



ASX RELEASE | 14 MARCH 2017 | ASX:AON

ACQUISITION OF HIGH GRADE TUNGSTEN-COPPER-GOLD PROJECT IN SOUTHERN FRANCE

Apollo Minerals Limited (“**Apollo Minerals**” or “**Company**”) is pleased to advise that the Company has entered into an agreement to acquire an 80% interest in the Couflens tungsten-copper-gold project (“**Couflens Project**”) in southern France.

The Couflens Project comprises a recently granted exploration licence that covers a 42km² area in the Pyrenees region and includes the historic Salau mine, which was one of the world’s highest grade tungsten mines when it operated from 1971 to 1986.

Highlights:

- Salau mine is recorded to have produced approximately 930,000 tonnes at **1.5% WO₃** for **around 11,500 tonnes of WO₃** in concentrate prior to closure
- Production grades were **2.0 to 2.5% WO₃** in the mine’s latter years
- In addition to tungsten, the deposit is recorded to contain **significant copper and gold values**, particularly in the deeper parts of the Salau mine
- **Deposit remains open at depth**, with previous drilling below the base of the existing underground development that confirmed the continuation of the mineralised system

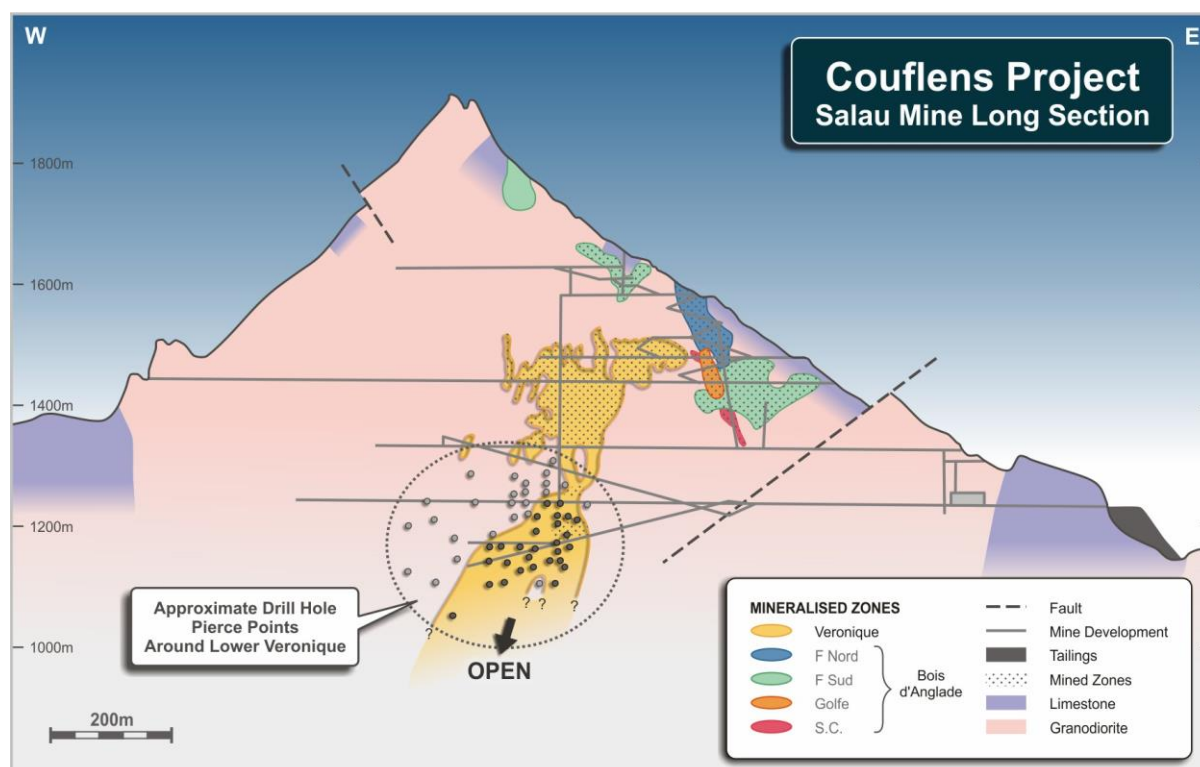


Figure 1 - Salau Mine Long Section

- Substantial news flow is expected with the planned work program to include a review of historical data, mine sampling and drilling utilising existing underground development in order to outline sufficient high grade mineralisation to facilitate estimation and reporting of Mineral Resources in the Salau mine area
- Salau mine's existing underground development and infrastructure will also be examined to determine the most efficient method to progress mine exploration and development activities and potential mine reactivation
