

Northland Capital Partners View on the City

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Northland Capital Partners Limited Morning Report: Savannah Resources; Edenville Energy

SAVANNAH RESOURCES (LON:SAV)

SECTOR - MINING

RATING - CORP*

MARKET CAP - £57.7m

CURRENT PRICE - 6.7p#

ANALYST - BARRY GIBB

DR RYAN LONG

Year-end Dec

2016A

2017A

Revenue (£m)

-

-

No forecasts provided

EBITDA (£m)

(1.8)

(2.8)

Adj. pre-tax Profit (£m)

	(1.8)
	(2.8)
Adj. EPS (p)	
	(0.46)
	(0.53)
DPS (p)	
	-
	-
Net Cash/(Debt) (£m)	
	0.7
	1.2
P/E (x)	
	-
	-
Dividend yield (%)	
	-
	-
EV/EBITDA (x)	
	-
	-

SOURCE: Northland Capital Partners Limited estimates. #Priced at prior trading day close. *Northland Capital Partners Limited acts as Nomad and provides commissioned research coverage to Savannah Resources and therefore this information should be viewed as a Marketing Communication.

Settlement of Portuguese project deferred consideration

- Savannah Resources announced that it has commenced the settlement of the second and final deferred consideration tranche in accordance with the terms of the acquisition of the Company's portfolio of Portuguese projects in May 2017, which includes the flagship Mina do Barroso Project ('Milestone 2').
- In accordance with the share purchase agreement dated 24 May 2017 between the Company and the vendors of the Company's Portuguese lithium portfolio, the Company has commenced the settlement of the Milestone 2 deferred consideration of AUD1.5m cash and the issue of 20,000,000 new ordinary shares, which will be subject to orderly market provisions for six months.
- The Milestone 2 payment was triggered following the Company's announcement dated 10 September 2018, in which Savannah reported Western Europe's largest JORC-compliant spodumene lithium Mineral Resource of 20.1Mt at 1.04% Li₂O. This comprises a further JORC-compliant Mineral Resource of 7.5Mt at no less than 1% Li₂O in excess of the Milestone 1 target (initial JORC-compliant Mineral Resource exceeding 7.5Mt at greater than 1% Li₂O, which was announced on 26 February 2018 and settled in March 2018). Settlement of Milestone 2 represents the full and final satisfaction of the consideration payable to the Vendors. The Deferred Equity Consideration will be issued at 6.75 pence per Ordinary Share, and it is expected that Admission will become effective on or around 12 October 2018.

Moving forward as expected. Settlement of the second and final deferred consideration is now underway, providing visibility as the Company advances towards making a development decision for its flagship lithium project next year. This progress should offer the potential for a long-life asset that can anchor the up-stream end of the European lithium value chain, with the region being the world's second largest consumer.

COMPANY DESCRIPTION

Savannah Resources is an energy metals group with copper-gold projects located in Oman, lithium projects in Portugal, and a operates a mineral sands project in Mozambique that is a JV with Rio Tinto

Edenville Energy (LON:EDL)

SECTOR - MINING

RATING - CORP*

MARKET CAP - £4.1m

CURRENT PRICE - 0.26p#

ANALYST - BARRY GIBB

DR RYAN D. LONG

Year-end Dec

2016A

2017A

Revenue (£m)

-

-

No forecasts provided

EBITDA (£m)

(3.2)

(1.2)

Adj. pre-tax Profit (£m)

(3.2)

(1.2)

Adj. EPS (p)

(0.5)

(0.1)

DPS (p)

-

-

Net Cash/(Debt) (£m)

0.1

0.8

P/E (x)

-

-

Dividend yield (%)

EV/EBITDA (x)

SOURCE: Northland Capital Partners Limited estimates. #Priced at prior trading day close. *Northland Capital Partners Limited acts as Nomad and Broker to Edenville Energy and therefore this information should be viewed as a Marketing Communication.

Significant contract for the supply of a specialised coal product

- Edenville Energy plc announced that that it has signed a significant contract for the supply of a specialised coal product. The customer, an industrial group operating in East Africa, will use the coal as part of its manufacturing process.
- Edenville has been working with this customer for some time to create a product specifically suited to its operations and has been supplying test batches of coal to match its needs. The upgrades currently being undertaken at the Company's Rukwa project site will ensure this contract, along with our other customer deliveries, can be met.
- The customer's initial contract duration extends to a period of two years, supplying coal with an average gross calorific value of 5,500kCal/kg. Pricing has been agreed and is based on local commercial rates; the customer will be responsible for transport from the mine gate for the contract which is to supply of 3,500 tonnes per month with an option for the customer to increase this to as much as 6,000 tonnes per month.

In our view, Edenville's signing of its largest single coal contract to date demonstrates the viability of its business plan to become a significant supplier of coal in east Africa. Taken together the Company now has regular supply agreements for in excess of 8,000 tonnes per month, and is now busy implementing expansion plans at its site in anticipation of confirming further medium-to-longer term supply contracts. Management is also seeking to deepen its client relationships and raise prospective interdependence by examining ways in which it might further assist customers with mining related tasks going forward. Rufus Short, CEO of Edenville noted "I look forward to providing further updates on the progress of the operation as we continue to establish the project as a significant supplier of coal in East Africa".

COMPANY DESCRIPTION

Edenville Energy is moving the Rukwa Coal Project towards near-term production alongside advancing its Coal to Power Project.

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