

28 January 2011

African Eagle Resources

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/08	0.0	(10.4)	(4.8)	0.0	N/A	N/A
12/09	0.0	(1.4)	(0.6)	0.0	N/A	N/A
12/10e	0.0	(0.9)	(0.4)	0.0	N/A	N/A
12/11e	0.0	(0.8)	(0.2)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Investment summary: Hills of money

Unlike many other nickel laterites, the unique mineralogy of African Eagle's Dutwa project allows fast, efficient extraction of nickel by acid leaching at atmospheric pressure without the need for costly, high pressure acid leach technologies. As part of the pre-feasibility study currently underway, the company has released a revised financial model for Dutwa. At a US\$10/lb nickel price (cf current prices of ~US\$12/lb), it has a total post-tax NPV_{10%} of US\$870m. This is based on mine production of 3Mtpa for 26 years at an initial capital cost of US\$600m and operating costs of US\$3.37/lb. On this basis, we currently value the company's expected 76% interest in the project at 25p per share (excluding the value of its non-core projects).

Resource: 1 million tonnes of contained nickel

Dutwa has a JORC-compliant resource of almost 1Mt of contained nickel equivalent comprising 98.6Mt at a grade of 0.96% eNi. While just over half of this is inferred, in its most recent resource upgrade the company announced a maiden indicated resource of 46.2Mt at the Wamangola deposit. In addition to its current resource inventory, African Eagle plans to drill out a further 8Mt to 10Mt at Dutwa this year and upgrade the resource at Ngasamo to the indicated category.

Metallurgy makes this a winner

Complex metallurgy has historically hindered production of nickel from laterites, despite their relative abundance. However, in Dutwa's case, the deposit's particular mineralogy makes it amenable to heap leaching at atmospheric pressures. Initial column tests suggest relatively rapid recoveries of 73-82% within 30 days.

Sensitivities

We believe African Eagle has a good understanding of the potential risks facing the business. Key among these is its ability to secure ongoing development funding.

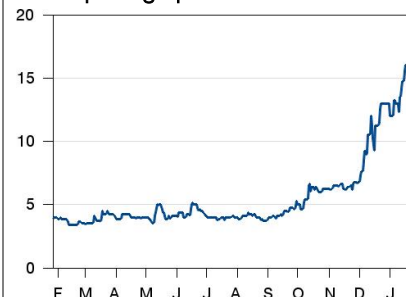
Valuation: 25p per share (excluding non-core projects)

Applying a 75% discount, typical for this stage, to Dutwa's total US\$870m NPV_{10%}, we calculate a value of 25p/share for African Eagle's expected attributable stake of 76%. This compares with our discount dividend valuation of 28p/share.

African Eagle Resources is a research client of Edison Investment Research Limited

Price 15.25p
Market Cap £62m

Share price graph



Share details

Code AFE, AEA
Listing AIM, JSE AltX
Sector Metals and Mining
Shares in issue 409.2m

Price

52 week High 16.0p Low 3.4p

Balance Sheet as at 30 June 2010

Debt/Equity (%) N/A
NAV per share (p) 5.3
Net borrowings (£m) 0.0

Business

African Eagle is focused on developing its Dutwa nickel laterite project in Tanzania, where a total indicated and inferred resource of 98.6Mt has been defined (according to JORC) at a nickel grade of 0.93% equivalent to 948kt of contained nickel. The company discovered Dutwa in 2008, completed a scoping study in 2009 and is currently undertaking a pre-feasibility study scheduled for completion in Q3 this year.

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

	UK	Europe	US	Other
N/A	N/A	N/A	N/A	N/A

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Investment summary: Upside as Dutwa develops

Company description: Nickel laterites in Tanzania

African Eagle is focused on developing its Dutwa nickel laterite project in Tanzania, where a total indicated and inferred resource of 98.6Mt has been defined (according to JORC) at a nickel equivalent grade of 0.96%, equivalent to 946kt of contained nickel. The company discovered Dutwa in 2008, completed a scoping study in 2009 and is currently undertaking a pre-feasibility study scheduled for completion in Q311. The results of a planned definitive feasibility study should be released by the end of 2012 followed by initial production in 2015.

