in any or related securities mentioned in this report. Capital Network or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Capital Network within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Capital Network, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.