

## PRESS CUTTINGS

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# NEWGATE THREADNEEDLE

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## Edenville Energy Is Confident That Plans For A Power Station Adjacent To Its Coal Project In Tanzania Are Well In Hand

By Alastair Ford

Shares in Edenville Energy have been pretty beaten up of late. A long decline from 1.4p down to the current 0.33p was at its most precipitous in the second half of last year, but the market didn't exactly jump for joy when the company put out a maiden JORC resource on its Mkomolo coal project in south eastern Tanzania. On the contrary, although the company protested quite strongly it's only just getting started at Mkomolo, and that it has two other highly prospective projects to drill, investors considered that 39 million tonnes of thermal coal wasn't enough and within a week had marked the shares down to a 12 month low of 0.235p.

That adverse reaction, combined with a feeling inside Edenville that the company at last has something substantial that it can bang the drum about, has resulted in a new desire to get out and market the company. But what is it that's been putting investors off?

For one thing, markets are in a pretty skittish mood these days, valuations are low, uncertainty abounds, and while not exactly a pariah, coal isn't flavour of the month either. The safest place to be as China slows, as Europe teeters, and as the US scrambles blindly towards recovery, is in copper, gold, and possibly iron ore. Thermal coal is way down the list, especially if it's inside a company with nearly 4.5 billion shares on issue.

What's more, the Mkomolo coal seam has a peculiarity, in that the coal is "interbedded" - as the Edenville literature puts it - with barren sandstone, mudstone and limestone. Company chairman Simon Rollason calls this the "bar code" effect, and concedes that the Mkomolo coal will require some extra processing on site to sift out all the waste. Nonetheless, consultant Wardell Armstrong is very positive about the possibilities presented by Mkomolo and reckons a resource as low as 30 million tonnes could be economic.

But given the limited export market for thermal coal, under what sort of model do Wardell's and Edenville reckon Mkomolo could be economic? The plan is to sell the coal to a mine-mouth power station that would be constructed a little way to the east of Mkomolo, on lower ground adjacent to Lake Rukwa. Such an undertaking would be a multi-billion dollar project, and a country mile beyond the means of a £10 million company like Edenville. And investors have heard many times before the story of how junior companies that find a resource in an out-of-the-way place think they can bring the mountain to Mohammed. Hence the disconnect, and the scepticism.



Drilling at Mkomolo

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But there's no denying a market for power is there. "The market is on our doorstep", says Simon Rollason. "Where we are located is desperately short of power." He envisages that the Lake Rukwa power station could supply the local towns of Mpanda, Mbeya, Sumbawanga, Kigoma, and possibly even export across Lake Tanganyika to the Democratic Republic of Congo where they have their own issues with a lack of power. The key question then becomes: is it a realistic proposition?

And both Simon Rollason, and fellow Edenville director Sally Schofield are adamant that it is. "We're pretty confident that a power station will be built here", says Sally. And Simon echoes that sentiment: "I'm pretty confident something will come up", he says. Why? Because talks are ongoing with one particular company that's interested in building precisely such a project. And to turn the situation on its head, if the coal needs a power station to make it a really attractive economic proposition, then the power station also needs the coal. What's more, says Simon, talks are pretty well advanced, and he expects a significant announcement within the next six months.

So what's going to happen in the meantime? Not that you'd know it from the downward pressure on the share price, but Edenville is actually pretty well funded, following a £2.5 million raise that was completed in January. That gives it the ability to press on with drilling with a view to updating the resource later on in the year. Around £2 million has been earmarked to pay for between 7,000 and 9,000 metres of drilling, and there'll be a particular focus at the northern end of Mkomolo, where the seam thickens to around 55 metres and where the project remains open along strike.

The company also plans to drill deeper at Mkomolo, to take a bulk sample to allow it to undertake metallurgical work and to begin a more serious evaluation of the potential of its two other nearby prospects at Namwele and Muze. That should be plenty to keep investors interested, but it'll be the news on the power station that will really bring in the buying interest.