

Mid-year progress report

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African Eagle Resources plc

MID-YEAR PROGRESS REPORT

Dutwa

- * Second bulk ore sample drilling nears completion
- * Geotechnical testwork completed on first bulk ore sample
- * Mineralogical study conducted by London Natural History Museum
- * Metallurgical testwork progressing well at labs in Australia and South Africa
- * Environmental baseline and social impact assessment started
- * Significant progress on logistics and reagents studies

Other Projects

- * JV partner BrightStar commences 10,000m drilling programme at Miyabi gold project, Tanzania
- * Zambian copper spin-out company Cobra Copper incorporated
- * Board reorganisation well advanced

Dutwa is a unique nickel project with a JORC resource of 99 million tonnes at 0.93% Ni, easily mined from two hilltop deposits and amenable to simple, low acid consumption atmospheric leaching, leading to world class economics. The updated independent financial modelling prepared for the feasibility study by Simulus in March 2011 indicated a net present value for a 3Mtpa project of \$870M at today's nickel price of \$10/lb, with cash operating costs of approximately \$3.40/lb and a projected capital payback of between three and five years.

The African Eagle board's intention is to deliver a definitive feasibility study ("DFS") on Dutwa by the end of Q4 2012 - the pre-feasibility stage of this is on track for late 2011. Mineral processing and metallurgical testwork, key components of the DFS, are currently underway on carefully chosen bulk samples of each of the ore types. The new testwork will build on the results of past tests which demonstrated that the Dutwa ore can be treated by simple atmospheric leaching at low acid consumption, with no requirement to employ costly and challenging HPAL (high pressure acid leaching) technology. The new tests will help to optimise the process flow-sheet and investigate various ways to cut operating costs to improve the favourable economics already demonstrated by our scoping studies.

Several elements of the DFS are already underway in parallel with the pre-feasibility work, including drilling a second bulk ore sample for pilot-plant testwork and the environmental and social impact assessment.

African Eagle's Managing Director Mark Parker comments: "We are pleased to report good progress on our Dutwa DFS. Geotechnical tests have been completed on Bulk Ore Sample 1; metallurgical test programmes are well underway; and diamond drilling to obtain Bulk Ore Sample 2 is almost complete. We expect to recommence drilling for the resource upgrade at the Ngasamo part of Dutwa in early July. We have made a start on the baseline work for our environmental and social impact assessment and advanced our logistics and reagents studies. We are on schedule with the DFS and expect to establish the preferred treatment process for Dutwa ore and complete the pre-feasibility stage of the study in late 2011.

"Our management reorganisation, which is intended to put in place the skills and expertise we will need for the finance and construction of the Dutwa project, is making good progress. The spin out of our Zambian copper projects into a new

company, Cobra Copper, is advancing well. In Tanzania, our partner BrightStar Resources has begun a major drill programme at the Miyabi gold project."

Dutwa progress

Tests are well underway on Bulk Ore Sample 1 ("BOS1"), which was shipped to the ALS AMMTEC lab in Perth WA in Q1 2011. BOS1 consists of about 10 tonnes of large diameter mineralised drill core, from holes carefully selected to be representative of the averages and variations of the principal ore types from both Wamangola and Ngasamo. Testwork so far has focused on investigating the properties of the ore in crushing and grinding prior to leaching, and on geotechnical tests to determine the rock parameters for mining engineering and pit design. The test data have been incorporated into a request to quote for accurate mining cost estimates for input to the feasibility study, sent to international mining contractors. Beneficiation tests now underway on BOS1 employ commonly used laterite ore processing steps such as crushing, drum scrubbing, attritioning and screening to determine the upgrade potential of the various types of ore, ahead of integrated feed slurry preparation and leaching tests.

This testwork has been complimented by a mineralogical study by the London Natural History Museum ("NHM"), which is giving valuable insights into the style and nature of the nickel and cobalt mineralisation. Understanding the mineralogy of nickel laterites is vital in developing the optimum ore treatment method. The information from the NHM study will help us to design a process flow-sheet which minimises the amount of acid required to leach the nickel and reduce the process energy requirements, reducing the operating cost per pound of nickel.

