

Progress review and half year results

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29 September 2011

African Eagle Resources plc

REVIEW OF PROGRESS AND RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

African Eagle Resources plc ("African Eagle" or the "Company", ticker AIM: AFE, AltX: AEA) announces progress made so far in 2011 together with its financial results for the half year to 30 June 2011.

African Eagle's Half Year Report for the period ended 30 June 2011 can be viewed at:
<http://www.africaneagle.co.uk/downloads/InterimFinancialStatements30June2011.pdf>

Highlights - six months to 30 June 2011

Operations - Dutwa

- * JORC compliant resource upgraded to 98.6 million tonnes
- * Geotechnical studies for pre-feasibility study ("PFS") completed and mining studies delivered
- * Metallurgical and other testwork well advanced
- * Identified significant capital and operating cost savings
- * Bulk ore sample 2 drilling completed ahead of schedule

Financials

- * The loss after tax for the 6 months to 30 June 2011 at £712,583 is £324,752 higher than for the corresponding period last year. This variance is the result of: a one-off gain in 2010 relating to the recognition of shares in Kibo Mining (£120,000); higher other expenditure including business development, recruitment, legal and professional fees; and a higher share based option charge
- * Cash in hand at 30 June of £4.7 million
- * Net assets increased by 34% to £20.8 million

Corporate

- * Raised £3.7 million (before expenses) in January for PFS work at Dutwa
- * Cobra Copper Limited ("Cobra Copper") incorporated as Zambian copper spinout
- * Canaccord Genuity Limited appointed as Nominated Adviser and Broker
- * Julian McIntyre joins the board representing MWB Capital, the Company's largest shareholder

Since 30 June 2011

- * Trevor Moss appointed CEO
- * Dutwa mineralogical results suggest amenability to upgrading and cost savings
- * Drilling commenced to further define Ngasamo nickel resource
- * Additional gold mineralised system discovered by our partner at Miyabi

The Company's Chairman, Euan Worthington commented "Since we discovered Dutwa in 2008, we have made excellent progress. So far this year, we have upgraded half the resource to JORC Indicated category, delivered an updated financial model,

completed drilling for the second bulk ore sample and received the mining geotechnical report. Our metallurgical process tests are well advanced and we are busy drilling the final resource programme. These studies have shown us several ways which should cut Dutwa's operating costs and improve the economics."

For further information please see the Company's web site at www.africaneagle.co.uk or contact one of the following:

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CHAIRMAN'S STATEMENT

Dear Shareholder,

It seems like it was only yesterday that I was writing my statement for the 2010 annual report, but I am pleased to report that we have been making excellent progress, especially towards the PFS on our headline Dutwa project.

Our key achievements since the year end have been:

- * Appointment of a new CEO to take Dutwa through to production;
- * Geotechnical studies for PFS completed;
- * Progress on metallurgical and other testwork;
- * Identifying significant capital and operating cost savings;
- * Drilling completed for Bulk ore sample 2;
- * In January we raised £3.7 million for PFS work; and
- * Cobra Copper incorporated as Zambian copper spinout.

Board Reorganisation

As we announced earlier this month, we are very pleased to have secured the services of Trevor Moss to lead the Company and steer development of our Dutwa Nickel Mine. Trevor has extensive experience of mine development, with his most recent success being the building of Nevsun Resources' Bisha Project in Eritrea. Trevor led the team that was responsible for the construction, project management, completion and successful start up of the Bisha mine which was achieved under budget and ahead of schedule in a challenging operational environment.

Mark Parker will remain on the Board of AFE and once he has handed over the reins to Trevor, he will become Director of Corporate Development, responsible for overseeing our joint ventures and managing and developing new nickel opportunities.

We have also been interviewing candidates for a Finance Director as successor to Bevan Metcalf. Working with Trevor, the new FD will manage the project financing for the Dutwa development and an announcement will be made in due course.

In May 2011, Mr Julian McIntyre joined the Board in a non-executive capacity. A successful entrepreneur and investor, Julian is founder and principal of MWB Capital, a private investment company which has an 11.11% shareholding in African Eagle.

