

HD Cape Lambert Resources Limited - Quarterly Activities Report

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Cape Lambert Resources Limited (ASX: CFE) is an Australian domiciled, fully funded, mineral development **company**.

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Cape Lambert has interests in several exploration and **mining** companies, providing exposure to **iron ore, copper, gold, uranium**, manganese, lithium and **lead**-silver-zinc assets in Australia, Europe, Africa and South America.

Cape Lambert's strategy is to acquire and invest in undervalued and/or distressed mineral assets and companies (Projects) and:

improve the value of these Projects, through a hands on approach to management, exploration , evaluation and development and

retain long-term exposure to these Projects through a production royalty and/or **equity** interest.

Cape Lambert aims to deliver shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the **Company** intends to follow a policy of distributing surplus cash to Shareholders.

Capital Management

On Market Buy-Back

During the quarter, the **Company** announced its second on market share buy-back of up to 10% of the **Company**'s fully paid ordinary shares (Shares) within the 12 months from 23 January 2014. Shares bought back by the **Company** are subsequently cancelled.

During the quarter, the **Company** committed to buy back 8,646,150 Shares for total consideration of A\$912,112.71. Please note the cash amount paid during the quarter was for the buyback of 6,187,048 Shares for a total consideration of A\$666,202.51 with the variance relating to a settlement timing difference. As at 28 April 2014, there are 43,659,603 Shares remaining that may be bought back under this facility.

Corporate Structure

Change in **Company** Secretary

Ms Melissa Chapman was appointed as **Company** Secretary with effect from 31 January 2014.

Ms Chapman is a certified practising accountant with over 12 years of experience in the **mining** industry. She has worked extensively in Australia and the United Kingdom. Ms Chapman has a Bachelor of Accounting from Murdoch University and has been a member of CPA Australia since 2000. Melissa has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia.

Investments and Divestments

Glory Resources

In February 2014 the off market takeover by TSX listed Eldorado **Gold** Corporation (TSX: ELD) (Eldorado) to acquire Glory Resources Limited (ASX: GLY) (Glory) went unconditional.

Cape Lambert held 36,750,000 shares in Glory Resources and was its second largest shareholder with a 16% shareholding in the **company**. Glory's flagship project is the Sapes **Gold** Project which is located in Greece (Sapes Project).

Pursuant to the terms of the **sale** of the Sapes Project, Glory must pay Cape Lambert an additional A\$10,000,000 in cash or shares (at the election of Cape Lambert) on achievement of two key milestones relating to the Sapes Project (A\$5,000,000 for each milestone), namely the granting of an operating permit and the **sale** of the first 1,000 ounces of **gold** or **gold** equivalent (Milestone Payments).

During the quarter, Cape Lambert received A\$12,747,500 in cash which represents the **sale** of the **Company's** shareholding in Glory, and is based on 36,750,000 shares at \$0.17 per share, as well as A\$6,500,000 for upfront payment in lieu of Milestone Payments.

FE Limited

FE Limited (ASX: FEL) (FE Limited) is an Australian based mineral resources **company** which holds interests in a large portfolio of mineral resource projects prospective for **iron, gold** and nickel in Western Australia and Queensland. In June 2011, FE Limited entered into a loan agreement with Cape Lambert (Loan Agreement A) pursuant to which Cape Lambert agreed to lend FE Limited A\$2,000,000, with interest accruing at the cash rate plus 3% per annum.

In December 2012, FE Limited entered into a second loan agreement with Cape Lambert (Loan Agreement **B**) pursuant to which Cape Lambert agreed to lend FE Limited A\$1,000,000, with interest accruing at the same rate as Loan Agreement A.

On 20 December 2013, FE Limited entered into a settlement arrangement (Settlement and Converting Loan Agreement) with respect to Loan Agreement A and Loan Agreement **B**. Pursuant to the Settlement and Converting Loan Agreement, A\$1,000,000 will be repaid to Cape Lambert in cash and subject to shareholder approval, A\$2,000,000 (together with accrued interest) will automatically convert into shares at a conversion price calculated at 80% of the volume weighted average closing price of the shares as quoted on ASX over the last ten days immediately preceding the conversion.

At the FE Limited Meeting in February 2013, FE Limited shareholders approved the conversion of the amounts owing under the Settlement and Converting Loan Agreement and consequently on 26 February 2014, a total of 104,193,055 FE Limited Shares were issued to Dempsey Resources Pty Ltd, a wholly owned subsidiary of Cape Lambert. Following conversion of the Settlement and Converting Loan Agreement, Cape Lambert holds a 57.89% interest in FE Limited. Subsequent to the quarter end, Cape Lambert has received the balance of the consideration being A\$1,000,000 cash in accordance with the Settlement and Converting Loan Agreement.