Valuation: 25p/share (excluding non-core projects)

We value African Eagle at 25p per share based on its NPV_{10%} of US\$870m assuming a nickel price of US\$10/lb, annual production of 3Mt for 26 years, initial capital costs of US\$600m and operating costs of US\$3.37/lb. To its NPV_{10%}, we apply a discount of 75%, typical for projects at Dutwa's current state of development. This compares with our discount dividend valuation of 28p/share, based on the same parameters. We also factor in African Eagle's expectations of a 76% stake in the project (JV partner holds 24%). While Dutwa is the current focus, the company is also in a process of divesting from its non-core projects. As such, the successful conclusion of this offers additional upside to our valuation which excludes the company's portfolio of non-core projects.

Sensitivities

While the net present value of African Eagle's potential future cash flows will, no doubt, be subject to variations in commodity prices, nickel grades, metallurgical recoveries as well as capital and operating expenditure, the company's key challenge is to ensure it can continue to fund its ongoing exploration and development activities prior to becoming cashflow positive following commencement of production planned for 2015.

Financials: ~£6.5m in cash and no debt

African Eagle's current cash balance is approximately £6.5m following a successful placing in January which raised gross proceeds of £3.7m at 15.5p. We expect this to be sufficient to complete the pre-feasibility study scheduled for completion later this year. Since 2006, the company has raised over £23m at a weighted average price of 7.1p.

Exhibit 1: Summary of equity raised by African Eagle since 2006

Date	Total funds raised £m	Price p or ZAR	Number of ordinary shares issued
24 February 2006	0.9	17.0	5,429,861
22 May 2006	3.4	12.0	27,916,670
26 February 2007	0.7	11.0	5,908,754
01 December 2007	0.5	11.6	4,196,293
31 July 2007	7.4	1.95 (ZAR)	88,641,755
22 July 2009	1.2	4.0	30,804,500
22 July 2009	2.2	4.0	53,417,500
30 September 2010	3.3	3.8	88,000,000
14 January 2011	3.7	15.5	23,860,000
Total/weighted average	23.2	7.1	328,175,333

Source: African Eagle Resources plc

Company description: Nickel in Tanzania

African Eagle is focused on the development of its two main nickel projects in Tanzania, Dutwa and Zanzui. At its flagship property, Dutwa, a pre-feasibility study is currently underway and expected to be completed in Q3 this year. At Zanzui, in-house estimates by the company suggest this nickel deposit could host between 17Mt and 24Mt with grades of around 1% eNi.

The Dutwa nickel laterite: A company maker

After several years spent exploring in various parts of sub-Saharan Africa, the company's fortunes changed for the better with the discovery, in November 2008, of the Dutwa nickel laterite. Dutwa is located approximately 100km east of Mwanza, the second largest city in Tanzania. The deposit was discovered following initial drilling targeting anomalous results of soil geochemical testwork. In December last year, African Eagle released the results of a revised economic model for Dutwa. Based on a nickel price of US\$10/lb (compared to current prices of ~US\$12/lb), the project has a total, post-tax NPV_{10%} of US\$870m. According to the agreements with its JV partner, African Eagle expects to own 76% of the Dutwa project based on the proportion of anticipated future resources in each of the Wamangola (currently 60.3Mt at 90%, moving to 100%) and Ngasama (currently 38.1Mt at 35%, moving to 50%) deposits. For example, at present 100% of 60.3Mt in addition to 50% of 38.1Mt equates to 79.35Mt or ~80% of the current resource.

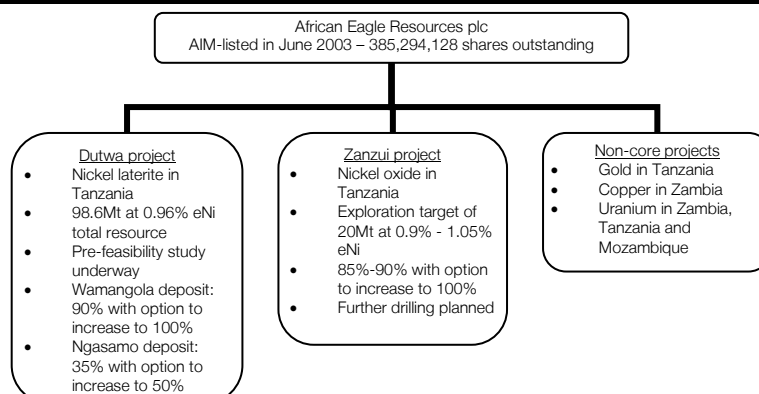
Zanzui: The next focus

After Dutwa, African Eagle's next focus is its Zanzui nickel deposit located approximately 70km south-west of Mwanza. The company has shown that Zanzui shares many of the characteristics of the Dutwa deposits and could add significantly to the Dutwa resources. Exploration at Zanzui by the United Nations Development Programme in the mid-1980s identified potential for platinum group metals as well as nickel, chromium and cobalt, and this has been confirmed by African Eagle's follow-up work.

