# Sable Mining Afr.Ltd

## *Final Results*

RNS Number : 3848X
Sable Mining Africa Limited
28 August 2015

Sable Mining Africa Ltd / Index: AIM / Epic: SBLM / Sector: Natural Resources

28 August 2015

**Sable Mining Africa Ltd** ('**Sable Mining**' or '**the Company**')

**Annual Results**

Sable Mining, the AIM-listed exploration and development company, presents its results for the year ended 31 March 2015.

**Highlights**

- Operations focussed on advancing iron ore and coal portfolios in Africa
- Nimba iron ore project in south-east Guinea continues to reach key milestones and demonstrate value as a high-grade, high-margin, low-capital asset
- Nimba total JORC Resource raised to 205.2 million tonnes at an average in-situ grade of 57.8% iron at a 40% cut-off
- Improved resource confidence during the period, with the measured and indicated portion increasing by 31% to 195.0Mt
- Landmark 25 year infrastructure development agreement with the Government of Liberia to facilitate the export of iron ore from Nimba through Liberia utilising the established rail line from Yekepa to the port of Buchanan
- Technical studies underway to update the operational and economic viability of Nimba, taking into account ongoing detailed studies relating to mine and haul road design in Guinea, and metallurgical work
- Full Bankable Feasibility Study to be issued following technical studies
- Evaluating opportunities to monetise strategic coal portfolio in light of energy and power dynamic in southern Africa

Sable Mining Chief Executive Andrew Groves said, "In spite of the general back drop to resource development being tough, projects such as our Nimba Iron Project retain considerable commercial value and we believe warrant advancement. We have therefore continued to invest to reach development milestones, which have included resource expansion, the granting of an export licence, government backed infrastructure agreements and the advancement of a bankable feasibility study. Furthermore, we are evaluating the potential of our coal assets, which again, we believe have long term value especially considering the energy and power dynamic in southern Africa. We will continue to look at how best to build value and will keep the market abreast of developments in the coming months as we advance our portfolio."

**Chairman's Statement and Operational Review**

During the period under review, the Company continued to evaluate and advance its iron ore and coal assets in Africa in spite of the challenging environment. The backdrop to resource development has been tough but we have made progress on a number of fronts on what we believe are long-term strategic assets.

**Iron Ore, Guinea**

Notwithstanding the challenges faced, the Board believes the Company's Nimba iron ore project in south-east Guinea ('Nimba' or the 'Project') continues to hold considerable commercial value as a high-grade, high-margin, low-capital prospect. Despite the current market appetite for iron ore plays, the Board believes that Nimba remains a highly compelling iron ore development project due to a unique combination of factors, which are outlined below.

*Geology*

Nimba boasts high grade hard lumpy direct shipping ore ('DSO') material, a key differentiator from other similar projects. Following the completion of 231 Reverse Circulation ('RC') drill holes totalling 5,345 metres (in addition to 373 diamond core ('DC') drill holes totalling 7,167.86 metres) across Plateau 2 and Plateau 3, we increased the total JORC Resource for the Project to 205.2 million tonnes ('Mt') at an average in-situ grade of 57.8% iron ('Fe') at a Fe cut-off of 40%. Importantly we also improved the resource confidence, with the measured and indicated portion increasing by 31% to 195.0Mt.

Whilst both of these increases are significant in further defining Nimba's commercial value, I would like to highlight that the drill work also identified very low clay content within the upper portion of the unconsolidated domain, increasing the Direct Shipping Ore ('DSO') product stream.

*Metallurgy*

Metallurgical test work has demonstrated an overall lump fraction of 37%, and confirmed a DSO yield of 86% from simple, low cost, crush and screen processing, with easily fragmented rock identified (UCS averaging 20Mpa and CWI averaging 3kWh/t). This will allow for high crushing rates at low power consumption, positively impacting capex.

Detailed mine scheduling has highlighted the Project's ability to sustain the production of both high quality premium grade lump and fines products over an initial ten year life of mine, exclusively from the Plateau 2 area. With grades of 63.33% and 62.11% Fe returned from the lump and fines product respectively, and the mechanical and thermal properties of the proposed premium lump proven to be excellent, we believe the Nimba product has significant commercial value. Furthermore, the results of this mine scheduling has the potential to further enhance the total operational and capital expenditure of the Project, as potential revenue generation from Plateau 2 could support the continued development of the wider Project, including Plateau 3 and the larger Plateau 1, which has been the subject of limited reconnaissance drilling.