- Additional tungsten-copper-gold prospects have been identified within the broader project area and surface exploration programs will be undertaken with a view to further assessing these prospects and generating new targets
- Tungsten is a strategic commodity, with essential applications in industry, aerospace and military. Concerns over security of supply of tungsten have resulted in the EU categorising tungsten as a "Critical Raw Material" and the British Geological Survey including tungsten in its metals "Risk List"
- **Dr Michel Bonnemaïson**, a highly credentialed French geologist with specific expertise in gold deposits in France and **Mr Ajay Kejriwal**, an experienced European based corporate and capital markets executive, will be appointed as Directors of the Company with effect from the completion of the acquisition.

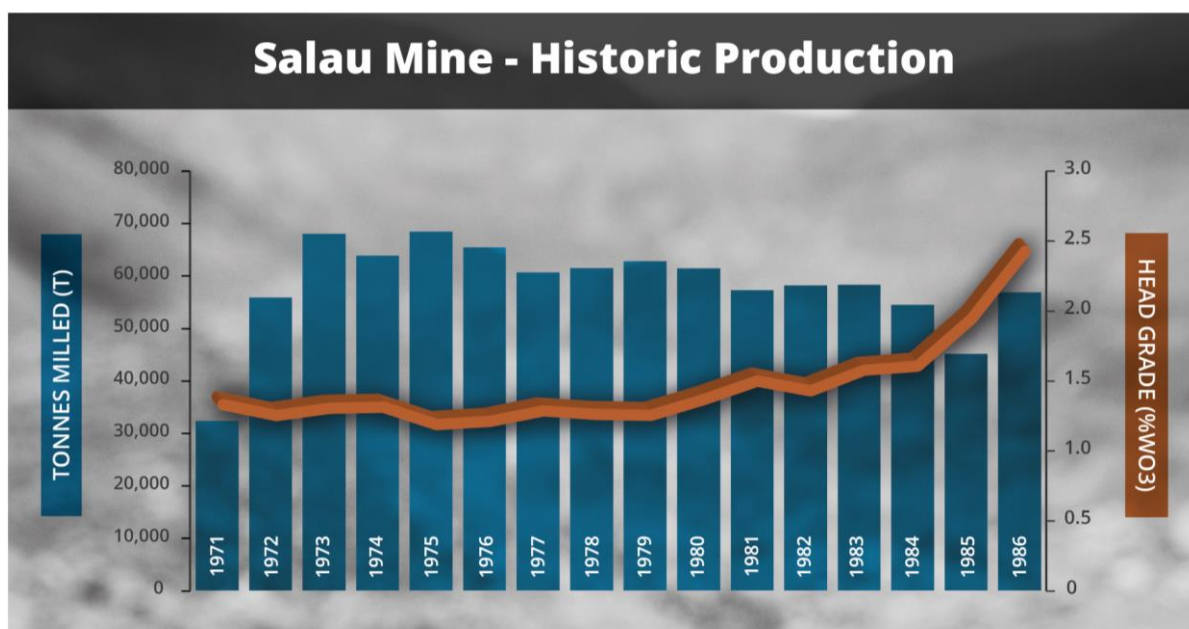


Figure 2 – Tonnage and grade from historic tungsten (WO₃) production at the Salau Mine

The Company has entered into a Share Sale Agreement to acquire Ariege Tungstene SAS (“**Ariege**”), which holds the rights to the 80% interest in the Couflens Project. The commercial terms of the acquisition of Ariege which are subject to approval by Apollo Minerals’ shareholders, include \$250,000 cash and the issue of 15 million Apollo Minerals shares at completion, and \$500,000 cash and 65 million performance shares subject to various performance conditions to Ariege shareholders. See Commercial Terms section below for further details on the terms of the acquisition.

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COUFLENS PROJECT OVERVIEW

The Couflens Project area is located 130 kilometres south of Toulouse, within the Pyrenees region near the border with Spain (Figures 3 and 4). The Couflens Project comprises the recently granted Couflens exploration licence (permis exclusif de recherches – “**PER**”) which covers an area of 42km² centred on the Salau mine, formerly one of the world’s highest grade tungsten mines.



