

Lisungwe plc - Newstrack announcement 17 August 2007

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007

Lisungwe plc, the PLUS quoted mineral exploration company conducting operations through its subsidiary, Lisungwe Mineral Resources Limited (LMR) in Malawi, is pleased to announce its final results for the year ended 31 March 2007.

Chairman's statement

I am pleased to present my second annual report for the financial year to 31 March 2007. Following a first year of rapid development, further progress has been made, albeit not quite as we imagined a year ago; we have experienced delays at Chimwadzulu Hill, but more recently have made most encouraging progress at the newly acquired Chimimbe Hill Nickel prospect.

EXPLORATION

Stuart Brand, our managing director who has spent much of the past year in Malawi, deals fully with our exploration activities in his report which follows. In it he deals with the temporary suspension of our activities at Chimwadzulu Hill. We have been informed by the Minister of Mines and Energy that a new license has been signed and we expect to re-commence activity shortly. In the meantime, good progress has been made towards establishing a cost effective Nickel extraction process, vital if we are to achieve our objective of a commercially viable mining operation.

In addition, in May 2007 the Group acquired a new reconnaissance licence over an area known as Chimimbe Hill which is already showing indications of being prospective for Nickel in commercial quantities.

FINANCE

During the year we expended GBP312,000 on exploration in Malawi; this represents an increase over the previous period and is in line with the expectation when we published the offer for subscription document issued in April 2005. We have continued to keep overheads to the minimum throughout the year.

This continued exploration activity was made possible as a result of a new investment of GBP200,000 into the Company in September 2006 when new shares were issued at a price of 2.25 pence per share, a premium to the issues in May and June 2005.

It is in the nature of the Group's business that new investment funds are required from time to time so as to maintain and extend the exploration programme, to enhance the value of the Group and to enable further funds to be raised at ever increasing prices. To this end, the Group was pleased to announce the acquisition of the new reconnaissance licence at Chimimbe Hill as well as some early encouraging results from the Nickel bearing soils.

The Board has been encouraged by the response of Shareholders to the recent invitation to subscribe for new shares. To date, a total of GBP68,863 has been raised by the issue of 3,443,182 new Ordinary shares at a price of 2 pence per share. I am pleased to report that brokers have indicated they expect to raise the balance up to a total of GBP300,000, the sum which your Board believes is required at this stage in the Group's development.

At the annual general meeting the Board will seek renewed authority to issue new shares for cash. The precise cash requirement, timing, number of shares to be issued and the price will depend upon negotiations with advisers which your Board has commenced; I expect to be able to give Shareholders an update at the AGM.

METAL PRICES

The Offer for Subscription was launched during 2005 at a time when the gold price approximated to USD430 per ounce. As at 31 July 2007, the price of Gold had risen to USD665.75 per ounce.

Of greater interest given the nature of the exploration ground at Chimwadzulu and Chimimbe is the price of Nickel which has risen strongly during 2006 and 2007 from USD13,825 in early January 2006 to USD27,200 per tonne on 31 July 2006 and further to USD30,757 on 31 July 2007, although there has been some reduction from the peak of USD50,000 three months earlier.

Assuming a Nickel price of at least USD15,000 per tonne, the gross value of the contained Nickel before operating costs is estimated at USD225,000,000. The mineral processing work being undertaken as described by Stuart Brand is crucial before the Group is able to confirm that a commercially viable mining operation is possible.

These significant price increases reflect demand for these minerals from fast developing nations such as China and India coupled with declining stockpiles. Nickel is an essential ingredient in the production of stainless steel so is much in demand.

The price of Uranium hovered at about USD10 per lb from 1997 to 2003 since when it more than quadrupled to USD47.25 per lb at 31 July 2006 and further to USD120 at 31 July 2007.

There seems to be no immediate likelihood of demand slowing, hence the price increases.

OUTLOOK

Your Board is pleased with progress thus far and looks forward to establishing a resource which will in turn enable the Group to raise the funds to develop a commercial mining operation at both Chimwadzulu Hill and Chimimbe Hill. This success will aid the economy of Malawi as well as add to Shareholder value. We will continue to report progress as achieved at our Nickel prospects and of the continuing Gold, Copper and Uranium exploration activities.