Further metallurgical test work is now underway to determine the sinter characteristics of the fines product for processing and further define the quality of the end product. This improved resource understanding will assist the Company in identifying future export opportunities into markets such as Europe and China.

*Location*

Nimba is located close to established infrastructure in Liberia; an operating rail line is located approximately ~80km from the Project at Tokedah, near Yekepa, which runs ~240km to the deep water Port Buchanan on the Liberian coast. Whilst some investment will need to be made to connect Nimba to this line, mainly the construction of a 65km haul road to Yekepa, and the refurbishment of an 18km railway extension to connect Yekepa to the existing shared rail line at Tokedah, this established rail route significantly enhances Nimba's economics. Secure access to this export route ensures the viability of the Project because - as compared to its peer group - Nimba's capex requirement is greatly reduced. This export route will also provide an immeasurable boost to the mining industry in south-eastern Guinea.

*Strong Governmental Support*

On 23 January 2015 the Company's 80% subsidiary, West Africa Exploration SA, entered into a landmark 25 year infrastructure development agreement with the Government of Liberia ('IDA'), relating to the development, ownership rights, financing, use and operation of rail and port infrastructure in Liberia necessary to facilitate the export of iron ore from the Project through Liberia utilising the established rail line from Yekepa to the port of Buchanan.

The spirit of co-operation between Guinea and Liberia in respect of the Project has not only meant a defined development path can be established for this strategic asset, but also provides a clear signal to other international enterprises that the Mano River Union region is an attractive investment destination.

The Company is expected to begin implementation as soon as practicable after the IDA is ratified by the National Legislature of Liberia and we will continue to work closely with the Governments of both Liberia and Guinea to develop this export route for the benefit of all parties.

With these factors in mind, the Board remains focused on delivering on the major project milestones needed to ensure that, when conditions permit, Nimba is ready to be advanced and can deliver on its commercial potential.

Importantly, Nimba has a relatively modest projected capex of approximately $300 million (for a 3-3.5 Mtpa operation), which distinguishes the Project when set against the current backdrop of a depressed iron ore market, which makes many iron ore plays unviable due to high capital costs. With an enhanced resource established during the past year, there is significant opportunity to improve the fundamentals of Nimba further, in particular the operating cost to reflect the current downward price trends.

We are now working towards completing technical studies, which will provide an update of the operational and economic viability of Nimba, taking into account ongoing detailed studies relating to mine and haul road design in Guinea, the aforementioned metallurgical work, plus further refinement of concepts where appropriate. Given that the resource has now been increased by 15% since the time of the PFS, and there remains a considerable amount of resource upside including potential tonnages from Plateau 1, the opportunity for further material economic improvements is clearly evident. Following this, we are aiming for a full Bankable Feasibility Study ('BFS') to be issued, which will also calculate any infrastructure development requirements in Liberia. Schedules for our technical studies and BFS are currently being evaluated and further updates on projected timescales will be made in due course. During this period, where work on the Project focuses on refining the necessary studies, our non-core workforce in country has been reduced to conserve funds in readiness for moving into the next phase of development when we will again ramp up quickly.

As with many other bulk commodities, the iron ore price came under severe pressure during the year; from a high of US$114.58 in April 2014, the price ended at US$58.00 at the end of March 2015 (a fall of 49%) (note these are Consensus Economics spot numbers and don't consider Value In Use premiums). The fall in price resulted from a slowdown of economic growth in China and the strengthening US dollar against a backdrop of a sustained period of high prices which had elevated production levels. Indeed at the time of writing, the price has deteriorated further. These lower prices have caused a number of mine closures and further reductions in production at other operations can be expected. However, the consensus long term price forecast remains above current prices and that, coupled with continued strength in lump premiums, means there is still room for optimism as far as Sable's prospects are concerned.

On a more positive note, we are delighted that the region is now showing positive signs of recovery from the Ebola crisis. The Company was active in supporting preventative initiatives in the locality of the Project to limit the spread of the disease and also assisting the community in dealing with the situation. With increased awareness we truly hope that the disease will not return and the region can focus on its development.

**Coal, Zimbabwe**

Aside from Nimba, we also hold a portfolio of Zimbabwean coal assets located in the Mid Karoo Zambezi coal basin in the established Hwange mining district of north-western Zimbabwe (being the 19,236 hectares Lubu Coal Project) and in the adjacent Lusulu area of the Kariba Coal Basin.

We are currently assessing ways in which to best generate value from these assets and in line with this, have recently commissioned international consultants Aurecon, to conduct a scoping study to assess the potential of establishing a coal fired power plant to generate electricity in our project area. The electricity generated by the plant would be available for domestic industrial use and/or export to neighbouring countries of South Africa, Namibia, Botswana and Zambia, via connection to the established grid.