Figure 3 - Couflens Project / Salau Mine Location

The Salau scheelite skarn tungsten deposit was discovered in the early 1960’s by the Bureau de Recherches Géologiques et Minières (“**BRGM**”). Les Mines d’Anglade (“**LMA**”) operated the mine from April 1971 to November 1986 which is reported to have produced approximately 930,000 tonnes of ore at an average grade of 1.5% WO₃ to yield approximately 11,500 tonnes of WO₃ in concentrate.

Notwithstanding the existence of remaining resources, the discovery of promising mineralised zones elsewhere (Fonteilles et al., 1989) and the higher grade production from the latter years of production (up to 2.48% WO₃) (Figure 2), the precipitous fall in the tungsten price caused by Chinese dumping in 1986 led to mine closure.

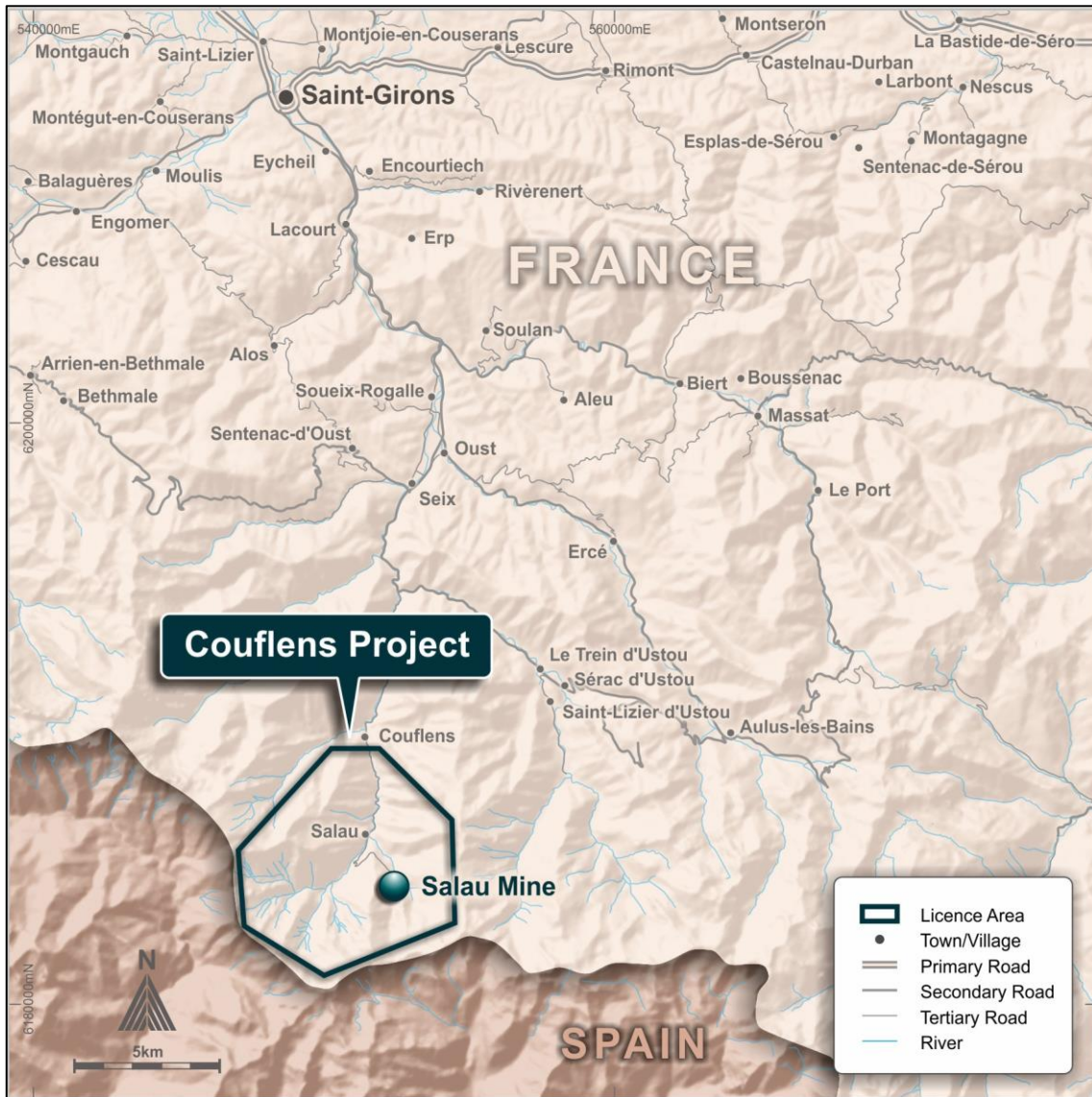


Figure 4 - Couflens Project Licence

Project Geology

Salau is a tungsten-bearing (primarily scheelite) skarn deposit developed at the contact between Devonian pelites and calcareous sediments of the Barregiennes Formation and a Hercynian-aged granodiorite stock (“**Fourque**”) (Figure 5). The skarn formed within both the carbonate-bearing