Atmospheric agitated tank leaching tests by Mintek, Johannesburg, on composite samples from Ngasamo covering a wide range of lithologies returned encouraging results, confirming that the leach performance of Dutwa ores is superior to many nickel laterites elsewhere in the world. The ferruginous siliceous ore from Ngasamo, which accounts for about 20% of the total Dutwa resource, does not leach quite as well as its equivalent at Wamangola, but nickel can still be recovered easily from this ore with extractions approaching 80% at a low acid consumption of 375 kg/t after 8 hours at 90-95 Celsius. Ngasamo transition ore averaged 75% extraction with 425 to 440 kg/t acid, while even the saprolitic ore required only 550-660kg/t acid to extract 75 to 80% of the nickel. Such ores from other laterite deposits are characteristically high acid consumers, needing up to 900-1000 kg/t. As the Dutwa ores are generally low in iron, aluminium and manganese, we expect that extraction of nickel and cobalt from the liquors produced by atmospheric leaching will be relatively straight forward.

The financial models for the DFS are now fully built and checked. Inputs will be modified and improved as better data become available, such as the mining and processing costs noted above. The models will also be used to test the economic impact of potential cost-saving measures such as using rail instead of road transport or using magnesium-bearing saprolite ore in place of some of the limestone needed to neutralise residual acid after leaching.

Well ahead of schedule, diamond drilling, for bulk ore sample 2 ("BOS2") is nearing completion. BOS2 consists of a further 15 tonnes of material from the two Dutwa deposits and will be shipped to Perth for use as feedstock for our first pilot-scale metallurgical tests later this year or early 2012. Results from this will inform the detailed plant design engineering and costing for the DFS, and will provide product samples for potential off-take buyers.

The mineral resources at Dutwa have been almost completely defined to JORC standards, but some drilling is still needed, mostly at Ngasamo, to extend the resource and upgrade it from inferred to indicated category. This will commence in early July, using a new track-mounted drill rig which has been designed to operate safely on the relatively steep slopes of Ngasamo hill. Flooding of the drill rig factory in Brisbane early in the year delayed this start of this drilling programme somewhat and due to the specialised nature of the rig, it was not practical to source an alternative, but we expect to complete the programme in time to finish the pre-feasibility phase of the DFS in late 2011.

We are making good progress with other elements of the feasibility study: our studies of logistics, infrastructure and reagents are well advanced and our contractor has started the baseline surveys for the environmental and social impact assessment, which will be conducted to full Equator Principles standards.

Miyabi Gold project

BrightStar Resources Limited ("Brightstar"), who signed a joint venture over the Miyabi gold project in April, has already begun operations on the ground, commencing a 10,000 metre drilling programme which will cover a three kilometer strike length of a highly prospective zone along the granite contact, as well as other promising targets. BrightStar's announcement can be found on its web site, www.brightstar.com.au

Corporate reorganisation

The Company is advancing its plan to reorganise its board of directors, in order to put in place the skills it will need to take Dutwa through construction and into production, and to spin out its non-core legacy projects. The search for a new CEO is making good progress and the Company is on track for Mark Parker to shift to a new opportunities role at the year end. Our part time Finance Director, Bevan Metcalf, will step aside once a full time replacement has been appointed, with input from the new CEO. Chris Davies has been mandated to steer AFE's copper division to full independence, and Julian McIntyre joined the Board as a non-executive director in May.

African Eagle's plan to divest its legacy assets in order to focus on the Dutwa project is advancing well. Under the guiding hand of Chris Davies, AFE's copper division is well on the way to being spun out into a new company, Cobra Copper. Cobra represents a fully integrated copper exploration and development company in one of the great copper producing regions of the world, and we expect it to realise the value of AFE's copper assets.

Qualified Person

Information in this report relating to metallurgical test results is based on data reviewed by Chad Czerny PhD, Project Manager, Metallurgy for African Eagle Resources, who is a Member of the Australasian Institute of Mining and Metallurgy, has more than 20 years' relevant experience in the mining and metallurgical industry, and is a Qualified Person under AIM guidelines. Dr Czerny consents to the inclusion of the information in the form and context in which it appears.

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