Cauldron **Energy**

Cauldron **Energy** Limited (ASX: CXU) (Cauldron) is an Australian based mineral resources **company** with **uranium** projects in Australia and Argentina. In March 2014, Cauldron entered into a converting loan agreement with Cape Lambert (Converting Loan Agreement) pursuant to which Cape Lambert agreed to lend Cauldron A\$1,000,000.

Subject to shareholder approval at Cauldron's 2014 Annual General Meeting, the Converting Loan Agreement will automatically convert into ordinary shares in Cauldron, the conversion will be 80% of the volume weighted average closing price of the shares as quoted on ASX over the last ten days immediately preceding the conversion. If shareholder approval is not obtained, the Converting Loan Agreement, together with interest which accrued daily at 10%, is repayable by Cauldron by 31 December 2014.

Legal Action and Disputes

ATO Notice of Amended Tax Assessment and Associated Penalty Notice

On 18 May 2012, the **Company** announced that it had received a Notice of Amended Assessment from the Australian Taxation Office (ATO), together with an associated Penalty Notice (Amended Assessment).

In December 2012, the **Company** entered into an Arrangement for Payment (Arrangement) with the ATO to pay half the primary tax and shortfall interest charge in dispute pending the outcome of the objections lodged by the **Company**. Under this Arrangement, a total of approximately A\$33.4 **million** has been paid to the ATO by the **Company**.

The Arrangement provided that collection action for the balance of the disputed amount would not be commenced by the ATO before the dispute is resolved. During the quarter, the **Company** was notified that the objections lodged with the ATO in relation to the Amended Assessment were disallowed. The

Company intends to appeal the objection decisions in the Federal Court of Australia. The appeal process could take some time. Before an outcome on this appeal is known the **Company** should not be subject to recovery action of the disputed amount.

MCC Legal Action

The dispute against MCC Australia Sanjin **Mining** Pty Ltd (MCC Sanjin), and its parent **company** Metallurgical Corporation of **China** Limited (collectively MCC) to recover the final A\$80 **million** payment from the **sale** of the Cape Lambert magnetite project in mid-2008 pursuant to an agreement between the parties (MCC Agreement), as reported in detail in previous Quarterly Reports, is ongoing with no developments during the quarter.

PROJECTS

Marampa (100% interest)

Marampa is an **iron ore** project at development and permitting stage, and is located 90 km northeast of Freetown, Sierra Leone, West Africa (Marampa or Marampa Project). Marampa comprises two granted exploration licences (EL46A/2011 - 239.18 km² and EL46B/2011 - 66.00 km² (formerly EL46/2011 - 305.18 km²)) held by Marampa **Iron Ore** (SL) Limited, which is indirectly, a wholly owned subsidiary of Cape Lambert.

1 Marampa has a total JORC Mineral Resource of 681 **million** tonnes ('Mt') at 28.2% Fe (above a cut-off grade of 15% Fe) covering four deposits (Gafal, Matukia, Mafuri and Rotret).

Exploration

No exploration activities occurred during the quarter.

Topographic Surveying

Topographic surveying over the proposed tailings storage facility continued throughout the quarter and remains ongoing.

Mining Licence

Marampa finalised and lodged its Large Scale **Mining** Licence application during the quarter and expects that the **mining** licence to be granted during 2014.

Dempsey Resources (100% interest)

Dempsey Resources holds the Kukuna **Iron Ore** Project located in Sierra Leone (Kukuna Project or Kukuna).

The Project is located 120 km northeast of Freetown in the northwest of Sierra Leone and consists of one exploration licence (EL22/2012) covering 68 km². The licence is located 70 km due north of the Marampa Project and the Pepel Infrastructure and comprises rocks that correlate with the Marampa Group stratigraphy known to host specular hematite mineralization.

Exploration

No exploration activities occurred during the quarter.

Pinnacle (100% interest)

Pinnacle holds the Sandenia **Iron Ore** Project (Sandenia Project or Sandenia) located 290 km east of Conakry in the central south of the Republic of Guinea. The Project is comprised of a single tenement covering approximately 298 km². The Sandenia permit contains Banded **Iron** Formation (BIF) prospective for **iron** mineralization, similar to that hosting the 6.16 Bt Kalia deposit owned by Bellzone **Mining** plc located on the contiguous permit to the north.