sediments and, to a much lesser degree, the host granodiorite. Mineralisation is directly related to the Fourque granodiorite which provided hot, tungsten-copper-gold bearing solutions that reacted with the host rocks to form the skarns and deposit metal-bearing minerals.

Salau consists of two known mineralised systems, the Bois d’Anglade embayment (Formation Nord, Gulfe, Formation Sud, and S.C. ore zones) and Veronique (Figures 1 and 5). Bois d’Anglade was discovered first and provided the bulk of the early production. Veronique, 300 metres to the west, was discovered in 1975 and provided higher grade tungsten production (average 1.9% WO₃), including gold-rich material (not recovered in milling) towards the end of the mine life. Limited sampling of material from the lower section of the Veronique Southeast zone indicated the presence of high grade gold (Fontailles et al, 1989).

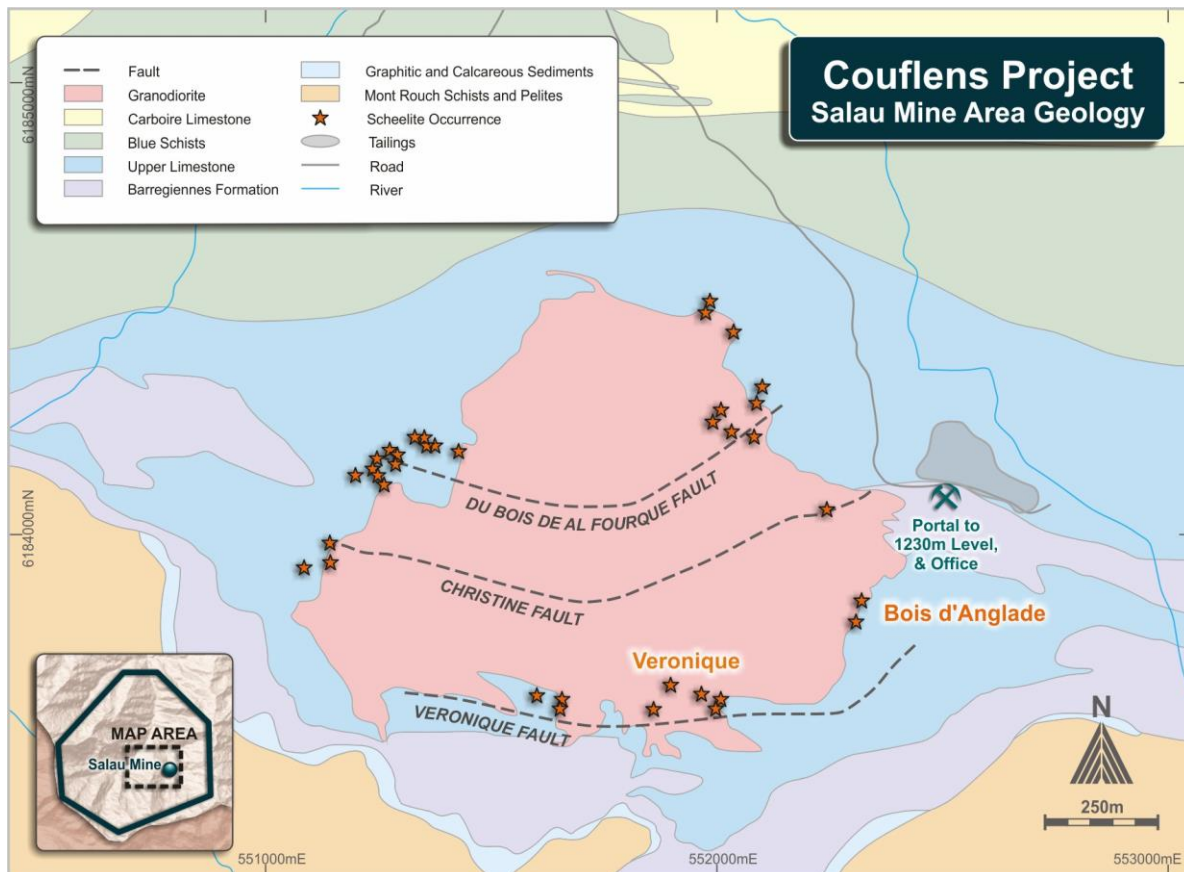


Figure 5 – Salau Mine Geology

The geometry of the orebodies at Salau is complex and appears controlled mainly by irregularities in the intrusive contact and by faulting. Two principal types of metalliferous skarns are developed:

Prograde skarns: initial metasomatism resulted in the formation of broad zones of prograde skarns containing modest tungsten values (0.2 to 0.5% WO₃),

Retrograde skarns: later hydrothermal fluids overprinted the prograde skarns and deposited sulphide-rich material (mainly pyrrhotite) containing substantially higher values of tungsten, gold and copper. It is these sulphide-rich skarns which provided the bulk of the former production from the Salau mine.

Exploration Potential

Previous underground drilling by the former mine owners recorded a number of high grade tungsten-bearing skarn intersections below the 1,230 metre level access adit (Figure 1), which represents the down-plunge continuation of the Veronique ore system. The tungsten grade of this zone of mineralisation was reported as being similar to that derived from mining in the upper levels of Veronique. The system remains open at depth and is believed to contain substantial gold credits as stated in Fonteilles et al, 1989.

Potential also remains around the other previously mined areas (Veronique and Bois d'Anglade systems) where remnant zones of tungsten-bearing material appear present.

In addition, discoveries documented by LMA at "Ouer d'Aigle" and "Christine", plus a number of other scheelite skarn occurrences at the surface on the flanks of the Fourque granodiorite remain largely untested (Figure 5).

Additional tungsten-copper-gold prospects have been identified within the broader project area and surface exploration programs will be undertaken with a view to further assessing these prospects and generating new targets.

Exploration Plan

The initial work plan for the Couflens Project includes:

- Acquisition and digitisation of available mine and exploration data
- Mine area and old tailings area risk assessments
- Initial access and assessment of existing mine development and stoping areas
- Mapping and sampling of mineralisation exposed in previously developed mine areas
- Generation of a 3D model of the geology, zones of mineralisation and principal controls on mineralisation
- Underground drilling to confirm known zones of mineralisation and test for extensions of these zones
- Estimation and reporting of a Mineral Resource in accordance with the JORC Code
- Surface exploration programs to further assess identified prospects and generating new targets within the broader project area
- A second phase of exploration may include the development of an underground incline to provide access below the existing mine workings and to allow more extensive drill testing of the down plunge continuation of the high grade Veronique system and parallel structural positions

Initial work will focus on defining sufficient high grade tungsten mineralisation to justify commencement of mine feasibility studies, as well as testing the gold potential within and adjacent to the Salau mine area.

The Company will undertake the work program with a strong commitment to all aspects of sustainable development with an integrated approach to economic, social, environmental, health and safety management.

Exploration Licence

The Couflens Project comprises the recently granted Couflens PER which covers an area of 42km² centred on the Salau mine (see Figure 4). The Couflens PER was applied for, and granted to, Variscan Mines SAS ("**Variscan France**"), a wholly owned subsidiary of Variscan Mines Limited (ASX: VAR). The PER has been granted for an initial period of five (5) years commencing 11 February 2017, with a minimum financial commitment of €25 million based on the 5 year work plan submitted by Variscan France in the PER application. In accordance with the French Mining Code, the PER may be extended for two additional periods of a maximum of 5 years each.

TUNGSTEN MARKET

Tungsten is a metal with unique properties making it an essential industrial metal. Tungsten's critical properties include: having the highest melting point of all metals (3,400°C) and the highest tensile strength, very high density, hardness close to diamond, thermally and chemically stable, excellent conductor, and being environmentally benign.

These unique properties and a lack of viable substitutes make tungsten critical for many industries including the drilling, automotive, military and aerospace industries. Approximately 55% of tungsten consumed is for the production of hard metals, or cemented carbides used in drilling and cutting tools and wear materials. Other major uses of tungsten include steel alloys (21%), electronics (18%) and chemical applications (6%).