Dutwa Nickel Project

We have seen exceptional progress at Dutwa from our discovery in 2008, via a scoping study in mid-2009 and our resource update to almost 100 million tonnes in January 2011, to the pit optimisation and financial model announced this March - most mines take more than 10 years from discovery to production.

Now we are already well advanced on our feasibility study, which we hope to complete around the end of next year. We are currently doing a suite of lab tests on our first 12 tonne bulk sample to work out in detail the best way to process the ore. Additionally, we are drilling to upgrade the whole deposit to the JORC indicated category required for the definitive feasibility study ("DFS") and have recently received the rock property tests results and geotechnical study for the mining engineering and pit design. Our second 15 tonne bulk ore sample is ready to be shipped for testing once analysis of the first bulk sample has been completed. Studies of transport options and reagents are underway and the study of social and environmental aspects of the project will commence shortly.

One of the more exciting findings recently comes from a study by a team led by renowned Professor Richard Herrington at the Natural History Museum in London. This showed that the nickel bearing minerals in the ores in the Wamangola and Ngasamo deposits are mostly fine grained and can be upgraded by simple mechanical processes. Lab tests in Perth have since confirmed this. Upgrading would allow more efficient leaching of the ore and lower acid consumption, which in turn reduces the amount of sulphur to be transported from coastal ports and lowers the required tonnages of neutralising agents, lowering operating costs.

The financial modelling completed in March indicated that the cash cost of production from Dutwa is likely to be very competitive and that the capital costs to develop Dutwa will be among the world's lowest for a nickel laterite leach operation. Nonetheless, we are working hard to find ways to reduce these costs further, especially for reagents (sulphur and alkalis) and transport, which together account for three quarters of expected operating costs. The upgrading mentioned above is just one of several promising ideas African Eagle is pursuing in this area.

Key news expected over the coming months will include the JORC resource upgrade and the revised pit optimisation resulting from it, the metallurgical test results and the engineering design work. As these results become available, we will feed them into the engineering design and financial model, leading to a PFS report expected around the end of the year and a DFS at the end of 2012.

Cobra Copper

As I noted in April 2011, we plan to raise private equity, accelerate the work programme and then list shares in a new company holding our Zambian copper assets. We have called this company Cobra Copper, recruited a CFO and a new country manager and discussed the investment with a number of parties. Despite recent turmoil in financial markets, the outlook for the copper price buoyed by demand from China, is very positive.

Miyabi Gold Project

BrightStar Resources Limited ("BrightStar"), our partners in the Miyabi Gold Project in Tanzania, has wasted no time getting down to work testing extensions to the 520,000 oz JORC resource. In mid-August, BrightStar announced that it had

completed a 400-hole, 11,000m RAB drilling programme.

The drilling outlined mineralised shear zones at the granite/greenstone contact and in splays off the contact, with good potential to host additional gold resources. Not all the assays results have been received yet, but intersections to date included:

- * 9m @ 1.82g/t gold from 21m; and
- * 6m @ 1.14 g/t gold from 18m including 3m at 2.1 g/t.

The holes were shallow, averaging 27m, and will now be followed up by deeper reverse circulation (RC) drilling. Higher grades are expected below the depleted oxide zone, as seen elsewhere on the project.

Plans and Milestones

Our key objective remains to complete the DFS around the end of 2012. Milestones for the coming months are:

- * Upgrade the JORC resources to indicated category;
- * Complete bench-scale testwork and decide on the best processing route;
- * Update the optimisation mine plan and economic model;
- * Prepare PFS report;
- * Begin pilot scale testwork on bulk ore sample 2; and
- * Secure funding for Cobra Copper.

Euan Worthington

Chairman

Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

6 months to 6 months to Year to

30 June 30 June 31 December

2011 2010 2010

Note Unaudited Unaudited Audited

£ £ £

Depreciation expense	(15,961)	(21,062)	(41,661)
Employee benefits expense	(326,004)	(211,274)	(588,557)
Impairment of deferred exploration expenditure	(47,017)	(14,337)	(57,498)
Share of loss in associates	(1,873)	(4,920)	(2,337)
Other expenses	(354,104)	(256,822)	(469,169)
Other income 5 - 120,000	120,000	120,000	

Operating loss	(744,959)	(388,415)	(1,039,222)