Non-core projects: Ready for disposal

In addition to its two core projects, Dutwa and Zanzui, African Eagle has accumulated a portfolio of non-core projects. These include a portfolio of copper projects in Zambia, a number of gold projects in Tanzania as well as several uranium projects in these countries as well as Mozambique. The company is currently in the process of divesting from all of its non-core projects.

Exhibit 2: African Eagle's organisational structure



Source: Edison Investment Research

Dutwa: Land of the money hills

The Dutwa project is situated in the Kilimafedha belt (or 'money hills') of the Lake Victoria goldfield. The project comprises two relatively low-grade nickel deposits in the form of lateritic caps overlying low-lying ridges of ultramafic rocks some 6km apart. The two deposits are known as Wamangola and Ngasamo. African Eagle owns 90% of Wamangola (with an option to increase this to 100%) and 35% of Ngasamo (with an option to increase this to 50% or possibly 75%). Once the various options have been exercised, African Eagle anticipates owning approximately 76% of the combined project.

Almost one million tonnes of contained nickel

Following its mid-2008 discovery and a subsequent programme of drilling, African Eagle reported a maiden JORC inferred resource of 31Mt at 1.1% Ni in November 2008. On the back of further drilling, this increased to 92Mt at 0.92% eNi in June 2010 and then to 98.6Mt at 0.96% eNi in October that year. In January this year, the company announced an initial indicated resource of 46.2Mt at 0.97% eNi, equivalent to 47% of the Dutwa's total resource. The company is currently in the process of planning additional drilling at Ngasamo with a view to upgrading the inferred resources there to the indicated category. Given the geological similarity between the two deposits, we expect a similarly high proportion of Ngasamo's inferred resources to convert to the indicated category upon completion of the drilling later in 2011. In addition to its current resource inventory, African Eagle plans to drill out a further 8Mt to 10Mt at Dutwa. Exhibit 3 presents a summary of the current total JORC-compliant resource for Dutwa.

Exhibit 3: Statement of Dutwa's total JORC-compliant Resource (January 2011)

Note: For 100%. * eNi%=Ni%+(Co% \times 1.32) based on US\$10/lb Ni and US\$17/lb CO with recoveries of 90% for Ni and 70% for Co. A cut-off grade of 0.43% eNi was used for the resource estimates.

	Tonnage	Grade		Contained metal	
	Mt	Nickel %	Cobalt %	eNi%	eNi kt*
Wamangola					
<u>Indicated</u>					
FerSil	35.4	0.9	0.03	0.94	333
Trans	10.8	1	0.02	1.03	111
<i>Sub-total</i>	<i>46.2</i>	<i>0.93</i>	<i>0.03</i>	<i>0.97</i>	<i>444</i>
<u>Inferred</u>					
FerSil	7.5	0.76	0.02	0.79	59
Trans	4	0.85	0.02	0.88	35
Sap	2.5	0.95	0.02	0.98	24
Bedrock	0.1	0.91	0.01	0.92	1
<i>Sub-total</i>	<i>14.1</i>	<i>0.82</i>	<i>0.02</i>	<i>0.85</i>	<i>119</i>
TOTAL	60.3	0.9	0.02	0.93	560
Ngasamo					
<u>Inferred</u>					
FerSil	19	0.9	0.04	0.95	181
Trans	12.5	1.07	0.03	1.11	139
Sap	6.7	0.98	0.04	1.03	69
Bedrock	0.02	0.62	0.01	0.63	0
TOTAL	38.1	0.97	0.03	1.01	386
GLOBAL TOTAL	98.6	0.93	0.02	0.96	946

