

MINING FLASHNOTE

KEFI Minerals (KEFI LN)

08 April 2019

Stock Data

Share Price:	1.65p
Market Cap (M):	£10.4
EV (M):	£10.0

Price Chart



52 Week Range

1.25p	4.70p
	1.65p

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 Nominees	15.60%
Interactive Investor Trading	8.40%
Jim Nominees Limited	6.90%
HsdI Nominees Limited	6.10%
Bny (Ocs) Nominee Limited	5.30%

Source: Bloomberg

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KEFI Announces Project Equity Financing Update

Event

KEFI has announced an update on the project equity financing plans for the Company's Tulu Kapi Gold Project (the "Project"). ANS Mining Share Company S.C ("ANS") has confirmed it has now received its first Project-equity instalment commitments for US\$11.4M from its investors.

Comment

The amount is higher than the previously anticipated US\$9M. This enlarged amount and the release of funds into Tulu Kapi Gold Mines S.C ("TKGM") will be in the current quarter upon satisfaction of conditions.

The remainder of the US\$38M ANS commitment will be subscribed at close of full development funding as previously announced. These conditions are:

- Normal operational and documentary confirmations and undertakings requested by ANS
- National Bank of Ethiopia approval of terms of the full project finance package, and
- KEFI's guarantee to ANS that if the project fails to proceed for whatever reason and is restructured in whichever manner decided by KEFI, KEFI will ensure that ANS recovers its 1st Instalment before KEFI recovers its own investment

Once these closing requirements are confirmed to ANS, TKGM expects to receive the initial US\$11.4M subscription. This will place TKGM in the position that all three of its shareholders (KEFI, Government and ANS) are contributing to the equity funds being used to kick off the 2-year development program. KEFI and the Government are already contributing. The local Government has approved the community compensation and TKGM is preparing to trigger the development program in April.

However, there has been a key change in the way this money will be allocated. Following further discussions amongst the stakeholders in the Project it has been mutually agreed that, of the total commitment of US\$38M, one third will be invested via KEFI subsidiary KEFI Minerals Ethiopia Limited ("KME") so that ANS will be KEFI's minority partner in KME which controls TKGM and the exploration areas in the Tulu Kapi district, which are considered prospective for potential satellite and stand-alone deposits. The balance of the ANS investment will be directly into TKGM as previously proposed. Through this revised structure the overall economics of the Project and the value of KEFI's interest in the Project remain unchanged.

The benefits of this revised structure are that:

- KEFI will have a strong partner at the KME table to consider potential new projects alongside KEFI. It is expected Ethiopia's mining sector will become more active on the back of this first-mover initiative,
- By virtue of the TKGM partners funding, the early stages of the development program before debt-style funding is used, TKGM

now targets a longer production ramp-up period and cash/gold-in-ore-stock build-up to over \$100M prior to any commencement of repayments of debt-style finance,

- The ownership levels will be that KEFI will own c. 81% of KME which in turn will hold c. 59% of TKGM and that KEFI's beneficial ownership of TKGM will be c. 45% (both ownership levels in TKGM are net, after adjustment for the Government's 5% free carried interest).

Research Disclosures

Peter Rose

Peter has 33 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 12 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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Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 08 April 2019

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

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