Finance income:

Bank interest receivable 7,168 19,217 28,182

Foreign exchange gain/(loss) 25,208 (18,633) (23,490)

Loss before tax (712,583) (387,831) (1,034,530)

Income tax expense - - -

Loss attributable to equity owners for (712,583) (387,831) (1,034,530)
the period

Other comprehensive (loss)/income:

Exchange differences on translation of (536,618) 198,393 182,155
foreign operations

Available for sale investments: Fair (110,400) 20,000 210,400
value adjustment available for sale
investments

Other comprehensive (loss)/income for (647,018) 218,393 392,555
the period

Total comprehensive loss attributable (1,359,601) (169,438) (641,975)
to equity owners for the period

Loss per share:

Basic/diluted loss per share from total 3 (0.2p) (0.1p) (0.3p)
and continuing operations

Headline/diluted loss per share from 3 (0.2p) (0.2p) (0.3p)
total and continuing operations

All operations are continuing.

The accompanying notes form an integral part of these condensed interim
consolidated financial statements.

Condensed Interim Consolidated Statement of Financial Position

As at 30 June 2011

30 June 2011 30 June 2010 31 December 2010
 Note
 Unaudited Unaudited Audited

£ £ £

ASSETS

Non-current assets

Property, plant and equipment	34,468	64,753	43,578
Available for sale investments	5 220,000	140,000	330,400
Investment in associates	2,870,698	2,318,401	2,564,515
Investment in joint ventures	33,300	35,054	33,664
Deferred exploration costs	4 11,761,144	10,562,228	11,176,584

 Total non-current assets 14,919,610 13,120,436 14,148,741

Current assets

Cash and cash equivalents	4,726,587	1,726,671	3,170,709
Other receivables	635,751	253,422	451,239

Exploration assets held for 6 1,078,634 882,148 1,098,843
 sale

 Total current assets 6,440,972 2,862,241 4,720,791

 Total assets 21,360,582 15,982,677 18,869,532

LIABILITIES

Current liabilities

Other payables	(562,975)	(326,145)	(395,253)
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 Total liabilities (562,975) (326,145) (395,253)

Net assets 20,797,607 15,656,532 18,474,279

EQUITY

Equity attributable to owners
of the parent:

Share capital 4,093,472 2,967,622 3,847,622

Share premium account 27,188,181 21,678,832 23,888,084

Merger reserve 705,723 705,723 705,723

Available for sale revaluation 100,000 20,000 210,400
reserve

Foreign currency reserve (493,753) 59,103 42,865

Retained losses (10,796,016) (9,774,748) (10,220,415)

Total equity 20,797,607 15,656,532 18,474,279

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

6 months 6 months to 30 Year to 31
June 2010 December 2010
to 30 June 2011
Unaudited Audited
Unaudited

Notes £ £ £

Operating activities

Loss before taxation (712,583) (387,831) (1,034,530)

Adjustments for:

Depreciation 15,961 21,062 41,661

Exchange gain (953) (391) (1,115)

Loss on disposal of - 238 423
property, plant and
equipment

Interest received (7,168) (19,217) (28,182)

Impairment of deferred 47,017 14,337 57,498
exploration expenditure

Share-based payments 136,982 35,762 236,794

Share of loss in 1,873 4,920 2,337
associate venture

Increase in other (196,800) (128,027) (326,205)
receivables

Increase in other 74,794 24,523 2,043
payables

Share of joint venture 368 (460) 975
loss/(gain)

Recognition of 5 - (120,000) (120,000)
investment in a listed
company

Cash flows from (640,509) (555,084) (1,168,301)
operating activities

Investing activities

Payments to acquire (8,014) (1,467) (1,961)
property, plant and
equipment

Payments for deferred (940,115) (911,600) (1,800,872)
exploration expenditure

Interest received 7,168 19,217 28,182

Investments in (400,987) (119,935) (270,436)
associates

Cash flows used in (1,341,948) (1,013,785) (2,045,087)
investing activities

Financing activities

Proceeds from issue of 3,545,947 - 3,089,252
share capital (net of
issue costs)

Cash flows from 3,545,947 - 3,089,252
financing activities

Net increase/(decrease) 1,563,490 (1,568,869) (124,136)
in cash and cash
equivalents