Source: African Eagle Resources plc

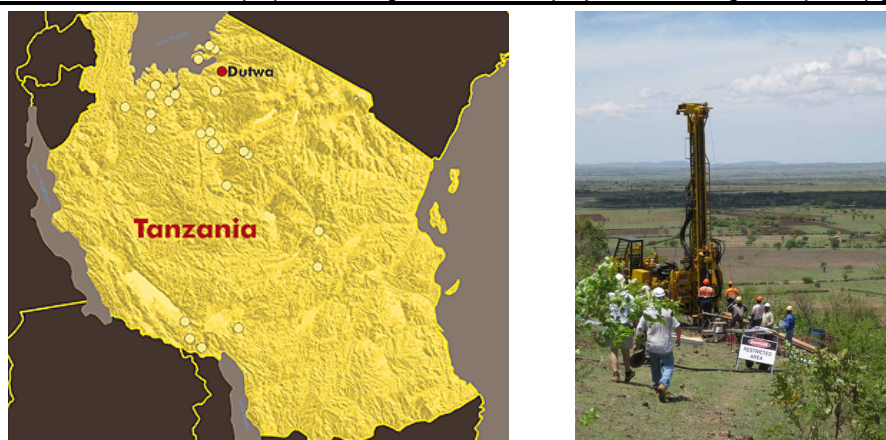
Nickel production growth expected from laterites not sulphides

Despite the fact that approximately 70% of the world's (land-based) nickel resources are found in laterites, these deposits account for just ~40% of global nickel production. The majority of the world's nickel is currently produced from sulphides, which have a relatively more straightforward (and therefore economic) extractive process. Nickel production from sulphides has remained relatively constant over recent years with growth now expected to come from the development of nickel laterites. However, the oft complicated metallurgy of nickel laterites has meant that a number of these deposits have yet to be successfully developed.

Metallurgy: Rapid leach kinetics make Dutwa very appealing

Historically, nickel laterites have been treated by either pyrometallurgical processes (involving smelting) or hydrometallurgical processed (involving leaching, usually by acid). Dutwa is suitable for hydrometallurgical treatment, but what makes this project unique are the relatively rapid leach times as a result of its particular mineralogy. Column test results (a useful proxy) reported in May last year indicate that 72-82% of the nickel was extracted within 30 days while up to 60% of the cobalt was extracted over the same period. In addition, the acid consumption (273kg/tonne) was much lower than similar deposits in other parts of the world. As a consequence of these leach kinetics, Dutwa ore does not require (more complex and expensive) pressure leaching to achieve suitable recoveries and can therefore be leached (in heaps or tanks) at normal atmospheric pressures.

Exhibit 4: Location of Dutwa (left) and drilling on the Dutwa project's Wamangola deposit (right)



Source: African Eagle Resources plc, Edison Investment Research

Robust financial model: Total NPV_{10%} of US\$870m at US\$10/lb Ni

In December last year, African Eagle announced a revised net present value for its Dutwa project of US\$870m. The NPV was calculated by the company's consultants on a post-tax basis using a 10% discount rate and a nickel price of US\$10/lb (compared to current prices of ~US\$12/lb). The revised NPV is higher than the previous estimate largely as a result of a higher mine throughput (from 2Mtpa to 3Mtpa) following the threefold increase in the resource (from 31Mt to 99Mt) since the scoping study was first published in July 2009. As additional data becomes available through follow up drilling, metallurgical work and other studies, the financial model will be further revised. Exhibit 5 presents a summary of the key parameters used in the model.

Exhibit 5: Summary of key parameters of the Dutwa financial model

Note: For 100%. African Eagle estimates its attributable interest will be 76%.

Parameter	Unit	Value
Mine life	Years	26
Annual throughput	Million tonnes/year	3
Total ore mined and processed	Million tonnes	80
Strip ratio	Ore: waste	1:0.43
Average nickel grade	%	0.97
Nickel recovery	%	80
Nickel payability (as a portion of the nickel price)	%	75
Average cobalt grade	%	0.03
Estimated initial capital expenditure	US\$m	600
Life of mine capital cost	US\$m	659
Estimated operating costs (after cobalt credits)	US\$/lb	3.37
Total net present value (post-tax) at US\$10.0/lb	US\$m	870