SHAREHOLDER RELATIONS

The Company's shares are traded on PLUS. Details of dealings, current prices and all announcements may be found at www.plusmarketsgroup.com using the Company code 'LIS'. Daily prices are reported in the Financial Times and the London Evening Standard.

We intend to keep you informed of developments as they occur by the issue of news releases to PLUS and their circularisation to all our Shareholders. To receive an email copy of these releases, please register at www.lisungwe.com.

We look forward to meeting those of you able to attend our annual general meeting to be held on Tuesday 2 October 2007 at 3.00 pm.

BOARD

On 26 September 2006, the Board was pleased to appoint Shaun Dowling as an additional non-executive director. Shaun brings a wealth of experience in many avenues of business to your Board's deliberations; he is a great asset.

CONCLUSION

On your behalf, I thank our corporate adviser, solicitors, accountants, geological and other technical advisers as well as all my colleagues for their hard work and support during the period under review.

Finally, on behalf of the Board, I thank Shareholders for the trust and confidence they have placed in us. I look forward to reporting further progress as events unfold.

John Watkins

Chairman

17 August 2007

Managing director's report from Stuart Brand

EXPLORATION ACHIEVEMENTS DURING THE PAST YEAR

I am pleased to report that exploration for all of our main target minerals – Uranium, Gold, Copper and particularly Nickel – has continued with substantial progress achieved during the past year.

Gold

Gold exploration has focussed on the area of historical gold mining along a 12 km structural trend where ongoing overburden sampling has so far identified anomalous Gold with values

of almost 1 gpt along a strike length of 1.6kms. It is planned to carry out trenching over the best developed anomalies when the present sampling programme is complete.

Copper / Gold

A Copper/Gold anomaly, which is believed to be associated with north-south rift faulting, is being investigated at **Nyuzudzi** where a copper outcrop occurs with 1.5% Copper and almost 0.2gpt Gold. Hand auger traverses have defined Copper anomalies along a strike of over 1 km. Trenches across the strongest of these encountered a boulder assaying more than of 3% Copper. Further trenching is planned with the possibility of a ground geophysical survey to test for sulphide/Gold mineralisation at depth.

Uranium

The airborne Uranium anomalies defined by the 1987 airborne radiometrics survey on the licences are being systematically tested by detailed ground radiometric traverses with encouraging bedrock Uranium being identified, so far, at sub-economic levels. However, recent widely spaced, reconnaissance traverses carried out over a well developed airborne anomaly on the newly issued licence are proving encouraging with ground total count readings at a higher level than earlier surveys. It is planned to carry out detailed infill traverses with the objective of defining possible ore grade Uranium mineralization.

Nickel

Nickel exploration is being carried out at two main areas – **Chimwadzulu Hill** and the recently acquired **Chimimbe Hill**. Both prospects are associated with ultra-basic intrusive rocks with the Nickel occurring as a secondary enrichment zone close to the surface leading to relative ease of mining.

Chimwadzulu Hill

Exploration over the Chimwadzulu area has been carried out under an agreement dated 2000 between the Group's operating subsidiary, Lisungwe Mineral Resources Limited (LMR), and the then holder of the Mining Licence, Mineral Exploration (pvt) (Minex). During 2006 the assets of Minex were acquired by Nyala Mines Ltd (Nyala). Nyala applied for a new Mining Licence over the same area, the negotiation of which has caused a temporary suspension of ground activities at Chimwadzulu. However, it is understood that the new licence has been signed by the Minister on behalf of the Malawi government but not released to Nyala pending further negotiations regarding local shareholders.

LMR has an agreement with Nyala similar to that with Minex and is now awaiting the release of the licence in order that it can continue with its exploration programme at Chimwadzulu. Notwithstanding the temporary suspension of field work, important advances have been made on the resource estimate and mineral processing programmes as described below.

Chimimbe Hill

This area located 100 km west of Lilongwe, the capital of Malawi, is in an area of excellent infrastructure with abundant water, nearby power and is close to a rail-link to the newly modernised deep sea port of Nacala on the Mozambique coast to the East.

The area, a prominent ultra-basic intrusion with exciting nickel potential, was pin-pointed by LMR from a study of historical Geological Survey records. Following the granting of a Reconnaissance Licence in mid-May 2007, the potential of the area is already being indicated by an ongoing pitting programme. Furthermore, preliminary mineral processing tests are very encouraging.