Cash and cash 3,170,709 3,293,014 3,293,014

equivalents at beginning
of year

Exchange gain/(loss) (7,612) 2,526 1,831

Cash and cash 4,726,587 1,726,671 3,170,709
equivalents at end of
year

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

Share Share Merger Available Foreign Retained Total
for sale
capital premium reserve currency losses attributable
revaluation to
account reserve
reserve owners

Unaudited

£ £ £ £ £ £ £

Balance at 1 2,967,622 21,678,832 705,723 - (139,290) (9,422,679) 15,790,208
January 2010

Loss for - - - - (387,831) (387,831)
period

Exchange - - - - 198,393 - 198,393
differences
on
translation
of foreign
operations

Available for - - - 20,000 - - 20,000
sale
investments

Total - - - 20,000 198,393 (387,831) (169,438)
comprehensive
loss for the
period

Transactions
with equity
owners for
the first
half of 2010:

Share based - - - - 35,762 35,762
payments

Total - - - - 35,762 35,762
transactions
with equity
owners

Balance at 2,967,622 21,678,832 705,723 20,000 59,103 (9,774,748) 15,656,532
30 June 2010

 Loss for - - - - (646,699) (646,699)
 period

Exchange - - - - (16,238) - (16,238)
 differences
 on
 translation
 of foreign
 operations

Available for - - - 190,400 - - 190,400
 sale
 investments

 Total - - - 190,400 (16,238) (646,699) (472,537)
 comprehensive
 loss for the
 period

 Transactions
 with equity
 owners for
 the second
 half of 2010:

Issue of 880,000 2,420,000 - - - - 3,300,000
 share capital

Share issue - (210,748) - - - - (210,748)
 costs

Share based - - - - - 201,032 201,032
 payments

 Total 880,000 2,209,252 - - - 201,032 3,290,284
 transactions
 with equity
 owners

 Balance at 3,847,622 23,888,084 705,723 210,400 42,865 (10,220,415) 18,474,279
 31 December
 2010

 Loss for - - - - - (712,583) (712,583)
 period

Exchange - - - - (536,618) - (536,618)
 differences
 on
 translation
 of foreign
 operations

Available for - - - (110,400) - - (110,400)
 sale
 investments

 Total - - - (110,400) (536,618) (712,583) (1,359,601)
 comprehensive
 loss for the
 period

 Transactions
 with equity
 owners for
 the first

half of 2011:

Issue of 245,850 3,499,575 - - - - 3,745,425
share capital

Share issue - (199,478) - - - - (199,478)
costs

Share based - - - - - 136,982 136,982
payments

Total 245,850 3,300,097 - - - 136,982 3,682,929
transactions
with equity
owners

Balance at 4,093,472 27,188,181 705,723 100,000 (493,753) (10,796,016) 20,797,607
30 June 2011

The accompanying notes form an integral part of these condensed interim
consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2011

1 Nature of Operations and General Information

African Eagle Resources plc ("African Eagle" or the "Company") is a public limited company incorporated and domiciled in England and is listed on the AIM market of the London Stock Exchange and the Alternative Exchange of the Johannesburg Stock Exchange Limited (AltX). African Eagle is a holding company of a mineral exploration and development group of companies (the "Group"). The Group is focused on becoming a nickel producer and is currently undertaking a pre-feasibility study on its Dutwa Nickel project in Tanzania.

The Company has prepared its unaudited condensed consolidated financial statements on a going concern basis which assumes that the Company will be able to realise assets and discharge liabilities in the normal course of business. At June 30, 2011 the Company had cash and cash equivalents of £4.7 million. The directors believe that the current funds will be sufficient to finance the completion of the PFS and general working capital.

African Eagle's unaudited condensed consolidated half year financial statements ("Financial Statements") are presented in pounds sterling (£), which is also the functional currency of the parent company. The Financial Statements were approved for issue by the Board of Directors on 26 September 2011.

2 Statement of Compliance and basis of preparation

The Financial Statements are for the six months ended 30 June 2011. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2010, which were prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial information is prepared under the historical cost convention and in accordance with the recognition and measurement principles contained within IFRS as endorsed by the EU.