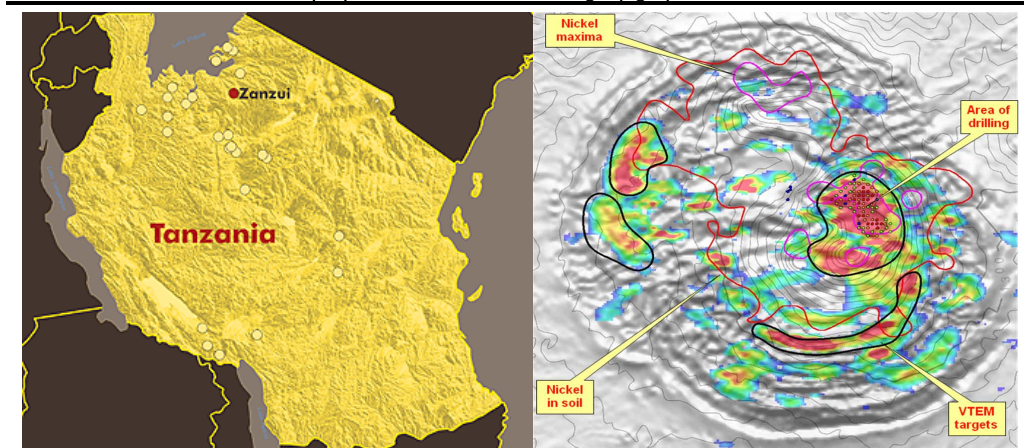
Source: African Eagle Resources plc, Edison Investment Research

Next steps...

The company has shipped a 12t bulk sample to a Perth-based laboratory for bench-scale metallurgical and geotechnical test work with first results expected before the end of June. In addition, a further 10t sample is going to be collected this quarter for pilot plant test work aimed at replicating typical heap leach behaviour. The results of this work will be incorporated into the pre-feasibility study currently underway and scheduled for completion in Q311. Once the PFS is completed, the definitive feasibility study is scheduled to commence in 2012 with results expected by the end of that year, followed by construction, commissioning and initial production in 2015.

Zanzui: A second nickel deposit in Tanzania

The Zanzui project comprises four licences covering 358km². African Eagle owns 85% of two of the licences and 90% of the other two. The deposit comprises a strongly layered, circular ultramafic intrusion with a diameter of approximately 12km and covers an area of ~140km². Overlying this is a highly oxidised, lateritic cover with typical nickel grades of up to 1%, cobalt grades of up to 0.1% and thicknesses similar to those at Dutwa. Since the company discovered the project in 2008, it has undertaken a series of exploration programmes including a 30-hole scout drilling programme as well as a further 49 reverse circulation holes drilled in mid-2010.

Exhibit 6: Location of Zanzui (left) and Zanzui VTEM image (right)

Source: African Eagle Resources plc

In mid-2008, the company also undertook an airborne electromagnetic survey using VTEM (helicopter-borne time-domain electromagnetic) technology to enhance the penetration depth. Following reinterpretation (Exhibit 6) of these results, African Eagle identified the potential for additional nickel laterite as well as sulphide mineralisation associated with both nickel as well as platinum group metals.

JORC exploration target: 20Mt at 0.9% to 1.0%

Using the various data already collected, the company has recently generated an in-house estimate of Zanzui's exploration target (as defined by JORC) of between 17Mt and 24Mt at an average grade comparable to Dutwa (0.93% Ni). Further drilling and ground surveys are planned as part of a programme to establish an initial JORC resource.

Exhibit 7: Zanzui JORC exploration target (25 November 2010)

Note: The equivalent nickel grade was calculated with the same parameters as those used by Snowden for the Dutwa project.

Cut-off % Ni	Tonnage Mt	Average Ni %	Average Co %	Average eNi %
0.3	38.3	0.65	0.05	0.72
0.4	30.7	0.72	0.06	0.80
0.5	23.3	0.82	0.07	0.91
0.6	17.4	0.92	0.07	1.01
0.7	14.4	0.98	0.08	1.09
0.8	12.5	1.02	0.08	1.13

Source: African Eagle Resources plc

Non-core projects: Spinning out control

With the focus now on its two core nickel projects in Tanzania, African Eagle is in the process of disposing of its portfolio of non-core projects accumulated over a period of 10 years. Our 25p valuation of the company excludes its portfolio of non-core projects.

Disposal of Tanzanian gold assets

Earlier last year, African Eagle spun out its Igurubi and Miyabi gold projects in Tanzania as part of deals with ASX-listed Peak Resources (PEK:AU) and MHM Metals (MHM:AU) respectively. In the first of these, Peak Resources has agreed to acquire African Eagle's 75% stake in the Igurubi gold exploration project located in the Lake Victoria Goldfield. At the time the deal was announced (7 April 2010), it valued the project at A\$4.4m including A\$250,000 of equity in Peak Resources at the time as well as a further A\$500,000 in Peak Resources equity to be issued this year. African Eagle is also entitled to payment of A\$1 per resource ounce (in cash or equity) once a resource of greater than 0.5Moz is established, payment of A\$1m upon first commercial production and a net smelter royalty of 2%.

