

# Edenville Energy PLC

13:32 06 Sep 2019

## Equities rangebound ahead of US labour data

Edenville Energy\* (LON:EDL) - £300k equity raise

Serabi Gold (LON:SRB) - Coringa PEA results

Dow Jones Industrials +1.41% at 26,728

Nikkei 225 +0.54% at 21,200

HK Hang Seng +0.66% at 26,691

Shanghai Composite +0.46% at 3,000

FTSE 350 Mining -0.38% at 18,044

AIM Basic Resources -1.28% at 2,266

### Economics

US - Equity futures are up this morning ahead of the NFP data (160k exp v 164k in July).

Markets are finishing the week on a high note following the restart of US/China trade talks as well as reduced chances of a disruptive Brexit and a potential resolution to the political crisis in Hong Kong.

Jerome Powell is expected to speak on the economic outlook at an event in Zurich later today.

Trump continued to criticise the Fed for failing to keep up with market expectations and cut rates at accelerated pace - "if the Fed would lower rates to where the bond market says they should be, then I really wouldn't worry about a recession".

Gold prices posted the biggest decline since Nov/16 on the back of optimism in trade talks and better-than-expected US economic numbers including factory orders and services PMI.

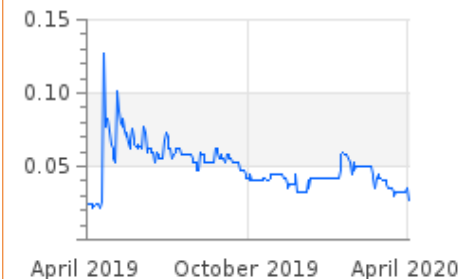
**Germany** - A contraction in the manufacturing sector continues with the industrial production posting the 11th YoY decline in the last 12 months in July.

Poor start to Q3 as well as weak new orders data pointing to further declines in the future highlight the need for

**Price:** 0.0275

**Market Cap:** £1.87 m

### 1 Year Share Price Graph



### Share Information

**Code:** EDL

**Listing:** AIM

**52 week** **High** **Low**  
0.45 0.018

**Sector:** Coal

**Website:** [www.edenville-energy.com](http://www.edenville-energy.com)

### Company Synopsis:

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*Edenville Energy PLC is the holding company of an exploration and development group focused on progressing Tanzania's Rukwa Coalfields towards commercial development.*

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fiscal/monetary policy.

Should the sector continue to contract, there is an increasing chance the economy entered a technical recession in Q3, Bloomberg reports.

Industrial Production (%mom/yoy): -0.6/-4.2 v -1.1/-4.7 in June and 0.4/-3.9 forecast.

**UK** - The opposition leader Jeremy Corbyn is said to be meeting with other opposition parties to discuss support and a possible date for a snap election, Reuters reports.

"These are things which are subject to discussion at the moment, not just my party, but with other parties as well," Labour foreign affairs spokeswoman said on Friday.

PM Johnson is pushing for an election on October 15.

**Iran** - Tehran has dropped another constraint of the 2015 nuclear deal re-starting nuclear research and development as of today.

This marks a third retaliatory suspension of compliance with a provision of the accord in response to increased sanctions' pressure from the US.

A \$15bn line of credit from the EU to compensate Iran for not being able to sell its oil abroad is also looking to be falling through.

President Trump took the US out of the accord in May 2018 criticising the previous agreement.

**Hong Kong** - Fitch Ratings downgraded Hong Kong long term foreign currency debt to AA (from AA+) marking the first downward revision since 1995.

The revision is a reflection of general weakening global growth outlook as well as local political crisis related challenges.

Additionally, the closer integration of Hong Kong with China is consistent with narrowing the difference between the ratings of the two, Fitch commented on the decision.

Hong Kong is currently rated at least two notches above China by all three of the major rating companies.

## Currencies

**US\$1.1037/eur vs 1.1033/eur yesterday. Yen 107.05/\$ vs 106.45/\$. SAR 14.782/\$ vs 14.776/\$. \$1.231/gbp vs \$1.223/gbp. 0.683/aud vs 0.681/aud. CNY 7.118/\$ vs 7.137/\$.**

## Commodity News

### Precious metals:

**Gold US\$1,508/oz vs US\$1,548/oz yesterday**

**Gold ETFs 79.3moz vs US\$79.4moz yesterday**

**Platinum US\$941/oz vs US\$984/oz yesterday**

**Palladium US\$1,555/oz vs US\$1,558/oz yesterday**

**Silver US\$18.28/oz vs US\$19.47/oz yesterday**

#### **Base metals:**

**Copper US\$ 5,822/t vs US\$5,754/t yesterday**

**Aluminium US\$ 1,780/t vs US\$1,769/t yesterday**

**Nickel US\$ 17,405/t vs US\$17,680/t yesterday**

**Zinc US\$ 2,324/t vs US\$2,310/t yesterday**

**Lead US\$ 2,031/t vs US\$2,056/t yesterday**

**Tin US\$ 17,325/t vs US\$17,475/t yesterday - Shanghai tin set for best week on record**

Planned production cuts by major tin producers have seen Shanghai tin heading for its best week on record, despite dipping slightly on Friday. Prices in London were also set to post the best weekly gain in years (Reuters).

