

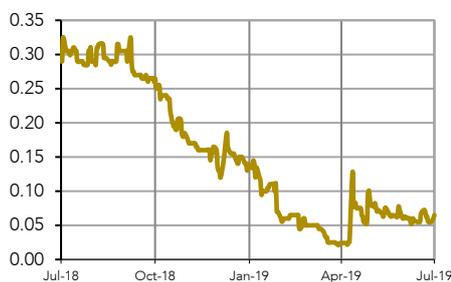
MINING FLASHNOTE

Edenville Energy PLC (EDL AIM)

18 July 2019

Stock Data

Share Price:	0.065p
Market Cap (M):	£2.9
EV (M):	£3.2

Price Chart

52 Week Range

0.365p	0.065p
0.017p	

Company Summary

Edenville Energy is a developing coal producer in south-west Tanzania. Originally developed to produce coal for a proposed coal fired power station, the postponement of this project has necessitated Edenville seeking other markets.

MAIN SHAREHOLDERS	HOLDING
Brandon Hill + Directors	23.51%
Pitchcroft Capital + Director	23.30%
Spreadex	7.18%
Edenville Directors	5.4%

Source: Edenville Energy & Bloomberg

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Edenville Announces A Mining Update at its flagship Rukwa Coal Project

Event

Edenville Energy PLC ("Edenville") has announced that coal mining has now commenced in the new Northern Mining Area (the "Northern Area") following the overburden stripping and exposing of coal, announced on 27 June 2019.

Highlights

A number of key positives have emerged from the exposure of the Northern Area coal measures:

- The main coal measures that have been exposed and are being mined are approximately 20m thick (in certain areas coal measures up to 40m thick starting approximately 2m from surface have been identified). This compares to coal measures of approximately 3.5m thickness in the previously mined areas
- Analysis of unwashed Northern Area coal is returning energy values averaging 6,200kcal/kg, the highest being over 6,800kcal/kg. These energy values are significantly higher than those seen in previously mined areas, which averaged approximately 5,000kcal/kg; and
- Average daily washed coal production is increasing, with 730t produced from 1 July to 15 July 2019, including a record daily production of 102 tonnes of washed coal on 15 July 2019 from a single shift.

Comment

This is the most positive news to come out of Tanzania for Edenville for a long time. It is always good to see production records being broken, even if they are coming off a low base.

It has only been three weeks since mining started in the Northern Areas and already extensive coal measures have been uncovered. An added bonus is that the quality of the uncovered coal is far better than had been anticipated.

As we commented in our last flashnote, the lower strip ratio will lower the mining costs and boost productivity, further aided by the greater thickness of the coal seams in the Northern Area. Coal is also starting to be uncovered to the west of the already exposed coal measures within the Northern Area. This will be progressively uncovered in the future, but for now mining is concentrating on further opening up the coal measures, both north and south, along the strike of the coal in the Northern Area. This will ensure that there is plenty of ROM coal ahead of the wash plant.

The freshly uncovered coal measures appear consistent with only moderate amounts of material such as mudstone currently seen within the seam structure. The Directors believe that a portion of this coal has the potential to be screened and sold unwashed owing to its already high calorific value.

The wash plant is continuing to increase production from the low levels in Q2 2019, averaging 60t of washed product produced from the original mining area per day on a single shift. Once sufficient material from the Northern Area is available, the Directors expect the wash plant to move back to a double shift basis. As well as increased throughput rates, the Directors believe the recent upgrades to the plant will result in less plant downtime and allow a more consistent production profile to be achieved at the Project. A consistent production profile is very important regarding product quality, which should help sales.

With the screening of the stockpiled coal, the opening up of the Northern Area, the improved performance of the washing plant and the ability to screen coal and sell it without having to wash it, production is expected to expand swiftly. Consequently, it is expected that within the next nine months, Edenville will reach its breakeven level of 6,000tpm.

Selling coal was never the major issue for Rukwa. It was production. The recent measures that have been taken to improve production appear to be working well, and BHC expects that higher sales tonnages will follow.

Research Disclosures

Peter Rose

Peter has 33 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 12 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 18 July 2019

<u>Company Name</u>	<u>Disclosure</u>
Edenville Energy PLC (EDL AIM)	1, 2, 7, 8, 9

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