Initial findings of this scoping study are positive and as a result we have recently met with senior members of the Zimbabwean government and civil service, with a view to developing framework agreements for the establishment of the plant and potential off-take arrangements. In addition, we have commenced the process of discussions with potential international off-take partners and investors. We look forward to providing further information on these exciting and potentially transformative developments in due course.

**Financial Review**

Sable Mining is a resource development operation and as such does not generate revenues. Accordingly, Sable Mining is reporting for the year ended 31 March 2015 a pre-tax loss on continuing activities of US$11.2 million (2014: US$39.6 million). As at 31 March 2015 cash balances were US$6.25 million (2014: US$20.1 million).

**Outlook**

Our principal aim remains to advance Nimba towards production as swiftly as possible, whilst seeking to maximise stakeholder value throughout our asset portfolio as demonstrated by the recently announced sale of non-core assets, which have boosted cash reserves by nearly $2 million. The factors set out above clearly demonstrate Nimba is a unique iron ore asset with commercial potential, even during periods of depressed spot prices. The next milestone developments will be completing our technical studies and thereafter publishing our BFS. We are confident that the BFS will further enhance the already attractive economics of the Project. At the same time we also look forward to exploring the possibilities for developing our coal assets in Zimbabwe and the power plant potential referred to above.

I would like to take this opportunity to thank our team, together with our investors and stakeholders, for their continued support and commitment.

Jim Cochrane

Non-Executive Chairman
28 August 2015

For further information please visit www.sablemining.com or contact:

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**CONSOLIDATED INCOME STATEMENT**
**For the year ended 31 March 2015**

| | Year ended 31 March | Year ended 31 March |
|---|---|---|

| | Note | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Operating expenses | | (6,010) | (8,561) |
| Impairment of plant and equipment | | - | (3,750) |
| Impairment of intangible assets | | (6,511) | (27,786) |
| Impairment of other receivables | | (70) | - |
| Operating loss | | (12,591) | (40,097) |
| Other gains and losses | | 1,296 | 381 |
| Finance income | | 58 | 97 |
| Finance cost | | - | - |
| Loss before taxation | | (11,237) | (39,619) |
| Income tax expense | 2 | - | - |
| Loss for the year from continuing operations | | (11,237) | (39,619) |
| **Discontinued Operations** | | | |
| (Loss) for the year from discontinued operations | | (11) | (10,194) |
| Loss for the year | | (11,248) | (49,813) |
| Loss for the year attributable to owners of the parent company | | (10,339) | (47,827) |
| Loss for the year attributable to non-controlling interests | | (909) | (1,986) |
| Loss for the year | | (11,248) | (49,813) |
| Loss per share | | | |
| - Basic and diluted | 3 | (0.9 cents) | (4.8 cents) |
| Loss per share from continuing operations | | | |
| - Basic and diluted | 3 | (0.9 cents) | (3.8 cents) |
| Loss per share from discontinued operations | | | |
| - Basic and diluted | 3 | (0 cents) | (1.0 cents) |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 March 2015**

| | 2015 | 2014 |
|---|---|---|
| | $'000 | $'000 |
| Loss for the year | (11,248) | (49,813) |
| **Items that may be subsequently reclassified to profit or loss** | | |
| Foreign exchange translation differences | (1,184) | (1,829) |
| Other comprehensive income for the year | (1,184) | (1,829) |
| Total comprehensive income for the year | (12,432) | (51,642) |
| Attributable to the owners of the parent company | (11,523) | (49,656) |
| Attributable to non-controlling interests | (909) | (1,986) |
| Total comprehensive income for the year | (12,432) | (51,642) |

**CONSOLIDATED BALANCE SHEET**
**As at 31 March 2015**

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | $'000 | $'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | 29,910 | 28,609 |
| Property, plant and equipment | | 3,418 | 4,272 |
| Loans and other receivables | | - | - |
| Total non-current assets | | 33,328 | 32,881 |
| **Current assets** | | | |
| Trade and other receivables | | 1,021 | 671 |
| Cash and cash equivalents | | 6,249 | 20,075 |
| Total current assets | | 7,270 | 20,746 |
| Disposal group assets | | 12,448 | 13,671 |
| **TOTAL ASSETS** | | 53,046 | 67,298 |
| **LIABILITIES** | | | |