At Miyabi, African Eagle has agreed a JV with MHM Metals, which can earn a 75% interest in the company's stake by funding and managing a feasibility study. Upon a decision to mine, African Eagle's previous expenditure of US\$6.5m will be credited towards its share of the development costs (which the company expects will be sufficient for a free-carry into production).

Disposal of uranium assets

African Eagle's uranium division was established in mid-2007 as a vehicle for the mineral rights to eight prospective targets in Tanzania, Zambia and Mozambique. However, following a strategic review in January 2009, the company resolved to focus on Dutwa and took the decision to spin off its non-core uranium division. This was completed in November last year when Jacana Resources, a private Australian company, agreed to pay A\$1m for 100% of the projects. As part of this, African Eagle has been issued with A\$0.2m worth of Jacana equity and is entitled to a further A\$0.3m of equity and A\$0.5m cash upon the successful listing of the Australian junior planned for the ASX this year. The deal is a good one for African Eagle insofar as it reduces its commitments (in terms of both time and funding), but allows the company to maintain exposure to the potential upside associated with developing these projects.

IPO of Zambian copper assets

The most extensive of the company's non-core assets is its portfolio of copper projects in Zambia. These include the Mkushi Copper Mines, Mokambo and Ndola in the Copperbelt, Sasare Eagle Eye and Lunga. Rather than dispose of these projects individually, the company expects to achieve the greatest return on its investment by either vending the entire package to a strategic partner or separate public listing. Mkushi is the most advanced of African Eagle's five Zambian projects and is being drilled by Ratel Gold (RTL:CN), the company's joint venture partner, which controls a majority 51% stake in the project. The company's 49% stake in the JV is recorded on its balance sheet as a £2.3m investment in associate.

Valuation: 25p/share (excluding non-core projects)

On the basis of African Eagle's Dutwa project, we derive a current value for the company of £103.3m. This we base on the total project's post-tax NPV of US\$870m (at a nickel price of US\$10/lb), of which 76%, or US\$661m, is expected to be attributable to the company. Converting this to sterling at a rate of \$1.6/£ (and applying a discount of 75%, typical for projects in the pre-feasibility stage), we calculate a value of £103.3m or 25p/share. Compared to this, the shares are currently trading at 15p. Our valuation excludes the value of African Eagle's portfolio of non-core projects, discussed below.

This valuation compares with a value of 28p/share calculated using our discount dividend model and the parameters set out in the company's financial model including a US\$10/lb nickel price (Exhibit 5). We assume the US\$600m upfront capex is funded 50% debt (at 7%) and 50% equity at a price of 15p. As such, we have factored in dilution of 1.25bn shares in 2013.

Over the coming 12 months, we also expect the following catalysts to provide further upside:

- To the extent that the company is able to realise additional value from its non-core projects, there is upside to our current valuation. In particular, African Eagle's portfolio of Zambian copper projects have an attributable JORC resource of approximately 84,000t of contained copper.
- In addition, as part of the disposal of its interests in its Tanzanian gold assets as well as its portfolio of uranium projects, the company will be entitled to payments (in cash,

equity and royalties) of up to A\$4.4m from the sale of Igurubi and Miyabi. African Eagle will also potentially receive a free-carry to production on its 25% Miyabi stake.

- From the disposal of its uranium assets, the company expects to receive A\$1m in a combination of cash and equity in Jacana Resources. Privately owned at present, Jacana has plans to list on the ASX later this year/early next year.

Exhibit 8 presents a summary of African Eagle's listed peers. While the nature of each of the company's operations and assets is not exactly the same, they nonetheless serve as a useful means of comparison. It is worth noting that compared to many of the other junior developers of nickel laterites, African Eagle's Dutwa project has considerably more favourable leach kinetics and its higher valuation is therefore justified in our view.

