

# Progress review and half year results

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Half Year Results

23 September 2010

REVIEW OF PROGRESS AND RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

African Eagle Resources plc ("African Eagle" or the "Company", ticker AIM: AFE, AltX: AEA) announces progress made so far in 2010 together with its financial results for the half year to 30 June 2010.

African Eagle's Half Year Report for the period ended 30 June 2010 can be viewed at:  
<http://www.africaneagle.co.uk/downloads/InterimFinancialStatements30June2010.pdf>

Highlights - six months to 30 June 2010

## Operations

- \* Successful drill campaign at Dutwa throughout Q1 and Q2 2010
- \* 59 out of the 66 holes at Ngasamo deposit intersected mineralisation
- \* Major increase of the JORC resource at Dutwa to 845,000 tonnes of contained nickel equivalent, from 345,000 tonnes
- \* Excellent Phase 2 acid leach results from the Dutwa ore reported in May, with column tests showing:
  - \* Nickel extraction of 73-82% within 30 days and 86-92% after 100 days
  - \* Cobalt extraction up to 60% within 30 days and 80-85% after 100 days

## Financials

- \* Reduced loss for the first half of 2010 to £387,831 against £613,974 for the six months to 30 June 2009. This is primarily due to lower impairment charges and other income arising on the recognition of shares in Kibo Mining Plc (Ticker: AIM: KIBO)
- \* £1.7 million cash in hand at 30 June 2010

## Corporate

- \* Merchantec Capital appointed as new sponsor in South Africa
- \* Australian explorer Peak Resources acquired 75% of the Igurubi gold project in return for Peak shares, cash and royalties based on agreed milestones
- \* Letter of Intent signed with Australian explorer Macquarie Harbour Mining for a joint venture to develop a gold mine at its Miyabi project
- \* Transaction provides a quick and effective route to take Miyabi into production and gives the Company a free-carry

## Since 30 June

- \* Ocean Equities appointed as joint broker
- \* Successful and oversubscribed capital raising for £3.3M
- \* Zanzui drilling programme returns encouraging nickel and cobalt results including
  - \* 33m at 1.5% nickel from 18m including 6m at 3.1% nickel
  - \* 42m at 1.1% nickel from 12m including 6m at 2.8% nickel
  - \* 27m at 0.30% cobalt from 12m including 15m at 0.49% cobalt

## CHAIRMAN'S STATEMENT

Dear Shareholder,

I am delighted to report the significant steps we have taken to date during 2010.

## Dutwa Nickel Project

We are making excellent progress on the pre-feasibility stage of our Dutwa project evaluation. Following the huge increase in the resource, we are currently drilling to obtain a 40 tonne bulk ore sample which will be used for pilot plant and other process design tests.

On June 15, we made the exciting announcement that Snowden Mining Industry Consultants had completed deposit modelling of the Wamangola and Ngasamo deposits which showed JORC inferred figures of:

Tonnage (Mt) Nickel Grade (%) Cobalt Grade (%)

Wamangola 56.8 0.86 0.030

Ngasamo 35.3 0.90 0.036

Total 92.1 0.88 0.032

These results exceeded expectations and represent an increase of 500,000 tonnes of contained nickel equivalent over the previously reported figure of 345,000 tonnes. At current nickel prices of US\$10.50/lb, the in-ground value of this resource is close to US\$ 20 billion.

The formal resource evaluation confirmed the very low average iron, aluminium and magnesium contents, which help to explain the excellent leach characteristics for the Dutwa ore.

We also received results of the second phase of metallurgical test work which was carried out by Mintek Laboratories in South Africa on a representative composite sample made up with drill cores from the Wamangola deposit. Column and tank leach tests showed very rapid leaching rates with good nickel and cobalt recoveries at low acid consumption. Column test recoveries were:

\* Nickel extraction of 73-82% within 30 days and 86-92% after 100 days

\* Cobalt extraction of up to 60% within 30 days and 80-85% after 100 days

In the tank leach tests nickel extraction of up to 70% occurred in the first hour, with up to 85% after 8hrs and the final nickel extractions averaging 94% over the full 24hr test.

We are currently carrying out a wide diameter diamond drilling programme to provide a 40 tonne bulk ore sample from both deposits for mineralogical tests, which will help us chose between heap or atmospheric agitated tank leaching as the optimum processing route for the Dutwa ore. The work will include continuous tank leaching tests and large scale tests using columns 6 to 8m high to replicate heap leach behaviour.