| | | | |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long-term borrowings | | - | - |
| Deferred tax liability | | - | - |
| Total non-current liabilities | | - | - |
| **Current liabilities** | | | |
| Trade and other payables | | (1,640) | (2,766) |
| Total current liabilities | | (1,640) | (2,766) |
| Disposal group liabilities | | (11,379) | (12,171) |
| **TOTAL LIABILITIES** | | (13,019) | (14,937) |
| **NET ASSETS** | | 40,027 | 52,361 |
| **EQUITY** | | | |
| Issued capital | 4 | 274,754 | 274,754 |
| Share based payment reserve | | 1,194 | 1,096 |
| Warrant reserve | | 7,462 | 8,395 |
| Translation reserve | | (10,391) | (9,207) |
| Retained earnings | | (233,811) | (224,405) |
| Total equity attributable to the owners of the parent company | | 39,208 | 50,633 |
| Non-controlling interests | | 819 | 1,728 |
| **TOTAL EQUITY** | | 40,027 | 52,361 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| | Attributable to the equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** $'000 | **Share-based payment reserve** $'000 | **Warrant reserve** $'000 | **Translation reserve** $'000 | **Retained earnings** $'000 | **Total** $'000 | **Non-controlling interests** $'000 | **Total** $'000 |
| **Balances at 01 April 2013** | 248,798 | 1,064 | 7,484 | (7,378) | (176,578) | 73,390 | 3,714 | 77,104 |
| Loss for the year | - | - | - | - | (47,827) | (47,827) | (1,986) | (49,813) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Other comprehensive income** | | | | | | | | |
| Exchange translation differences on foreign operations | - | - | - | (1,829) | - | (1,829) | - | (1,829) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **(1,829)** | **(47,827)** | **(49,656)** | **(1,986)** | **(51,642)** |
| **Transactions with owners** | | | | | | | | |
| Share issues - cash received | 25,910 | - | - | - | - | 25,910 | - | 25,910 |
| Share issues - warrants exercised | 46 | - | (46) | - | - | - | - | - |
| Share based payment charge | - | 32 | 957 | - | - | 989 | - | 989 |
| **Total transactions with owners** | **25,956** | **32** | **911** | **-** | **-** | **26,899** | **-** | **26,899** |
| **Balances at 31 March 2014** | **274,754** | **1,096** | **8,395** | **(9,207)** | **(224,405)** | **50,633** | **1,728** | **52,361** |
| Loss for the year | - | - | - | - | (10,339) | (10,339) | (909) | (11,248) |
| **Other comprehensive income** | | | | | | | | |
| Exchange translation differences on foreign operations | - | - | - | (1,184) | - | (1,184) | - | (1,184) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **(1,184)** | **(10,339)** | **(11,523)** | **(909)** | **(12,432)** |
| **Transactions with owners** | | | | | | | | |
| Share issues - warrants lapsed | - | - | (933) | - | 933 | - | - | - |
| Share based payment charge | - | 98 | - | - | - | 98 | - | 98 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total transactions with owners** | **-** | **98** | **(933)** | **-** | **933** | **98** | **-** | **98** |
| **Balance at 31 March 2015** | **274,754** | **1,194** | **7,462** | **(10,391)** | **(233,811)** | **39,208** | **819** | **40,027** |

**CONSOLIDATED CASH FLOW STATEMENT**
**For the year ended 31 March 2015**

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss before tax | (11,248) | (39,619) |
| Adjustments for: | | |
| - Depreciation of property, plant and equipment | 1,077 | 809 |
| - Amortisation of intangible assets | - | 3 |
| - Share based payment charge | 98 | 989 |
| - Other (gains) | (1,296) | (381) |
| - Loss/(gain) on foreign exchange | 862 | (1,724) |
| - Net interest (income) | (58) | (97) |
| - Write off of plant and equipment | - | 3,750 |
| - Impairment of intangible assets | 6,511 | 27,786 |
| - Impairment of other receivables | 70 | - |
| Operating cash flow before movements in working capital | (3,984) | (8,484) |
| Working capital adjustments: | | |
| - Decrease in inventories | - | 4 |
| - (Increase)/decrease in receivables | (351) | 95 |
| - (Decrease) in payables | (1,125) | (1,611) |
| Net cash used in continuing operating activity | (5,460) | (9,996) |
| Net cash used in discontinued operating activity | (98) | (572) |
| **Net cash used in operating activities** | (5,558) | (10,568) |