EXPLORATION WORK IN PROGRESS

Current programmes at both Chimwadzulu Hill and Chimimbe Hill are broadly similar, consisting of:

- **Pitting** – to establish a shallow resource estimate.
- **Mineral processing test work** – to optimise the nickel extraction procedures to achieve production costs at a commercially acceptable level.
- **Chimwadzulu Hill pitting**

A total of 120 pits were dug to a target depth of 2 metres, where possible, over approximately 25% of the area. The majority of these finished in possible ore-grade material.

Pits over the remaining area will be completed to 2 metres as soon as possible, with infill where necessary to be followed by deepening to 4 metres where warranted. This will facilitate the calculation of a resource estimate to a 4 metre depth.

- **Chimimbe Hill pitting**

The pitting programme is expected to be in progress for several more months.

A total of 344 pits (c.590 metres in all) have been sunk since the issue of the licence which almost completes the first phase of pitting to an initial target depth of 2m along lines 100m apart. Preliminary assays of the material are in progress.

Potentially ore bearing material occurs in two main settings:

- In transported soils which contain nickel bearing material washed from mineralised material on the slopes of Chimimbe Hill. Many of the pits in this material contained average values in excess of 0.3% Nickel and commonly greater than 0.5%.
- In saprolites (highly weathered bed rock). Of the pits which first intersected saprolites, two have been deepened to 4 metres in harder but still mineralised rock. Preliminary assays from these indicate average Nickel values of about 1%.
- The latest analyses have confirmed the presence of extensive, strongly mineralised saprolites on the elevated slopes of Chimimbe Hill. Average grades are commonly in excess of 0.5% Nickel, rising to a high of 0.9% with many pits ending in mineralised material containing values between 0.6% and 1.1%. Assays from a large number of further pits are awaited.
- In addition to saprolites occurring extensively on the hillside, it is believed that they could occur widely below the soils and on its flanks below the mineralised soils.
- It is expected to complete infill pitting and the deepening of pits, initially to 4 metres where warranted within the next four month period. During this time, it is also hoped to carry out preliminary drilling to examine the general depth of mineralisation prior to planning a full scale drilling programme.

NICKEL RESOURCES ESTIMATES

Speculative estimates based on certain preliminary assumptions suggest that each of the deposits at Chimwadzulu Hill and Chimimbe Hill could contain in excess of 3 million tonnes of ore-grade Nickel bearing material.

Assuming a grade of 0.5% Nickel, this would indicate 15,000 tonnes of nickel.

MINERAL PROCESSING

A substantial amount of work has been undertaken during the past year towards establishing a cost effective method by which Nickel may be extracted and turned into a marketable product. This research is ongoing.

Mineral processing test work is designed to optimise the Nickel extraction procedures so as to achieve production costs at a commercially acceptable level. One of the main costs of production is of sulphuric acid for the Nickel leaching process. These tests are being carried out by Wardell Armstrong International Ltd in their laboratory in the UK.

Normal sulphuric acid leaching processes fall into two main types:

- **Vat leaching** requires a particle size of less than 250 microns, that is, 0.25mm, to ensure that the material stays in suspension in the vats. This process needs to be completed in a very few days since a longer time could result in prohibitive costs
- **Heap leaching** requires a coarse particle size and the process can take several months.

Mineral processing tests of samples from **Chimwadzulu** so far are:

- **Hot acid extraction tests** on 3 samples achieved a remarkable 99% recovery of the Nickel within one day.

- **Cold acid extraction tests** on 13 samples achieved over 79% recovery of the Nickel in one week and almost 95% after 6 weeks.
- **Particle size analysis.** Detailed studies of selected, weathered, nickel bearing saprolites and soils demonstrated that approximately 85% of the Nickel is contained in the finest grained fraction of less than 0.25mm. This opens up the possibility of screening off and discarding the coarser material which is expected to result in a significant reduction in the amount of acid required and therefore of the cost.
- **Acid strength and temperature tests** are in progress. These tests examine the extraction times and acid consumption using different acid strengths and temperatures for a possible vat leaching operation, the results of which are awaited.
- **Heap leaching tests.** A 200kg sample of coarse material for heap leaching tests has been collected and is awaiting shipping.