Exhibit 8: Comparison of African Eagle peers' in-situ JORC compliant resources (January 2011)

Company	Ticker	Market cap £m	Net debt/(cash) £m	EV £m	Contained Ni Mt	EV/Resource £/t	Cut-off grade %Ni
European Nickel	ENK:LN	49.9	-4.8	45.1	1.350	33.4	0.8% to 1.0%
GME Resources	GME:AU	18.7	-1.1	17.6	1.619	10.9	0.50%
Intex Resources	ITX:NO	51.9	-26.5	25.4	2.618	9.7	0.50%
MBMI Resources	MBR:CN	16.0	-9.1	6.9	2.721	2.5	0.50%
Metallica Minerals	MLM:AU	22.1	-9.1	12.9	0.367	35.3	0.70%
Mindoro Resources	MDO:AU	24.0	-0.6	23.4	0.339	69.0	0.5% to 0.8%
Toledo Mining	TMC:LN	12.6	-3.9	8.7	0.384	22.6	0%
Total/weighted average				140.0	9.398	14.9	
African Eagle	AFE:LN AEA:SJ	61.7	-6.5	55.2	0.947	58.3	0.43%

Source: Edison Investment Research

Sensitivities

As with all development stage companies in the mining sector, there are both risks and opportunities that need to be considered as part of an investment. In the case of African Eagle, a summary of these is presented below.

- In order to continue with the development of its core projects and disposal of its non-core projects, the company will need to continue to **fund** itself through the equity markets. It currently has approximately £6.5m in cash and expects this to be sufficient to fund its operations into the latter half of this year.
- **Political risk** exists in just about every geography in which mines operate and Tanzania is no exception. However, the country's new mining code is recognised as having contributed to the development and stability of a mining sector in the economy. The company enjoys good relations with the various regulatory authorities and expects this to continue for the foreseeable future.
- While **exploration risk/reward** is an integral part of any exploration company, African Eagle's core projects are sufficiently well-developed that the downside risk is limited. In addition to its two core projects (Dutwa and Zanzui), the company is aware of other potential nickel laterites in Tanzania which it is actively targeting.
- African Eagle has **joint ventures** at Dutwa's Wamangola (10%) and Ngasamo (estimated 26%) deposits. As part of this, the company is exposed to the usual risks/rewards associated with working with joint venture partners.

- Our valuation is derived from the net present value of the company's potential **future cash flows** calculated as part of the pre-feasibility study currently underway. These cash flows will, in turn, be affected on the upside/downside by several factors including variations in commodity prices, operating costs, capital expenditure, production levels, grades, recoveries, exchange rates and interest rates.

Our discount dividend valuation is most sensitive to the price at which the company is able to raise the equity portion (50%) of the upfront capital expenditure requirements (US\$600m). Exhibit 9 presents a summary of this variation.

Exhibit 9: Sensitivity of our discount dividend model to variations in the price of equity funding

Note: For the purpose of our discount dividend model, we assume US\$300m equity is raised at 15p in 2013

Price of equity funding	5p	10p	15p	20p	25p
DDF Valuation	11p	20p	28p	34p	40p

Source: Edison Investment Research

Financials: ~£6.5m cash and no debt

As of end-January, African Eagle had cash of approximately £6.5m following a successful fund-raising of £3.3m (gross) at 3.75p in September last year and £3.7m (gross) at 15.5p in January this year. The company's existing cash reserves are expected to be sufficient for the completion of the pre-feasibility study expected later this year. As of 30 June 2010, the company had net assets of £15.7m and no debt.

Since 2005, African Eagle has raised approximately £23.2m in a series of fund-raising at a weighted average price of 7.1p. A summary of these is presented in Exhibit 1 above.

