

MORNING COMMENT

Blencowe Resources plc (BRES.L)*

11 Jan 2023

- **Price:** 4.30p
- **MCp:** £8.5m
- **Tck:** BRES.L
- **Sector:** Resources
- **Recommendation:** Buy
- **Target Price:** 64p.

Bulk Sample Approval Secured.

Blencowe Resources plc (BRES.L) has this morning announced it has received Ugandan Government approval to export bulk sample graphite to Chinese testing facilities from its Orom-Cross graphite project, which will be transported by both air and sea freight.

Chinese based Jilin Huiyang New Material Technology Company Ltd will complete the test work at its own existing pilot plant facility, which will remove the requirement in the near term to perform bulk testing on site in Uganda.

FEQ Comment: - Today's securing of government approval for the bulk sample export is an important step that will enable final stage metallurgical testing to be completed to provide more knowledge of the end concentrates. This in turn should hopefully lead to binding sales agreements being achieved for most of the stage one production output.

The current low market cap of £8.5m still does not reflect the rapid progress being made at Orom-Cross and advanced stage nature of this 100% owned project. Blencowe has been able to attract the interest of several shrewd resource

focused investors such as RAB Capital (10%) and Jangada Mines plc (9.5%). We believe others may follow as the investment case becomes more widely understood and moreover investors seek exposure in 2023 to companies with graphite projects targeting high-growth electric vehicle destined end-markets.

We have improved our valuation to 64p per share (prev. 59p). This is based upon an estimated risked NPV8 of the project's PFS as detailed in our 19-July 22' research note, which includes a development/resource (30%), finance (improved to 40% from 50%) and country risk (25%) factor. We therefore continue to recommend **Blencowe Resources plc** as a **'Buy'**, with a **price target** of **64p** per share, thereby offering considerable upside potential from the current market price of around 4.3p.

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