Mineral processing tests of samples from **Chimimbe Hill** so far are:

- Test work on representative samples of the soils and saprolites is currently being conducted in the UK by Wardell-Armstrong International Ltd with the objective of optimising Nickel extraction procedures.
- Preliminary test work on a random specimen of saprolite, returned a very encouraging Nickel recovery of greater than 87%, using cold, aqueous, sulphuric acid over a 28 day period.
- Preliminary, on-site tests suggest that the bulk of the soils consist of particles of less than 250 microns which would be amenable to relatively inexpensive vat-leach extraction.

EXPLORATION LICENCES

In accordance with normal practice, we are required to surrender part of the exploration ground after a pre-defined period. Accordingly, we have selected and surrendered certain grounds no longer considered to be prospective and coupled this with the successful application for new areas; in August 2006 LMR was granted a Reconnaissance Licence over 2,195 sq kms for Uranium and in May 2007 over the 12sq kms Chimimbe Hill for Nickel. The result of these changes is that our overall exploration ground is reduced from 5,375 sq kms in 2005 to 3,567.5 sq kms in July 2007.

PERSONNEL

Our core team remains the same as that for the previous period with Dick Sanders and myself planning and supervising the field programmes, being strongly supported in Malawi by the directors of LMR – Grain Malunga and Wren Banda.

Grain, a professional geologist, has held the post of Director of Mines and, until recently, was Principal Secretary for the Ministry of Irrigation and Water Development. He now runs his own private consultancy specializing in the mineral industry, environmental matters, water and sanitation.

Wren continues to use his considerable field experience gained over many years as a senior officer in the Geological Survey of Malawi. In addition to facilitating day to day field progress and liaison with local people, he takes care of local expenditure monitoring and personnel matters.

Further to the mineral processing consultancy provided by Wardell Armstrong International Ltd., we are very happy to welcome Bernard Siddall to Lisungwe as an internal consultant. Bernard is a mineral processing engineer with over 40 years hands on industry experience in Africa, Australia and elsewhere and his considerable expertise in Nickel extraction processing is proving invaluable to our projects.

All members of staff are strongly encouraged by the progress made during the year and are looking forward to continued positive development of the Group and the effect it will make to their lives. Our field workers have continued to respond well to project work, most recently at the Chimimbe nickel project exploration camp in an area far from their homes.

Our exploration progress continued to be supported by the use of numerous casual workers recruited from local communities. As is normal in Malawi, LMR has been warmly welcomed

by officials and local people alike who openly express their appreciation of the benefits resulting from our presence in a rural area with very little employment.

GOVERNMENT RELATIONS

Lisungwe continues to be supported by the Ministry of Mines and Energy, the Department of Mines who have speedily facilitated the export of samples for testing and the Geological Survey who supplied us with reports one of which led us to the Chimimbe Hill prospect. We also wish to extend our appreciation to the Minister of Mines and Energy for frank discussions on Government policy and to the many officials at all levels who have given freely of their time in such a friendly manner.

Stuart Brand

Managing director

17 August 2007

Results and dividends

The results for the year and the financial position of the Group and Company are show in the following financial statements.

The Group has incurred a pre-tax loss of GBP470,252 (2006 restated: Loss of GBP385,450).

The Group and Company have net assets of GBP702,188 (2006: GBP849,742) and GBP1,282,140 (2006: GBP1,110,440) respectively.

The Directors do not recommend the payment of a dividend.

Consolidated profit and loss account for the year ended 31 March 2007

| | Year ended 31 March 2007 GBP | Period 8 February 2005 to 31 March 2006 (as restated) GBP |
|--|--|--|
| Turnover | - | - |
| Exploration costs | 311,870 | 252,555 |
| Gross loss | <u>(311,870)</u> | <u>(252,555)</u> |
| Administrative expenses | (70,697) | (48,756) |
| Operating loss | <u>(382,567)</u> | <u>(301,311)</u> |
| Interest receivable | 5,760 | 9,306 |
| Amortisation of goodwill | (93,445) | (93,445) |
| Loss on ordinary activities before and after taxation | <u>(470,252)</u> | <u>(385,450)</u> |
| | | |
| Loss per share – basic and diluted | <u>(0.32) pence</u> | <u>(0.30) pence</u> |

There were no acquired or discontinuing operations during the year. The operation involving exploration costs was acquired in the previous accounting period.