Tungsten metal production is very small relative to base metals, with global tungsten mine production being estimated at approximately 80,000 tonnes of primary tungsten metal ("W"), equivalent to approximately 100,000 tonnes of tungsten trioxide ("WO₃"). China currently accounts for over 80% of global tungsten mine production, with western world supply being limited. Chinese domestic demand has increased rapidly in the past number of years, and China has moved from a net exporter to net importer of tungsten concentrates.

Given tungsten's essential applications in industry, aerospace and military, it is considered a strategic commodity. Concerns over security of supply of tungsten concentrates to western processors and industry end-users, along with other factors, have resulted in the European Union categorising tungsten as a "Critical Raw Material" and the British Geological Survey ranking tungsten in the top 10 of its metals "Risk List".

In 2010 and 2014, the European Commission ("EC") carried out a criticality assessment at European Union ("EU") level to identify "Critical Raw Materials" based on:

- Economic importance - the proportion of each material associated with industrial megasectors such as construction, combined with its gross value added to EU Gross Domestic Product ("GDP") to define the overall economic importance of a material.
- Supply risk - based on accountability, political stability, regulatory quality etc.

The EC concluded that tungsten is a critical raw material for Europe, with its economic importance to the continent considered greater than any other commodity (Figure 6).

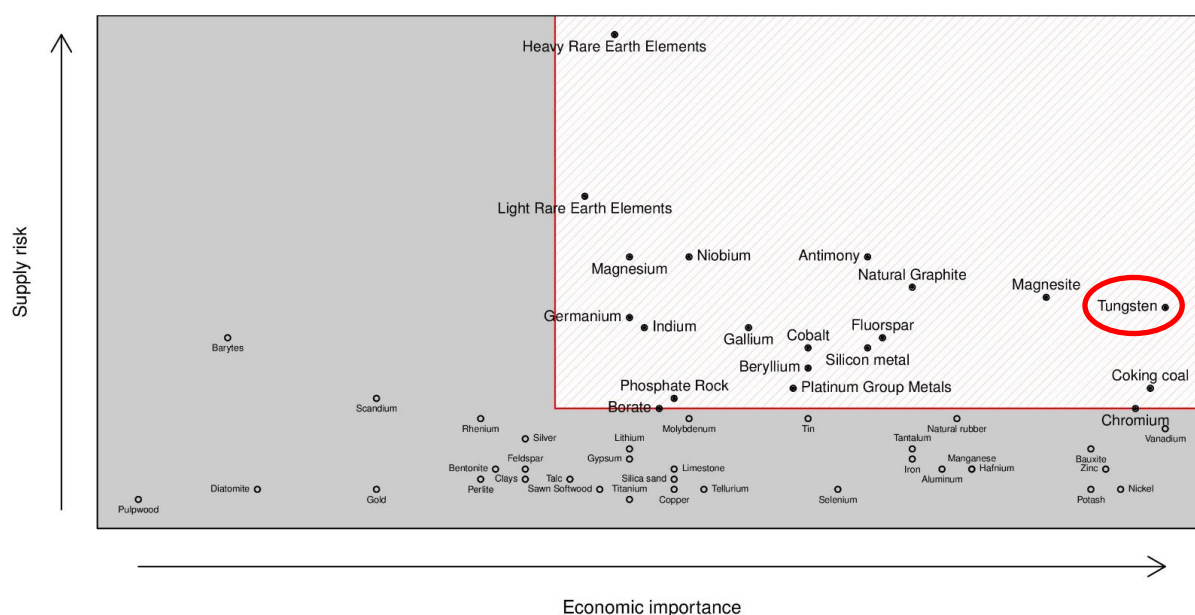


Figure 6 – European Commission Criticality Assessment (<http://ec.europa.eu>)

Due to its heavy end use application in automobiles, machinery and steel, demand for tungsten is highly sensitive to worldwide economic conditions. Accordingly, tungsten consumption growth is closely correlated with Global GDP, however over the 10 years to 2014 demand rose at approximately double that of Global GDP. World consumption of primary tungsten is forecasted to grow by ~3-4% annually over period 2016-2020.

COMMERCIAL TERMS OF THE ACQUISITION

Apollo Minerals will acquire an 80% interest in the Couflens Project through the acquisition of 100% of the shares in Ariege, which holds an 80% interest in Mines du Salat SAS (“**MdS**”).

