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Apella Resources Inc.

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At the Forefront of Vanadium Exploration and Development



Cross section of massive magnetite drill core from the Iron-T project

A buzz is building about vanadium—a strategic metal best known as a key additive for high-strength low-alloy steel. New construction standards in China, as well as emerging high tech applications for this metal, could dramatically change the current supply-demand balance. One Canadian junior that is banking on this is Apella Resources Inc.—the company’s holdings in Quebec could provide North America’s first major, viable, domestic supply. In fact, it might just have the world’s largest deposit!

VANADIUM, ELEMENT OF THE FUTURE

The backbone of the vanadium sector is its use as an additive that considerably increases the strength of steel. Vanadium steel is used in pipelines, bridges, highways, building frames, automobiles axles, high-speed tool steels and other critical

components. In the wake of recent earthquakes the Chinese government is mandating the use of higher quality vanadium steel and rebar in new construction which will necessarily increase vanadium consumption.

The chemistry of vanadium is noteworthy for the accessibility of four adjacent oxidation states, and this characteristic is key to a number of new technologies including the Vanadium Redox Battery which is capable of storing energy in multi-megawatt ranges. More than 20 medium to large-scale VRB systems have been installed in Japan, USA, Europe and Australia for the storage of wind and solar energy and for load leveling at power stations and back-up power. Its potential to fundamentally revolutionize energy storage systems led Discover magazine, in 2008, to call vanadium “The Element That Could Change the World”.

Vanadium also replaces cobalt in the latest generation of safer lithium batteries, and it increases the effectiveness of rare-earth magnets that are used in electric and hybrid vehicles.

LAC DORE VANADIUM-IRON-TITANIUM PROJECT

Apella’s Lac Dore Vanadium-Titanium-Iron Deposit is hosted in the Lac Dore Complex, a layered igneous intrusive complex lying 70 km southeast of Chibougamau, Quebec.

A resource estimate for the Lac Dore deposit was calculated in 2002 (pre NI 43-101) that outlined measured and indicated resources of 102 million tonnes at 35% magnetite, 17.4% ilmenite and 0.50% V₂O₅ (containing 2.27 billion kilograms of vanadium pentoxide). The Lac Dore deposit is currently listed as the largest vanadium deposit in North America and second-largest in the world.

The 2002 resource estimate was part of a positive Feasibility Study prepared by SNC-Lavalin who was scoping the development of an open pit mine, processing facilities and

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infrastructure required to produce vanadium pentoxide for the conventional steel alloy market as well as processing facilities to produce vanadium-based chemicals for specialty uses.

When Apella’s management group realized the Lac Dore claims were coming available in August of 2007, it assembled a team and quickly staked the deposit. A competing staker launched a challenge for 21 of the claims, but Quebec courts have awarded 18 of those claims to Apella, giving it commanding control.

Apella also has a 100% interest in 80 claims referred to as Lac Dore North that cover an apparent extension of the Lac Dore deposit with a strike length of at least 2.6 km. 2009 drill testing returned values ranging from 0.46% V₂O₅ to 0.64% V₂O₅, and up to 13.08% titanium and 54% iron over varied widths.

Apella plans to conduct a drill program at Lac Dore in 2011, focused on bringing the historic resource into NI 43-101 compliance.

IRON-T VANADIUM-IRON-TITANIUM PROJECT

The central part of the Iron-T Vanadium-Titanium-Iron property is located just 10 km southeast of the town of Matagami. The Bell River Complex that hosts the Iron-T is similar to the Lac Dore layered igneous complex.

Drill programs in 2009 and 2010 intersected several disseminated to massive iron oxide layers with several long intersections of disseminated, semi massive, and massive vanadiferous mineralization, including 93.66 m of 43.87% Fe₂O₃, 7.90% TiO₂, and 0.41% V₂O₅, and 90.93 m of 42.70% Fe₂O₃, 7.24% TiO₂ and 0.38% V₂O₅.

Based on 41 drill holes and a minimum cut-off grade of 0.48% V₂O₅ equivalent, SGS-Geostat recently prepared a resource estimate showing 14,376,000 tonnes in the inferred category at 0.42% V₂O₅ (or 0.77% V₂O₅

equivalent). Note that the estimate could not use data from several drill holes that returned excellent mineralization as those holes are spaced too far apart, and it also doesn’t include the 19 holes of the Phase 4 program completed in the spring of 2011.

Only a small portion of the strike length of the mineral enriched Bell River structure has been drill-tested and Apella’s geologists believe the Iron-T deposit will prove to be substantially larger than Lac Dore, and perhaps the largest in the world.

ECONOMIC CONSIDERATIONS

South Africa, north-western China, and eastern Russia account for the vast majority of global vanadium production. Analysts note that all of those countries have significant limitations to increased production, and that new mines in reliable and safe jurisdictions would be particularly attractive to vanadium consumers.

Apella’s deposits are easily accessible and have roads, rail, abundant and cheap power, water, and ready labour all nearby. Working in Quebec further increases an exploration company’s efficiency as the province provides exploration credits of up to 40% of expenses paid back in cash, which can be reinvested in ongoing programs.

Given the vast size of their deposits, Apella foresees production beginning with the lower cost extraction of the vanadium-enriched magnetite for the steel industry, and then expanding to refine the vanadium and titanium for particular markets, including emerging battery applications.

CORPORATE EXPERTISE

Apella has considerable geological expertise in its fold: consulting geologist Christian Derosier, M.Sc., D.Sc., is the former president of the Quebec Mineral Exploration Association. On Apella’s Advisory Board is Dr. Mehmet Taner,

a consulting geologist and mineralogist and one of the world’s foremost vanadium experts who led exploration work on the Iron-T deposit for Noranda in the 1990s.

This past winter it was announced that Professor Maria Skyllas-Kazacos, the inventor of the Vanadium Redox Battery, had joined Apella’s Advisory Board.

DYNAMIC CONCLUSION

With vanadium becoming increasingly important, there are a few deposits around the world that are being advanced to possible production scenarios. What distinguishes Apella Resources’ projects are their size (very large), the metallurgy/ composition (attractive mix of iron ore and vanadium), and location (in Quebec, one of the world’s most mining-friendly jurisdictions).

Vanadium consumption set to increase from its use as a hardening agent in steel, and emerging applications are providing a whole new market for the uncommon metal. A junior company like Apella Resources, who may control the most extensive vanadium assets in the world, won’t often show up on an investor’s computer screen.

Shares Outstanding: ~ 123.3 million
6 Month High: \$0.27 / Low \$0.15

FOR MORE INFORMATION



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