Consolidated statement of total recognised gains and losses for the year ended 31 March 2007

| | Year ended 31 March 2007 | Period 8 February 2005 to 31 March 2006 (as restated) GBP |
|---|-----------------------------------|--|
| | GBP | GBP |
| Loss for the financial period | (470,252) | (385,450) |
| Unrealised translation differences on foreign currency net investments | 100,022 | 83,174 |
| Total recognised gains and losses relating to the period | <u>(370,230)</u> | <u>(302,276)</u> |
| Prior year adjustment – as explained in Note 15 | (15,244) | |
| Total gains and losses recognised since the last annual report | <u>(385,474)</u> | |

Consolidated balance sheet as at 31 March 2007

| | 31 March 2007 | 31 March 2006 (as restated) |
|--|----------------|--------------------------------|
| | GBP | GBP |
| Fixed assets | | |
| Intangible assets | 560,669 | 654,114 |
| Tangible assets | 34,035 | 20,266 |
| | <u>594,704</u> | <u>674,380</u> |
| Current assets | | |
| Debtors | 28,357 | 17,074 |
| Cash at bank | 98,691 | 188,506 |
| | <u>127,048</u> | <u>205,580</u> |
| Creditors – amounts falling due within one year | (19,564) | (30,218) |
| Net current assets | <u>107,484</u> | <u>175,362</u> |
| Total assets less current liabilities | <u>702,188</u> | <u>849,742</u> |
| Capital and reserves | | |
| Called-up share capital | 76,459 | 72,014 |
| Share premium account | 1,260,315 | 1,064,760 |
| Share option reserve | 37,920 | 15,244 |
| Profit and loss account | (855,702) | (385,450) |
| Other reserves | 183,196 | 83,174 |
| | <u>702,188</u> | <u>849,742</u> |

| | | |
|-----------------------------------|---------|---------|
| Equity shareholders' funds | 702,188 | 849,742 |
|-----------------------------------|---------|---------|

Company balance sheet as at 31 March 2007

| | 31 March 2007 GBP | 31 March 2006 (as restated) GBP |
|--|----------------------|---------------------------------------|
| Fixed assets | | |
| Investments | 1,169,945 | 915,277 |
| | <u>1,169,945</u> | <u>915,277</u> |
| Current assets | | |
| Debtors | 25,985 | 15,990 |
| Cash at bank | 97,657 | 185,416 |
| | <u>123,642</u> | <u>201,406</u> |
| Creditors – amounts falling due within one year | (11,447) | (6,243) |
| Net current assets | <u>112,195</u> | <u>195,163</u> |
| Total assets less current liabilities | <u>1,282,140</u> | <u>1,110,440</u> |
| Capital and reserves | | |
| Called-up share capital | 76,459 | 72,014 |
| Share premium account | 1,260,315 | 1,064,760 |
| Share option reserve | 37,920 | 15,244 |
| Profit and loss account | (92,554) | (41,578) |
| | <u>1,282,140</u> | <u>1,110,440</u> |
| Equity shareholders' funds | <u>1,282,140</u> | <u>1,110,440</u> |

Consolidated cash flow statement for the year ended 31 March 2007

| | Year ended 31 March 2007 GBP | Period 8 February 2005 to 31 March 2006 (as restated) GBP |
|---|--|--|
| Net cash outflow from operating activities | (266,269) | (182,009) |
| Returns on investments and servicing of finance – bank interest | 5760 | 9,306 |

| | | |
|--|------------------|------------------|
| Capital expenditure and financial investment | (29,306) | (28,007) |
| Cash outflow before financing | <u>(289,815)</u> | <u>(200,710)</u> |
| Financing | 200,000 | 389,216 |
| (Decrease)/increase in cash in the year | <u>(89,815)</u> | <u>188,506</u> |

The information contained in this announcement has been extracted from the audited financial statements which were approved by the board of directors on 17 August 2007; the auditors, Messrs Thompson & Company, signed their audit report without qualification on 17 August 2007.

From 31 August 2007 copies of the full report and financial statements will be available from the company's registered office, Nettlestead Place, Nettlestead, Maidstone, Kent ME18 5HA or from the company's website www.lisungwe.com.

The Directors of Lisungwe plc accept responsibility for this announcement.

ENQUIRIES:

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