The Share Sale Agreement (“**Agreement**”) to acquire 100% of Ariege includes consideration as follows:

- (i) A\$250,000 cash on completion;
- (ii) 15,000,000 fully paid ordinary shares on completion;
- (iii) **Tungsten Resource Milestone:**
 - a. 10,000,000 unlisted convertible performance shares on completion, which convert into fully paid ordinary shares upon the completion and announcement by the Company to ASX of the delineation of at least an Inferred and Indicated Mineral Resource of at least 25,000 tonne WO₃ at an average grade of not less than 1.0% WO₃ using a cut-off grade of not less than 0.3% WO₃ on the Project Licences and which is prepared and reported in accordance with the provisions of the JORC Code;
 - b. A\$250,000 cash on satisfaction of the Tungsten Resource Milestone;
- (iv) **Gold Resource Milestone:**
 - a. 10,000,000 unlisted convertible performance shares on completion, which convert into fully paid ordinary shares upon the completion and announcement by the Company to ASX of the delineation of at least an Inferred and Indicated Mineral Resource of at least 500,000 troy ounces of gold on the Project Licences and which is prepared and reported in accordance with the provisions of the JORC Code;
 - b. A\$250,000 cash on satisfaction of the Gold Resource Milestone;
- (v) **Scoping Study Milestone:** 10,000,000 unlisted convertible performance shares on completion, which convert into fully paid ordinary shares upon the release of a comprehensive announcement by the Company to ASX of the results of a positive Scoping Study on all or part of the Project Licences;
- (vi) **Pre-Feasibility Study Milestone:** 15,000,000 unlisted convertible performance shares on completion, which convert into fully paid ordinary shares upon the release of a comprehensive announcement by the Company to ASX of the results of a positive Pre-Feasibility Study on all or part of the Project Licences; and
- (vii) **Definitive Feasibility Study Milestone:** 20,000,000 unlisted convertible performance shares on completion, which convert into fully paid ordinary shares upon the release of a comprehensive announcement by the Company to ASX of the results of a positive Definitive Feasibility Study on all or part of the Project Licences.

Project Licences means the Couflens PER which was formally gazetted on 11 February 2017.

The consideration shares and performance shares will be subject to a 24 month voluntary escrow from completion. However, securities will not be subject to escrow to the same extent as if the cash formula (per the listing rules) was applied.

The Agreement is dated 13 March 2017. Completion of the acquisition of Ariege must occur within 24 months of signing the Agreement (“**End Date**”) and is subject to the following conditions precedent:

1. Apollo Minerals Shareholders passing all resolutions as required under the ASX Listing Rules, the Constitution and the Corporations Act to give effect to the transactions contemplated by the Agreement;
2. ASX approving the terms and conditions of the performance shares;
3. Variscan France lodging an application for the transfer of the Project Licence to MdS;
4. Apollo Minerals obtaining all regulatory approvals and authorisations in Australia and elsewhere, complying with the ASX Listing Rules and the Corporations Act in order for completion to occur.

There are normal commercial warranties associated with the acquisition.

As stated above, Apollo Minerals will acquire an 80% interest in the Couflens Project through the acquisition of 100% of the shares in Ariege, which holds an 80% interest in MdS.

MdS is governed by a Shareholder Agreement (“**SHA**”) with Variscan France. Pursuant to the SHA and subject to regulatory approval, Variscan France will transfer the Couflens PER into MdS. Ariege is required to spend €2.5 million over 3 years, or it may elect to withdraw from the SHA and return its shareholding in MdS to Variscan France. Variscan France will be free carried until completion of a DFS (or total expenditures reaching €25 million).

RISK FACTORS

Shareholders and investors should also be aware that as the Agreement to acquire Ariege is subject to a number conditions precedent (as disclosed above), there is a risk that the transaction contemplated by this announcement may change or not be completed before the End Date. Should the transaction not complete, the monies (if any) loaned or advanced to Ariege may not be refunded.

Whilst Apollo Minerals has undertaken a due diligence process (including title and other risks) with respect to the acquisition of Ariege, it should be noted that the usual risks associated with start-up companies undertaking exploration and development activities of projects in France will remain at completion of the acquisition.

A number of additional risk factors specific to Ariege and its activities have also been identified, including, but not limited to:

- (a) The Salau mine operated from April 1971 to November 1986. Since that time, the original mine portal has been barricaded up and as a result the Company has not been able to enter the mine to assess the condition of the existing mine development and underground infrastructure or conduct any due diligence activities. The Company’s due diligence activities have been limited to analysis of mine production records, geological modelling and mapping, technical papers and analysis. As a result, the Company has only been able to conduct limited technical due diligence. The Company plans to implement an exploration program as discussed above however there can be no assurances that the Company will be able to utilise existing mine development and infrastructure or will identify resources or established economic qualities of reserves at the Couflens Project.