Our consultants are working on upgrades to the resource calculations and categories at Wamangola and Ngasamo which, together with pit optimisation plans and mine scheduling, will be used to update the project economics in the coming months.

## Zanzui Nickel Project

Our primary focus remains the Dutwa project, but we recently followed up previous positive scout drilling results at Zanzui, 50km to the south, with a further 49 reverse circulation drill holes. The results, announced earlier this month were very favourable, showing good nickel and cobalt grades over wide thicknesses. So far, our drilling has only covered part of this potentially very large deposit.

## Non-core Projects

With Dutwa reaching potentially world-class status, nickel now dominates our efforts and we are determined to spin out our legacy copper, gold and other

assets to focus on de-risking and unlocking the value at Dutwa.

In April, we agreed terms with Australian explorer Peak Resources to acquire our 75% of the Igurubi gold project in Tanzania in return for Peak shares, cash and royalties based on agreed milestones. In May, the Company signed a Letter of Intent with another Australian company, Macquarie Harbour Mining ("MHM"), to develop a gold mine at our Miyabi project. MHM is now carrying out technical and legal due diligence as per the agreement before reaching a decision to mine. We are in discussions with a third Australian group to acquire or take a stake in our uranium projects.

Aside from our nickel projects, we believe that the Company's most valuable asset is its copper project portfolio and exploration infrastructure in Zambia. The board's view is that the greatest value will be gained from maintaining all these holdings in one company and we have therefore avoided selling or joint venturing individual projects. Consequently, we have been in discussion with various investment groups about creating a new structure for the Zambian assets, including a possible public listing to realise value for AFE shareholders.

### Financing

We recently announced the placing of 88 million new shares which raised £3.3 million before expenses. The placing, which was well oversubscribed will introduce a number of major new shareholders to the register and followed a very successful road show led by our new joint broker Ocean Equities together with Seymour Pierce. The proceeds of the placing, to be approved by shareholders at a General Meeting on Thursday 30 September, will be used primarily to finance the next stages of the pre-feasibility study ("PFS") on the Dutwa project.

### Plans

With the arrival of Dr Chad Czerny as Dutwa's Project Manager (Metallurgy) in March, the scope and extent of detailed test work which will be required before completing the PFS has become apparent. It is of greatest importance to have the best information possible to select the optimum process route for this major development. Consequently, our revised target date for completion of the PFS is now Q3 2011.

In the coming months we expect to report on updated resource figures, ongoing metallurgical test work and revised project economics. After increasing the total resource by nearly 150%, we are confident that the Dutwa project has taken a further step towards becoming a world class nickel laterite mine.

Euan Worthington  
Chairman

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African Eagle Resources plc

Condensed Consolidated Statement of Comprehensive Income  
For the six months ended 30 June 2010

	6 months to	6 months to	Year to
	30 June	30 June	31 December
	2010	2009	2009
	Note	Unaudited	Audited
	£	£	£
Depreciation expense	(21,062)	(30,461)	(60,659)
Employee benefits expense	(211,274)	(205,723)	(500,305)
Impairment of deferred exploration expenditure	(14,337)	(145,071)	(221,169)
Share of loss in associate	(4,920)	(7,634)	(7,476)
Other expenses	(256,822)	(223,515)	(453,200)
Other income	5   120,000	-	-
Operating loss	(388,415)	(612,404)	(1,242,809)
Finance income:			
Bank interest receivable	19,217	12,467	29,887
Foreign exchange (loss)/gain	(18,633)	(14,037)	23,328
Loss before tax	(387,831)	(613,974)	(1,189,594)
Income tax expense	-	-	-
Loss attributable to equity owners for the period	(387,831)	(613,974)	(1,189,594)
Other comprehensive income/(loss):			

Exchange differences on translation	198,393	(1,751,419)	(857,040)	
of foreign operations				
Available for sale investments	20,000	617	13,694	
Other comprehensive income/(loss) for	218,393	(1,750,802)	(843,346)	
the period				
Total comprehensive loss attributable	(169,438)	(2,364,776)	(2,032,940)	
to equity owners for the period				
Loss per share:				
Basic/diluted loss per share from	3	(0.1p)	(0.3p)	(0.5p)
total and continuing operations				
Headline/diluted loss per share from	3	(0.2p)	(0.2p)	(0.4p)
total and continuing operations				

All operations are continuing.