The comparative amounts in the Financial Statements include extracts from the Company's consolidated financial statements for the year ended 31 December 2010. These extracts do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

3 Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in issue during the period. In calculating the diluted loss per share potential ordinary shares such as share options and warrants have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be anti-dilutive.

Loss per share 30 June 30 June 31 December

2011 2010 2010

£ £ £

Loss for the period (712,583) (387,831) (1,034,530)

Weighted average number of shares in issue 405,960,448 296,762,128 318,942,950

Basic & diluted headline loss per share (0.2p) (0.1p) (0.3p)

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2011

(b) Headline loss per share

Headline loss per share has been calculated in accordance with the South African Institute of Chartered Accountants Circular 3/2009 - Headline Earnings. Circular 3/2009 is effective for interim and/or annual financial periods ending on or after 31 August 2009.

The calculation of headline loss per share is based on the headline loss for the year divided by the weighted average number of shares in issue during the year. No diluted headline loss per share has been calculated as it would be antidilutive by reducing the headline loss per share.

30 June 30 June 31 December

2011 2010 2010

£ £ £

Loss for the period (712,583) (387,831) (1,034,530)

Adjusted for:

Plus loss on sale of fixed assets - 238 423

Plus impairment of deferred exploration assets 47,017 14,337 57,498

Plus Group share of associated loss 1,873 4,920 2,337

Plus/(Less) Group share of Joint Venture 368 (460) 975

Less Recognition of investment in a listed company - (120,000) (120,000)

 Headline loss (663,325) (488,796) (1,093,297)

Weighted average number of shares in issue 405,960,448 296,762,128 318,942,950

Basic and undiluted headline loss per (0.2p) (0.2p) (0.3p)
share

4 Deferred Exploration

30 June 30 June 31 December

2011 2010 2010

£ £ £

Cost:

At 1 January 11,176,584 10,261,104 10,261,104

Foreign currency exchange differences (387,441) 308,119 201,181

Additions 1,019,018 889,490 1,870,640

Assets held for sale - (882,148) (1,098,843)

Impairment charge (47,017) (14,337) (57,498)

Balance at the period end 11,761,144 10,562,228 11,176,584

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2011

5 Available for sale investments

30 June 30 June 31 December

2011 2010 2010

£ £ £

Cost:

Balance brought forward 330,400 - -

Investments during the period - 120,000 120,000

Adjustment to fair value (110,400) 20,000 210,400

Balance at the period end 220,000 140,000 330,400

Investment in listed companies at 30 June 2011 represents the Company's 2.12% interest in Kibo Mining, a AIM listed explorer (ticker: KIBO). This investment

was received in respect of compensation arising from the termination of a joint venture between the Company and Sloane Developments Limited (a wholly owned subsidiary of Kibo Mining). Available for sale assets in the 30 June 2010 Accounts, included the Igurubi gold project in Tanzania (£882,148), which has been reclassified as assets held for sale.

6 Assets held for sale

30 June 30 June 31 December

2011 2010 2010

£ £ £

Cost:

Balance brought forward 1,098,843 - -

Foreign currency exchange (loss)/gain (37,225) - -

Transfer from deferred exploration costs - 882,148 1,098,843

Additions 17,016 - -

 Balance at the period end 1,078,634 882,148 1,098,843

This relates to African Eagle's Igurubi gold project in Tanzania and uranium projects in Tanzania, Zambia and Mozambique. The Company has agreed terms for Peak Resources (Ticker: ASX: PEK) to acquire the Company's 75% interest in Igurubi. The delay in completing the deal is down to non-receipt of the licence due to administrative delays at the Ministry of Mines. In November 2010 the Company announced it had vended its uranium division to Jacana Resources Limited a privately owned Australian company in return for cash and shares. Jacana is progressing with its due diligence. An update on both agreements is expected shortly.

7 Events after the balance sheet date

On 1 July 2011 the Company announced that employees had exercised 239,000 share options at an exercise price of 6.5 pence.

On 1 August 2011 the Company announced that it had granted 4,996,000 share options to employees at an exercise price of 10 pence, being 19.3% above the closing price of the Company's shares on 29 July 2011. None of the options were granted to directors.

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