Exhibit 10: Financials

	£'000s	2008	2009	2010e	2011e	2012e
31-December		UK GAAP	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		0	0	0	0	0
Cost of Sales		0	0	0	0	0
Gross Profit		0	0	0	0	0
EBITDA		(10,533)	(1,403)	(954)	(954)	(954)
Operating Profit (before amort. and except.)		(10,620)	(1,464)	(964)	(964)	(964)
Intangible Amortisation		(103)	0	0	0	0
Exceptionals		(4,443)	(221)	0	0	0
Other		363	23	0	0	0
Operating Profit		(14,802)	(1,662)	(964)	(964)	(964)
Net Interest		229	30	132	125	152
Profit Before Tax (norm)		(10,391)	(1,434)	(832)	(839)	(811)
Profit Before Tax (FRS 3)		(14,573)	(1,632)	(832)	(839)	(811)
Tax		0	0	0	0	0
Profit After Tax (norm)		(10,257)	(1,441)	(964)	(964)	(964)
Profit After Tax (FRS 3)		(14,573)	(1,632)	(832)	(839)	(811)
Average Number of Shares Outstanding (m)		212.5	246.5	340.8	397.0	409.2
EPS - normalised (p)		(4.8)	(0.6)	(0.3)	(0.2)	(0.2)
EPS - normalised and fully diluted (p)		(4.8)	(0.6)	(0.3)	(0.2)	(0.2)
EPS - (IFRS) (p)		(6.9)	(0.7)	(0.2)	(0.2)	(0.2)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		12,000	12,696	15,056	17,046	19,036
Intangible Assets		9,717	10,261	12,631	14,631	16,631
Tangible Assets		122	81	71	61	51
Investments		2,161	2,354	2,354	2,354	2,354
Current Assets		2,848	3,417	3,242	3,930	1,122
Stocks		0	0	0	0	0
Debtors		138	124	124	124	124
Cash		2,710	3,293	3,118	3,806	998
Other		0	0	0	0	0
Current Liabilities		(269)	(323)	(205)	(207)	(200)
Creditors		(269)	(323)	(205)	(207)	(200)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		0	0	0	0	0
Long term borrowings		0	0	0	0	0
Other long term liabilities		0	0	0	0	0
Net Assets		14,579	15,790	18,093	20,770	19,958
CASH FLOW						
Operating Cash Flow		(330)	(860)	(1,071)	(952)	(960)
Net Interest		229	30	132	125	152
Tax		0	0	0	0	0
Capex		(4,064)	(1,485)	(2,370)	(2,000)	(2,000)
Acquisitions/disposals		0	0	0	0	0
Financing		(205)	2,910	3,135	3,515	0
Dividends		0	0	0	0	0
Net Cash Flow		(4,371)	595	(175)	688	(2,808)
Opening net debt/(cash)		(7,052)	(2,710)	(3,293)	(3,118)	(3,806)
HP finance leases initiated		0	0	0	0	0
Other		29	(12)	0	0	0
Closing net debt/(cash)		(2,710)	(3,293)	(3,118)	(3,806)	(998)

Source: Edison Investment Research, Company accounts

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A		Litigation/regulatory	■
			Pensions	○
			Currency	■
			Stock overhang	○
			Interest rates	○
			Oil/commodity prices	●

Growth metrics	%	Profitability metrics	%	Balance sheet metrics	Company details
EPS CAGR 07-11e	N/A	ROCE 10e	N/A	Gearing 10e	N/A
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	N/A	Interest cover 10e	N/A
EBITDA CAGR 07-11e	N/A	ROE 10e	N/A	CA/CL 10e	15.8
EBITDA CAGR 09-11e	N/A	Gross margin 10e	N/A	Stock turn 10e	N/A
Sales CAGR 07-11e	N/A	Operating margin 10e	N/A	Debtor days 10e	N/A
Sales CAGR 09-11e	N/A	Gr mgn / Op mgn 10e	N/A	Creditor days 10e	N/A
				Address:	
				2nd Floor, 6-7 Queen Street, London, EC4N 1SP, UK,	
				Phone	+44 20724 86059
				Fax	+44 20769 17745
				www.africaneagle.co.uk	

Principal shareholders	%	Management team
MWB Ltd	8.7	Chairman: Euan Worthington
Anglo Pacific Group plc	6.6	Euan has more than 20 years' experience in the City of London as a mining analyst and corporate finance specialist, and provides the company with a strong financial background to complement the technical skills of the other directors. He has direct experience in Tanzania and elsewhere in Africa.
Vestra Wealth LLP	3.3	
Killik & Co	3.3	
Fleming Family & Partners	3.1	
BlackRock	1.0	MD: Mark Parker
		Mark combines a specialist background in mineral exploration with a thorough knowledge of eastern and southern Africa. He has worked extensively in Tanzania, with both the public and private sectors. Mark founded African Eagle in late 1996.
		COO: Chris Davies
		Chris has more than 30 years' experience in mineral exploration, resource evaluation and business development. He has worked extensive in Tanzania where he previously headed up SAMAX's gold operations.
		FD: Bevan Metcalf
		Bevan was appointed finance director of African Eagle in 2004. He has worked for a number of large listed companies and is currently also CFO of African Aura Mining, an exploration and development company with operations in West Africa.
		<i>Note: * = estimated</i>
Companies named in this report		
Peak Resources (PEK:AU), MHM Metals (MHM:AU), Ratel Gold (RTL:CN)		

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