Producers plan to reduce production by 30,000 tonnes this year including China's Yunnan Tin, the world largest producer, whom have pledged to cut 10% of its output from its 2019 target (Fastmarkets MB).

Traded tin has risen 9.7% so far this week on the Shanghai Futures Exchange, and benchmark tin on the LME is still rising 6% so far this week, on course for its best week since March 2016.

#### **Energy:**

**Oil US\$61.0/bbl vs US\$60.5/bbl yesterday**

**Natural Gas US\$2.410/mmbtu vs US\$2.438/mmbtu yesterday**

**Uranium US\$25.20/lb vs US\$25.25/lb yesterday**

#### **Bulk:**

**Iron ore 62% Fe spot (cfr Tianjin) US\$87.5/t vs US\$88.6/t**

**Chinese steel rebar 25mm US\$555.5/t vs US\$553.7/t**

**Thermal coal (1st year forward cif ARA) US\$65.5/t vs US\$64.8/t**

**Coking coal futures Dalian Exchange US\$208.6/t vs US\$202.5/t**

**Other:**

**Cobalt LME 3m US\$35,500/t vs US\$35,000/t**

**NdPr Rare Earth Oxide (China) US\$46,013/t vs US\$45,185/t**

**Lithium carbonate 99% (China) US\$7,025/t vs US\$7,005/t**

**Ferro Vanadium 80% FOB (China) US\$38.6/kg vs US\$38.6/kg**

**Antimony Trioxide 99.5% EU (China) US\$5.0/kg vs US\$5.0/kg**

**Tungsten APT European US\$198-205/mtu vs US\$210-225/mtu**

## **Battery News**

### **China targets 12-fold increase in EV fleet by 2035**

China is alleged to be exploring an ambitious new initiative that aims to make 60% of all new auto sales electric by 2035 (Bloomberg).

The proposed increase in EV market share would represent 12 times current sales, which currently make up just 5% of the market in the world's second largest economy.

The sheer scale of China's auto sales market weighs heavily on global EV sales. Currently, around half of all EV sales come from China.

In July, global sales fell for the first time on record, a slump that was largely attributed to a slowdown in the Chinese market, itself a product of government cuts to EV subsidies.

Cutbacks on subsidies have raised fears that China's homegrown, state-supported EV manufacturers may not have the resources to fuel a renewed push for electrification.

Foreign investment may ease such fears: the VW group plans to deliver 22 million EVs by 2028, with more than half of them made in China, per chairman of the board Dr Herbert Diess.

### **£55m Pledged for UK electric vehicle battery research**

The Faraday Institution has allocated the funds to aid developing battery storage technology. The government's aim to upgrade battery production and speed up the EV transition has meant the industry has seen funds come from the Industrial Strategy Challenge Fund (ISCF).

The five new projects which have received funding focus on overcoming challenges particularly improving performance and cost characteristics.

A project led by Oxford University will attempt to upgrade electrodes for lithium-ion (Li-ion) batteries, potentially giving

EVs more range and making batteries more durable. Advances in this aspect of EV technology may result in an increase in EV purchases, as a recent survey found that 57% of UK motorists cited limited battery range as a concern when considering buying an electric vehicle (Autovista Group).

### **New York- based watchdog criticises weak regulation in rare earth industry**

Findings presented in a report by the Business & Human Rights Resource Centre (BHRRC) revealed that 87% of the 23 largest companies mining cobalt, copper, lithium, manganese, nickel and zinc have faced allegations of abuse including land rights infringements, corruption, violence or death over the past 10 years.

BHRRC's deputy director said that in many of the countries where minerals are mined, weak regulation, poor enforcement and lack of rule of law have meant many companies have escaped scrutiny (Guardian).

Cobalt mines in The Democratic Republic of Congo saw the highest number of allegations of human rights abuses; 31 allegations were made between 2007 and 2019.

In order to prevent further violation, the BHRRC has launched an online interactive tool in an attempt to improve human rights throughout the supply chain.

### **Company News**

#### **Edenville Energy\* (LON:EDL) 0.06p, Mkt Cap £2.5m - £300k equity raise**

The Company raised £300k in equity placing 600m shares at a price of 0.05p.

The proceeds will fund working capital requirements as the Company ramps up mining and processing rates.