- (b) The Project is located in the Region of Midi-Pyrenees, France and as such, the operations of the Company will be exposed to related risks and uncertainties associated with the country, regional and local jurisdictions. As part of the regulatory framework in France for exploration and mining activities, the Company will be required to engage with the local community. Opposition to the Project, or changes in local community support for the Project, along with any changes in mining or investment policies or in political attitude in France and, in particular to the mining, processing or use of tungsten, may adversely affect the operations, delay or impact the approval process or conditions imposed, increase exploration and development costs, or reduce profitability of the Company.
- (c) The Company's exploration and any future mining activities are dependent upon the grant, maintenance and/or renewal from time to time of the appropriate title interests, licences, concessions, leases, claims, permits and regulatory consents which may be withdrawn or made subject to new limitations. Transferring title interests, maintaining title interests or obtaining renewals of or getting the grant of title interests often depends on the Company being successful in obtaining and maintaining required statutory approvals for its proposed activities (including a licence for mining operations) and that the title interests, licences, concessions leases, claims, permits or regulatory consents it holds will be maintained and when required renewed. There is no assurance that such title interests, licences, concessions, leases, claims, permits or regulatory consents will be granted, or even if granted, not be revoked, significantly altered or granted on terms or with conditions not acceptable to the Company, or not renewed to the detriment of the Company or that the renewals thereof will be successful.
- (d) The Company will have contractual rights in respect of the Project Licence until such time as regulatory approval is granted for the transfer of Couflens PER into MdS. Whilst the Company expects approval to be granted in due course, it may need to negotiate a satisfactory resolution in the event that the transfer is not approved and appeals and other remedies are exhausted.

Shareholders should note that some of the additional risks may be mitigated by the use of appropriate safeguards and systems, whilst others are outside the control of the Company and cannot be mitigated. Should any of the risks eventuate, then it may have a material adverse impact on the financial performance of the Project, the Company and the value of the Company's securities.

PROPOSED BOARD CHANGES

Apollo Minerals is pleased to announce the appointment of two additional directors upon completion.

Dr Michel Bonnemaïson – Non-Executive Director

D.Sc., PhD, F. SEG

Dr Bonnemaïson is a French geologist with extensive experience in Europe, Africa and South America. Dr Bonnemaïson spent much of the last 35 years working with the French geological survey (BRGM) and was the Deputy Head of Minerals Resources Division. He was President and CEO 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 preeminent authorities on gold deposits in France.

Dr Bonnemaïson is a founding director and shareholder (via his associated entity E-Mines) of Ariege and will be appointed with effect from the completion of the acquisition.

Mr Ajay Kejriwal – Non-Executive Director

BSc (Economics), ACA

Mr Kejriwal has over 25 years' experience in finance and commerce, and is currently a consultant to Juniper Capital, a natural resource investment and advisory business. Prior to Juniper Capital he was a banker leading many investment transactions across oil and gas, mining, real estate and asset management sectors. He has previously worked as a banker for the Principal Investments business at Nomura in London and Hong Kong, Cazenove and Co and Morgan Stanley. Mr Kejriwal is a Chartered Accountant, having qualified with PriceWaterhouseCoopers in 1994.

Juniper Capital is a shareholder of Ariege and Mr Kejriwal will be appointed with effect from the completion of the acquisition.

Mr Richard Shemesian will retire from the Board of Apollo Minerals following the completion of the acquisition of Ariege.

OPTIONS

The Company intends to seek shareholder approval to grant a total of 1.25 million \$0.20 unlisted options expiring 30 June 2020 and 1.6 million \$0.25 unlisted options expiring 30 June 2021 to a Director, Mr Behets, and other key consultants.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Robert Behets, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Behets is a holder of shares and options in, and is a director of, Apollo Minerals Limited. Mr Behets has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Behets consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

REFERENCES

1. *Fontailles M., Soler P., Demange M., & Derré C., 1989; "The Scheelite Skarn Deposit of Salau (Ariège, French Pyrenees)", Economic Geology, Vol 84, pp 1172 – 1209*
2. http://ec.europa.eu/growth/sectors/raw-materials/specific-interest/critical/index_en.htm