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

African Eagle Resources plc

Condensed Consolidated Statement of Financial Position  
For the six months ended 30 June 2010

	30 June	30 June	31 December	
	Note	2010	2009	2009
	Unaudited	Unaudited	Audited	
	£	£	£	
ASSETS				
Non-current assets				
Property, plant and equipment	64,753	78,538	80,706	
Available for sale assets	5	1,022,148	2,583	-
Investment in associates	2,318,401	1,910,516	2,319,435	
Investment in joint ventures	35,054	34,595	34,626	
Deferred exploration costs	4	10,562,228	8,868,615	10,261,104
Non-current assets				
Total non-current assets	14,002,584	10,894,847	12,695,871	
Current assets				



31 December	2,125,402	19,323,784	705,723	(13,694)	717,750	(8,280,445)	14,578,520	
2008								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Loss for	-	-	-	-	(613,974)	(613,974)		
period								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Other								
comprehensive								
loss:								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Exchange								
differences								
on	-	-	-	-	(1,751,419)	(1,751,419)		
translation								
of foreign								
operations								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Available for								
sale	-	-	-	-	617	-	617	
investments								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Total								
comprehensive	-	-	-	-	617	(1,751,419)	(613,974)	(2,364,776)
loss for the								
period								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Transactions								
with equity								
owners for								
the first								
half of 2009:								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Issue of	-	-	-	-	-	-	-	-
share capital								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Share issue	-	-	-	-	-	-	-	-
costs								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Share based	-	-	-	-	-	9,200	9,200	
payments								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Total								
transactions	-	-	-	-	-	9,200	9,200	
with equity								
owners								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								
Balance at		2,125,402	19,323,784	705,723	(13,077)	(1,033,669)	(8,885,219)	12,222,944
30 June 2009								
+-----+-----+-----+-----+-----+-----+-----+-----+-----+								

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

African Eagle Resources plc

Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2010

Share	Available	Foreign	Total
premium	Merger	for sale	currency
Capital	account	reserve	revaluation
		reserve	Losses
			to owners



Condensed Consolidated Statement of Changes in Equity  
For the six months ended 30 June 2010

	Share	Available	Foreign	Total	Share	premium	Merger	for sale	currency	Retained	attributable	Capital	account	reserve	revaluation	reserve	Losses	to owners	reserve	Unaudited	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Balance at 31 December 2009	2,967,622	21,678,832	705,723	-(139,290)	-(9,422,679)	15,790,208															
Loss for period				-(387,831)	-(387,831)																
Other comprehensive loss:																					
Exchange differences on translation of foreign operations				198,393	-198,393																
Available for sale investments				20,000	-20,000																
Total comprehensive loss for the period				20,000	198,393	-(387,831)	-(169,438)														
Transactions with equity owners for the first half of 2010:																					
Issue of share capital																					
Share issue costs																					
Share based payments				35,762	35,762																
Total transactions with equity owners				35,762	35,762																
Balance at 30 June 2010	2,967,622	21,678,832	705,723	20,000	59,103	-(9,774,748)	15,656,532														

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

African Eagle Resources plc

Condensed Consolidated Statement of Cash Flows  
For the six months ended 30 June 2010

	6 months to 30 June 2010	6 months to 30 June 2009	Year to 31 December 2009
	Unaudited	Unaudited	Audited
	£	£	£
Operating activities			
Loss before taxation	(387,831)	(613,974)	(1,189,594)
Adjustments for:			
21,062	30,461	60,659	
Exchange loss	(391)	(24)	(3,251)
Profit on disposal of property,   plant and equipment	238	150	705
Interest received	(19,217)	(12,467)	(29,887)
Impairment of deferred exploration   expenditure	14,337	145,071	221,169
Share-based payments	35,762	9,200	47,360
Share of loss in associate venture	4,920	7,634	7,476
Disposable of available for sale   investment	-	-	12,718
(Increase)/decrease in other   receivables	(128,027)	(13,856)	8,544
Increase in other payables	24,523	66,682	3,797
Share of joint venture (gain)/loss	(460)	762	630
Recognition of investment in a   listed company	5	(120,000)	-
Cash flows from operating   activities	(555,084)	(380,361)	(859,674)
Investing activities			
Payments to acquire property,   plant and equipment	(1,467)	-	(26,505)
Payments for deferred exploration   expenditure	(911,600)	(601,045)	(1,458,630)
Interest received	19,217	12,467	29,887

Investments in associates	(119,935)	(168,379)	(290,308)
Proceeds from sale of investments for resale	-	2,943	
Cash flows used in investing activities	(1,013,785)	(756,957)	(1,742,613)
Financing activities			
Proceeds from issue of share capital	-	3,197,268	
Cash flows from financing activities	-	3,197,268	
Net (decrease)/increase in cash and cash equivalents	(1,568,869)	(1,137,318)	594,981
Cash and cash equivalents at beginning of period	3,293,014	2,709,957	2,709,957
Exchange loss/(gain)	2,526	(34,389)	(11,924)
Cash and cash equivalents at end of period	1,726,671	1,538,250	3,293,014