Exploration

Field mapping and sampling to investigate potential hosts for **gold** mineralization alongside **iron** mineralization continued throughout the quarter as weather permitted.

Metal Exploration Limited (100% interest)

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds 17 granted exploration licences and one application in Sierra Leone covering approximately 2,386 km². This land

package covers the region 70 km to the north and south of Marampa and is referred to as the Rokel **Iron Ore** Project (Rokel or Rokel Project). Rocks from the Marampa Group ('Rokotolon Formation') exist throughout the licence areas, much the same as the Marampa Project, and are known to host specularite schist bearing units.

The Rokel Project is prospective for discovery of hematite schist deposits geologically similar to those at Marampa and is located proximal to the existing Pepel Infrastructure. Regional mapping and geophysics has identified a number of prospective areas which are progressively being followed up with targeted exploration.

Exploration

Exploration focused on mapping to identify strike extensions of the Kumrabai prospect (Marampa East) in the tenements south of the Marampa East licence.

Numerous outcrops and float of hematite schist have been observed and mapped. Additional mapping was carried out along the western edge of the Magbosi licence where a magnetite bearing gneiss was identified towards the end of the previous quarter. The magnetite rich gneissic unit is part of the Kasila Group, and is geologically similar to that reported by West African **Iron Ore** Corporation in Guinea north of Kambia, where an Exploration Target size between 2.9 Bt and 5.1 Bt was reported by SRK Consulting (Australasia) Pty Ltd in March 2011.

Sampling

Assay results for 31 rock chip samples taken as part of the greater mapping campaign were received during the quarter. Significant results include:

Hematite Schist

GHGR101: 59.6% Fe

GHGR103: 57.4% Fe

MWGR108: 50.4% Fe

MWGR115: 57.9% Fe

Magnetite Gneiss

MBGR002: 45.6% Fe

MBGR003: 43.8% Fe

MBGR004: 42.2% Fe

Cote D'Ivoire (100% interest)

Metals Exploration Cote D'Ivoire SA Limited is a wholly owned subsidiary of Cape Lambert Resources. The **Company** holds three tenements in the highly prospective Birimian **Gold** Belt of Cote D'Ivoire. The tenements are named Boundiali North (400km²), Katiola (400km²) and Bouake (400km²) for a total land position of 1,200km².

The tenements all contain, or are adjacent to, Birimian Greenstones and metasediments and have significant structural characteristics known to host high tenor **gold** mineralization in the district. The Birimian Group is broadly divided into phyllites, tuffs and greywackes of the Lower Birimian (Type 2 metasediments), and various basaltic to andesitic lavas and volcanoclastics of the Upper Birimian (Type 1 Greenstone metavolcanics). Spatial distribution of **gold** mineralization appears to be governed by north to northeast trending belts of metavolcanic rocks, ranging from 15km to 40km in width, associated with the Upper Birimian.

The Birimian **Gold** Belt is host to numerous multi-**million** ounce **gold** deposits including the Morila (7Moz), Syama (7Moz) and Tongon (4Moz) deposits. Almost without exception, these major **gold** deposits are located at or close to the margins of the metavolcanic belts, adjacent to the strongly deformed contacts between the Upper and Lower Birimian sequences as seen to exist within the recently granted tenements.

All three tenements are highly prospective and have the potential to host multi-**million** ounce **gold** deposits.

Exploration

Approval was received during the quarter to proceed with an airborne geophysical survey over the three project areas. The survey will comprise aeromagnetic, radiometric and topographic data collection, processing and analysis. The program Contract has been awarded to SRK Consulting (Perth) who will oversee the data **acquisition** phase, data processing and interpretation.

The survey is anticipated to commence during Q2 with the data **acquisition** phase followed by the data processing and interpretation phases with final reporting expected by the end of Q3.

No exploration activities occurred during the quarter.

Mt Anketell Pty Ltd (100% interest)

Mt Anketell Pty Ltd (Mt Anketell), a wholly owned subsidiary of Cape Lambert, holds a single exploration licence (E47/1493) covering 56.9 km² in the northern Pilbara region of Western Australia, which is prospective for niche **iron** and **gold** mineralization associated with the Nickol River precinct. Mt Anketell recently received a two year extension of the licence term.

Based on significant geochemical **gold** results identified on surrounding tenements and projected strike extensions of the source lithology into the Mt Anketell ground, a proposal was submitted to the Department of Mines and Petroleum to conduct auger geochemical sampling over the Nickol River prospect. Ministerial consent was granted and a letter of POW approval was received in late December 2013. Work is now progressing in the form of preparations for the proposed field work, which is expected to be conducted during Q2 2014.

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