MEDIA MONITORS

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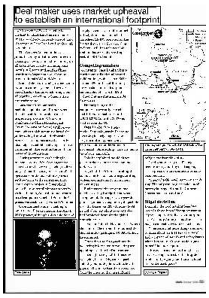

Deal maker uses market upheaval to establish an international footprint

TONY SAGE WOULD probably be the first to admit that there are many investors who are not really sure of what his company Cape Lambert Iron Ore Ltd is all about.

The Western Australian-based junior has a myriad of mineral interests crossing a slew of commodities in projects all around the world – including base metals in Queensland, gold in China, uranium in Argentina and, of course, iron ore (in both WA and Africa).

Some of them are wholly-owned, while others are minority stakes. However, one of the key things which bring them all together, according to Sage, is their enterprise value.

Last year Cape Lambert's portfolio expanded significantly when it sold one of its namesake iron ore magnetite projects in WA to Chinese conglomerate China Metallurgical Group Corporation for $400 million – a transaction which not only allowed the junior to buy the troubled Minerals Securities and its associated assets, but also helped it establish strategic stakes in a number of other entities that all have potential growth stories.

During a recent press briefing in his home state of WA, Sage suggested the resources house was gearing up for a busy 12 months, with plans to both float operations on the market in separate entities (such as the revitalised Lady Annie copper project in Queensland) and sell a number of minority stakes in various London, Australian and Toronto-listed companies which, at September's prices, were collectively worth $75 million

Cape Lambert was also looking to pay a $50 million dividend in the March 2010 quarter, although this would depend largely on the successful re-launch of Lady Annie, an established unhedged SX-EW operation in the Mt Isa district which – according to Sage – still has a 25 year life and an historic cash operating cost of US$1.10/pound.

Tony Sage

Compelling numbers

As it stands, Cape Lambert has a market capitalisation of around $250 million, cash assets of $65.4 million, $80 million still coming in from the Chinese deal plus convertible notes worth $39.6 million that are maturing inside 24 months.

Not surprisingly, the company has recently attracted institutional investors from the UK (18.3%), Australia (7.3%) as well as from the US.

Cape Lambert's business model, Sage said, was built around investing in early stage resource projects and companies which were considered undervalued or distressed before adding value through a "hands on" approach.

This, he explained, would either position the assets for development and/or sale.

Sage told the WA press briefing the current market turmoil was generating widespread and quality investment opportunities.

Furthermore, the company had acted at exactly the right time when it implemented its aggressive growth plans, significantly expanding its portfolio over the December 2008-January 2009 period when just about everyone else had hunkered down for the global financial crisis.

"I was in China in November … (when) the Chinese Government announced the then stimulus package of US$660 billion," he explained.

"I was there at the speech and it was being interpreted to me – they are spending it on hard infrastructure.

"I thought to myself that nothing was going to stop. OK, their export industry might stop for a while, but these guys don't want to lose their workforce from the cities, so they are building bridges, roads and hospitals.

The Sappes gold project in Greece, which Cape Lambert wholly-owns.

"And what do they need? They need iron ore, and they need copper, so the prices of these commodities have been buoyant.

"Their (the Chinese) juggernaut can't stop. The only way to get people out of poverty is to spend, and the Chinese Government realises that."

Slight deviation

Ironically, the deal making Sage has recently found himself being something of project operator (albeit on a marginal scale) at Lady Annie, despite the fact he has, in the past, vowed never to be one.

"There are a lot more things you have to think about, such as environmental and occupational health and safety issues, which is why I don't want to do it (be a miner)," he later explained.

"But it's a convenience thing for us – it's covering our costs of holding the intellectual property and there's a lot of ore on the leach pads."

By Mark Fraser

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