

MINING FLASHNOTE

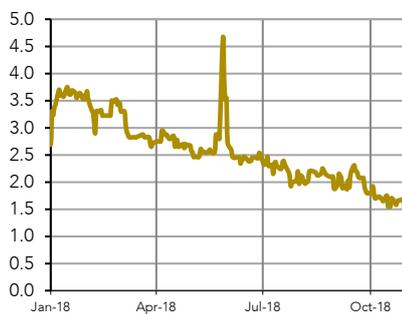
KEFI Minerals (KEFI LN)

29 November 2018

Stock Data

Share Price:	1.45p
Market Cap (M):	£8.0
EV (M):	£7.7

Price Chart



52 Week Range

1.30p	1.45p
4.70p	

Company Summary

KEFI Minerals is an exploration company focused on the discovery and development of vein-hosted gold and volcanogenic copper-zinc mineralisation in the Arabian Nubian Shield.

MAIN SHAREHOLDERS	HOLDING
Hargrave Lansdown Asset	12.86%
Interactive Investor Trading	8.35%
Capita PLC	8.00%
Global Prime Partners	7.51%
Lanstead Capital	5.79%

Source: Bloomberg

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KEFI Announces Secured Convertible Loan Facility

Event

KEFI has announced that it has entered into an up to £4M secured convertible loan facility (the "Loan Facility") with a longstanding institutional shareholder of the Company.

Comment

Kefi has taken out this loan facility to expand its options in progressing the Tulu Kapi Gold Project (the "Project") and other operations, in particular, catering for decisions taken recently amongst the TKG M (Tulu Kapi Gold Mines Share Company, the Company's Ethiopian project subsidiary) consortium to start certain high-impact tasks for community resettlement, project development and the initial reconnaissance of a now-enlarged area reserved by the Ethiopian Government for Tulu Kapi district exploration.

The Loan Facility will also expand the Kefi's working capital, but will also complement the existing Project financing plans, including the committed investment of US\$30-38M (Ethiopian Birr-equivalent) at the TKG M level by Ethiopian institutional investors, of which the initial release of US\$9M (Ethiopian Birr-equivalent) to TKG M is due in December 2018 for funding of community resettlement and other TKG M development costs in early 2019.

The other major use of the loan facility is to enable Kefi to proceed with the closing of the US\$260M project financing of the project, which is envisaged as being entirely funded at the Project level. The US\$260M comprises contractors (approximately US\$50M mining contractors' equipment fleet), equity (\$50M) and non-equity capital (US\$160M). For the Project to proceed, all stakeholders now rely on closing out the remaining Ethiopian Government processes and approvals, along with completion of due diligence and formal documentation.

BHC believes that once the US\$9M is released in December, next month, Kefi's share price should improve significantly as it will be a firm indication that the project is at long last moving ahead.

The Loan Facility

Pursuant to the Loan Facility with Sanderson Capital Partners Limited (the "Lender"), the Company has the right to borrow up to £4M from the Lender, which is split into the First Facility (the initial £2M working capital facility), the Second Facility (the optional additional working capital facility of £1M) and the Third Facility (the optional additional working capital facility of £1M). Amounts drawn under the Loan Facility are not subject to any interest payments. The Company may draw down the loans under the Loan Facility for a period of 12 months. This can be extended by a further six months if agreed by the Company and the Lender. The Company may draw down the First Facility in five instalments, of which the first four instalments shall be in

an amount of £450,000 and the fifth instalment shall be in an amount of £200,000. Any drawdowns of the First Facility will be at least 30 days apart and subject to, inter alia, conditions precedent, such as the Company's shareholders having approved the share conversion aspects of the Loan Facility at the General Meeting and that there are no materially adverse economic and/or political conditions, events or circumstances existing in Ethiopia or elsewhere at the time of the requested drawdown which would impact the Company's prospects.

The Company may draw down the Second Facility in three instalments of which the first two instalments shall be in an amount of £450,000 and the third instalment shall be in an amount of £100,000. The Company may not draw down the first instalment of the Second Facility unless 15 days have passed since the previous date on which a drawdown was made. The Company may not draw down the second and third instalments of the Second Facility unless 30 days have passed following the previous date on which a drawdown was made. The Company may with the agreement of the Lender draw down the Third Facility which shall be drawn down in one instalment. The Company may not draw down the Third Facility unless 30 days have passed following the previous date on which a drawdown was made. The Company shall repay the Loans by a single repayment amount on the date falling 12 months from the date of the Loan Facility which can be extended by a further six months if agreed by the Company and the Lender. The Loans may be repaid early without penalty. It is intended that the Company will repay any drawn amounts outstanding under the Loan Facility upon closure of the full equity and then debt funding of the Project, expected from the second quarter of 2019. The Lender has the right, at any time, to convert any amount outstanding under the Loan Facility into new ordinary shares of £0.017 each in the capital of the Company ("New Ordinary Shares") at 2p per New Ordinary Share (the "Conversion Price"). If the Company makes a repayment then the Lender will have an option to convert half of any repayment by the Company into New Ordinary Shares at the Conversion Price. The Loan Facility is secured by the Company's shareholding in Kefi Minerals (Ethiopia) Limited.

Fees and Expenses

The Company has agreed to pay the following First Facility fees:

- a) a commitment fee of 7.5% of the First Facility (being £150,000);
- b) a voluntary prepayment option fee of 2% of the Loan Facility (being £80,000); and
- c) an option fee of 5% of the Second Facility and the Third Facility (being £100,000) for the right to utilise the Second Facility.

All of the above fees will be satisfied by the issue of New Ordinary Shares issued at 2p per New Ordinary Share (the "Issue Price"). In addition, the Company has agreed a drawdown fee equal to 5% of each drawdown amount under the First Facility which will be paid by the issue of New Ordinary Shares at the higher of the Issue Price or the preceding 5-day VWAP. The Second Facility and the Third Facility provide additional flexibility for a further £1M under each facility, but the Company is under no obligation to exercise each option. The Lender and the Company must agree that the Third Facility be available for the Company to drawdown. If the Company exercises the option to drawdown the Second Facility, it has agreed to pay the following Second Facility Fees:

- a) a commitment fee of 7.5% of the Second Facility and the Third Facility (being £150,000) which will be paid by the issue of New Ordinary Shares at the Issue Price
- b) an arrangement fee of 5% of the Second Facility and the Third Facility (being £100,000) at the exercise of the Second Facility which will be paid by the issue of New Ordinary Shares at the Issue Price; and
- c) a drawdown fee equal to 5% of each drawdown amount under the Second Facility which will be paid by the issue of New Ordinary Shares at the higher of the Issue Price or the preceding 5-day VWAP.

If the Company and the Lender agree for the drawdown of the Third Facility, the Company has agreed to pay a drawdown fee equal to 5% of the drawdown amount which will be paid by the issue of New Ordinary Shares at the higher of the Issue Price or the preceding 5-day VWAP. The Company shall pay the Lender an amount not exceeding £50,000 (or the equivalent of such amount by way of issue of New Ordinary Shares at the Issue Price by the Company) in respect of legal fees and due diligence fees reasonably incurred in connection with the execution of the Loan Facility.

Research Disclosures

Peter Rose

Peter has 32 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 10 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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Research disclosure as of 29 November 2018

<u>Company Name</u>	<u>Disclosure</u>
KEFI Minerals (KEFI LN)	1, 2, 7, 8, 9

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