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

## African Eagle Resources plc

Notes to the Condensed Consolidated Half Year Financial Statements  
For the six months ended 30 June 2010

### 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 Alternative Investment Market ("AIM") of the London Stock Exchange and the Alternative Exchange of the Johannesburg stock Exchange Limited (AltX), and has consented to its shares being traded on the London PLUS Markets. African Eagle is a holding company of a mineral exploration and development group of companies (the "Group"). The Group is currently undertaking a pre-feasibility study on its Dutwa Nickel project in Tanzania.

Based on the cash in hand and the commitments received to subscribe in new Ordinary Shares as outlined in Note 6, the Directors continue to adopt the going concern basis in preparing the financial statements.

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 22 September 2010.

### 2 Statement of Compliance and basis of preparation

The Financial Statements are for the six months ended 30 June 2010. 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 2009, 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 2009. These extracts do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act").

### 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.

	30 June 2010	30 June 2009	31 December 2009
Loss per share	£	£	£
Loss for the period	(387,831)	(613,974)	(1,189,594)
Weighted average number of shares in issue	296,762,128	212,540,128	246,459,673
Basic & diluted headline loss per share	(0.1p)	(0.3p)	(0.5p)

#### (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 2010.

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 2010	30 June 2009	31 December 2009
Headline Loss	£	£	£
Loss for the period	(387,831)	(613,974)	(1,189,594)
Adjusted for:			
Plus loss on sale of fixed assets	238	150	705
Plus impairment of deferred exploration assets	14,337	145,071	221,169



Balance of at the period end	1,022,148	2,583	-

Investment in listed companies at 30 June 2010 represents the Company 3.15% 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).

	30 June	30 June	31 December
	2010	2009	2009
	£	£	£
Cost:			
Balance brought forward	-	1,967	1,967
Investments during the period	120,000	-	-
Adjustment to fair value	20,000	616	976
Sale of investments	-	-	(2,943)
Balance at the period end	140,000	2,583	-

The recognition of the investment in Kibo Mining is treated as other income in the condensed consolidated statement of comprehensive income.

(b) Exploration assets held for sale

This relates to African Eagle's Igurubi gold project in Tanzania. The Company announced on 17 April 2010 that it had agreed terms for Peak Resources to acquire the Company's 75% interest in Igurubi. The agreement is subject to a number of pre-conditions which at 30 June 2010 had not yet been satisfied. It is anticipated that these preconditions will be satisfied by the year end at which point the Company will recognise the disposal of Igurubi in its financial statements.

6 Events after the balance sheet date

On 15 September 2010 the Company announced that Seymour Pierce and Ocean Equities have arranged a Placing to raise gross proceeds of approximately £3.3 million by way of a placing of 88,000,000 new Ordinary Shares at a price of 3.75p each (the "Placing Shares") with new and existing investors (the "Placing"). The Placing will represent approximately 22.9% of the issued Ordinary Share capital of the Company as enlarged by the Placing Shares.

At the end of August 2010, African Eagle held net cash of approximately £1.25 million. The Board has decided to raise £3.1 million, after expenses, through a placing of the Placing Shares at the Placing Price to institutions and private client brokers. The expenses of the Placing are estimated to be approximately £0.2 million. Based on current forecasts, the Directors believe that the Placing proceeds alone will be sufficient to fund the next stage of the Dutwa project and the general working capital requirements of the Group over the next 12 months.

In connection with the Placing, the Company posted a circular (the "Circular") to Shareholders which contains a notice of General Meeting. The purpose of the GM is to consider and, if thought fit, to pass the resolutions necessary to

authorise and implement the Placing.

The Directors have subscribed for an aggregate of 546,667 Placing Shares. Details of individual Directors' subscriptions and their consequent holdings and percentages following the Placing are as follows:

Director	Position	Cash amount	Number of Shares	Holding	Percentage
		£			
Euan Worthington	Non-Executive Chairman	5,000	133,333	1,193,333	0.31
Mark Parker	Managing Director	10,000	266,667	4,563,967	1.19
Christopher Davies	Operations Director	1,000	26,667	1,047,165	0.27
Bevan Metcalf	Finance Director	2,000	53,333	260,833	0.07
Geoffrey Cooper	Non-Executive Director	2,500	66,667	975,967	0.25

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