**INVESTING ACTIVITIES**

| | | |
|---|---|---|
| Purchase of intangible assets arising from exploration and evaluation of mineral resources | (7,791) | (11,130) |
| Purchase of property, plant and equipment | (264) | - |
| Proceeds from disposal of property, plant and equipment | 3 | 41 |
| Net cash used in investing in continuing activities | (8,052) | (11,089) |
| **Net cash used in investing activities** | (8,052) | (11,089) |
| Proceeds from issue of share capital | - | 27,412 |
| Share issue costs | - | (1,456) |
| **Net (decrease)/increase in cash and cash equivalents** | (13,610) | 4,299 |
| Cash and cash equivalents at start of the year | 20,075 | 15,899 |
| Effect of foreign exchange rate changes | (216) | (123) |
| **Cash and cash equivalents at end of the year** | 6,249 | 20,075 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the year ended 31 March 2015**

**1. General information**

Sable Mining Africa Limited is incorporated and domiciled in the British Virgin Islands under the British Virgin Islands Business Companies Act 2004. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 2 to 6.

These financial statements have been presented in US Dollars because this is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The non statutory financial statements for the year ended 31 March 2015 have been reported on by Sable Mining's auditors and contain an unqualified opinion (31 March 2014: unqualified opinion).

The full audit report is contained in the Company's Annual Report, which will be available on the Company's website by 30 September 2015.

The financial information contained in this document does not constitute statutory financial statements.

**2. Income tax expense**

| | 2015 | 2014 |
|---|---|---|
| | $'000 | $'000 |

| | | |
|---|---|---|
| **Loss before tax:** | (11,237) | (39,619) |
| Expected tax at the weighted average tax rate 18.20% (2014:23.55%) | (2,045) | (9,330) |
| Tax effect of expenses that are not deductible in determining taxable profit | 9 | 21 |
| Tax effect of losses not allowable | 668 | 974 |
| Tax effect of losses not recognised in overseas subsidiaries | 1,368 | 8,335 |
| **Tax charge for the period** | - | - |

The tax reconciliation has been prepared using the weighted average tax rates of the jurisdictions where the principal assets of its continuing activities are located.

The Group has operations in a number of overseas jurisdictions where it has incurred unrecognised taxable losses on continuing operations of $28,600,000 (2014: $26,541,000).

The Company is resident for taxation purposes in the British Virgin Islands and its income is subject to BVI income tax, presently at a rate of zero.

**3. Loss per share**

The calculation of the basic and diluted loss per share is based on the following data:

| | 2015<br>$'000 | 2014<br>$'000 |
|---|---|---|
| Loss for the purposes of basic earnings per share (loss for the year attributable to equity holders of the parent) | (10,339) | (47,827) |
| Loss for the purposes of basic earnings per share on continuing activities (loss for the year on continuing activities attributable to equity holders of the parent) | (10,329) | (38,039) |
| (Loss for the purposes of basic earnings per share on discontinued activities (loss for the year on discontinued activities attributable to equity holders of the parent) | (10) | (9,788) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 1,108,627,584 | 1,001,038,132 |
| Total number of shares in issue at the year end | 1,108,627,584 | 1,108,627,584 |
| Basic and diluted loss per share | (0.9 cents) | (4.8 cents) |

| | | |
|---|---|---|
| Basic and diluted loss per share on continuing activities | (0.9 cents) | (3.8 cents) |
| Basic and diluted loss per share on discontinued activities | (0.0 cents) | (1.0 cents) |

No dilution arises as a result of the loss for the year (2014: nil).

**4. Share capital**

| | Ordinary shares of no par value Authorised, allotted and fully paid | |
|---|---|---|
| | **Number** | **$'000** |
| At 1 April 2013 | 928,023,474 | 248,798 |
| Issue of shares on exercise of warrants | 450,000 | 14 |
| Issue of shares to fund group activities | 180,000,000 | 27,398 |
| Less share issue costs | - | (1,456) |
| At 31 March 2014 and 31 March 2015 | 1,108,473,474 | 274,754 |

On 29 May 2012, 50,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £1,000 cash was received for these shares.

On 5 October 2012, 50,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £1,000 cash was received for these shares.

On 16 October 2012, 100,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £2,000 cash was received for these shares.

On 7 January 2013, 150,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £3,000 cash was received for these shares.

On 8 February 2013, 200,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p.

£4,000 cash was received for these shares.

On 7 June 2013, 450,000 ordinary shares were issued pursuant to the exercise of warrants under the block admission dated 29 May 2012 with an exercise price of 2p. £14,000 cash was received for these shares.

On 5 November 2013, 180,000,000 ordinary shares were issued fully paid for cash at 9.5 pence per ordinary share.

The Company has one class of ordinary share which carries no right to fixed income.



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