

## MINING FLASHNOTE

# KEFI Minerals (KEFI LN)

28 January 2019

### Stock Data

Share Price:	1.80p
Market Cap (M):	£10.3
EV (M):	£9.9

### Price Chart



### 52 Week Range

1.25p	1.80p
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	15.63%
Interactive Investor Trading	9.42%
Halifax Share Dealing Ltd	5.96%
Lanstead Capital LP	5.79%
Global Prime Partners LLP	5.13%

Source: Kefi Minerals & Bloomberg

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## TKGM Project Partners Update

### Event

KEFI has announced that its Ethiopian private-sector Project partner ANS Mining Share Company ("ANS") has increased its investment commitment to subscribe to new shares in the Project company Tulu Kapi Gold Mines Share Company ("TKGM") to the Birr equivalent of US\$38M (from US\$30M) on terms as previously reported. The first Birr equivalent of US\$9M instalment remains due when resettlement is triggered by the relevant regulatory authorities.

ANS have also now nominated its appointees to the TKGM Board as per its right under the Heads of Agreement. These are Ato Hailemeleket Teklegeorgis (former Federal State Minister of Finance and Economic Cooperation and current chairman of a major Ethiopian bank and insurance group) and Ato Wondwossen Zeleke (long-standing natural resources senior executive in Ethiopia and internationally). In addition ANS have nominated as special advisers to the TKGM Board Ato Eyessuswork Zafu (former chairman of Ethiopian Chamber of Commerce and current chairman of another major Ethiopian bank and insurance group) and Major General Alemshet Degife (former head of Ethiopian Air Force).

### Comment

These are very positive steps for KEFI, especially the news that all the outstanding Federal consents from the relevant agencies have been received. Therefore, upon ratification by the Prime Ministry, which remains supportive and in a regular dialogue with the Company, KEFI will be in a position to trigger Project Development which will be the first modern mine developed in Ethiopia in decades.

We understand the community resettlement will commence this quarter and the Ethiopian Government has commenced engineering works for its construction of off-site infrastructure of an estimated total cost of US\$20M (Ethiopian Birr-equivalent) in exchange for shares in TKGM on terms as previously reported.

This move by ANS will see KEFI's interest in the project will be reduced by from 54% to approximately 50.1%. However, this does come with some considerable upsides which include:

1. The project being further de-risked as ANS shows its support for the project
2. Any requirement for KEFI Minerals PLC to raise equity has just been reduced by US\$8M

It would appear KEFI is reducing its stake by 4% in exchange for an investment of US\$8M. This implies 1% of the Project is worth US\$2M. Therefore, KEFI's revised and residual 50% holding in TKGM has an implied worth of US\$100M, versus a current market capitalisation of ~US\$13M

From a shareholder's perspective, it is also positive. To fund US\$8M, KEFI would have to issue shares equivalent to 60% of the current shares outstanding at the current market capital valuation.

## 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 28 January 2019

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

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