The Company has recently acquired two new 30t mining trucks helping to increase mining rates at the newly developed Northern area.

At the processing plant, the management decided to increase shifts at the wash plant to accommodate increased flow of ROM ore.

Additionally, the Company will be settling outstanding £25k in creditor balances by issuing 50m new shares.

The management reiterated its guidance for reaching cash flow positive status during H1/20.

\*SP Angel acts as Nomad and Broker to Edenville Energy

#### **Serabi Gold (LON:SRB) 83.5p Mkt value £48.9m - Coringa PEA results**

Serabi Gold reports the results of a Preliminary Economic Assessment (PEA) on its wholly owned Coringa gold project in Para State, Brazil.

The base case assessment envisages producing an average of approximately 38,000oz pa of gold at an average all-in-sustaining cost of US\$852/oz over a 9 years mine life from the underground mining of Coringa, which is located some 200km from Serabi's existing Palito mine. The company's guidance expects Palito to produce 40-44,000oz of gold this year.

Using a relatively conservative gold price assumption of US\$1275/oz, the base case expects that pre-production capital expenditure of US\$24.7m (and further sustaining capital of US\$9.2m over the mine's life) is expected to generate an after tax NPV10% of US\$30.7m and IRR of 31%.

Sensitivity analysis presented in today's announcement shows that, at a gold price of US\$1450/oz, after tax NPV10% increases by approximately 80% to US\$56.1m and IRR rises to 46%. A 10% reduction in operating costs is estimated to improve the after tax NPV10% US\$41.1m while a 10% increase in operating costs is expected to reduce the NPV to US\$20.2m. A 10% higher level of capex reduces the NPV to US\$28.4m while a similar reduction in capex increases the NPV to approximately US\$33m.

The project was permitted with the State Authorities by the previous owners in 2017 and is expected to start development at the end of Q2 2020 and deliver the first ore approximately 9 months later.

Mining is expected to use similar methods of open-stopping to those employed at Palito and will be owner operated using the skills and expertise developed there. "The Coringa project will utilise a process plant which is located at site, awaiting assembly. The plant has been previously operated, in Brazil, on a continuous basis producing gold bullion. The plant has a total milling capacity of approximately 580 tonnes per day ("tpd") using two ball mills."

Given the understandable political and ecological sensitivities surrounding tailings disposal in Brazil, we are encouraged to see that Coringa is to employ a filter press and the dry stacking of de-watered tailings.

Commenting on the development and expansion potential of Coringa, CEO, Mike Hodgson, explained that "The Coringa PEA also does not reflect the longer term growth potential of Coringa " and pointed to opportunities to extend the initial mine life as well as the possible impact of developing Coringa on the wider investment case for Serabi Gold. On this point, in our opinion, following the merger of Randgold Resource into Barrick, the recommendation that Acacia Mining is also subsumed into Barrick and the possible acquisition of the balance of Avesoro Mining by its major shareholder, an opportunity may be opening up for a growing, London-listed gold producer to attract investor interest in a rising gold price environment.

The company also reported that "Other potential ore bodies have been identified and subject to further evaluation could extend the current life of the project. In addition, the Coringa deposit is hosted within a seven kilometre zone of past artisanal mining activity comprising a series of shallow pits which exploited the soft, near-surface oxidised ore but were abandoned at about 20 to 25 metre depths when the artisanal miners encountered the underlying hard rock sulphide ore."

Mr. Hodgson also explained that "Over the coming months we will be looking to optimise the mine plan to achieve full production rates quicker without any significant change in the overall capital requirement".

**Conclusion:** The conclusion of the PEA for Coringa points the way for a project which can almost double Serabi Gold's production rate by mid-to late 2021. Further more detailed work and project optimisation has the potential to enhance the returns reported in today's PEA while continuing exploration in and around Coringa may identify additional mineralisation within a 7km long zone of artisanal mining.

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\*SP Angel are the No1 integrated nomad and broker by number of mining brokerage clients on AIM according to the AIM Advisers Ranking Guide (joint brokerships excluded)

**+SP Angel employees may have previously held, or currently hold, shares in the companies mentioned in this note.**

## Sources of commodity prices

Gold, Platinum, Palladium, Silver

BGNL (Bloomberg Generic Composite rate, London)

Gold ETFs, Steel

Bloomberg

Copper, Aluminium, Nickel, Zinc, Lead, Tin, Cobalt

LME

Oil Brent

ICE

Natural Gas, Uranium, Iron Ore

NYMEX

Thermal Coal

Bloomberg OTC Composite

Coking Coal

DCE

RRE

Steelhome

Lithium Carbonate, Ferro Vanadium, Antimony

Asian Metal

Tungsten

Metal Bulletin

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