

MINING FLASHNOTE

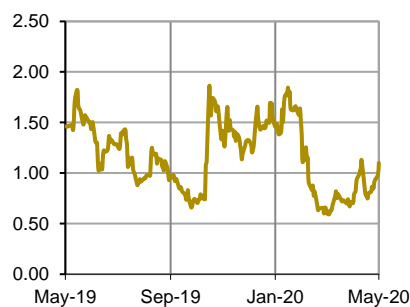
KEFI Minerals (KEFI LN)

27 May 2020

Stock Data

| | |
|-----------------|--------|
| Share Price: | 1.06p |
| Market Cap (M): | £16.23 |
| EV (M): | £18.21 |

Price Chart



52 Week Range

| | | |
|-------|--|-------|
| 2.28p | | 1.06p |
| 0.51p | | |

Company Summary

KEFI Minerals was until recently an explorer and is now an explorer, developer and hands-on operator of mining joint ventures for influential and financially strong local partners in the Arabian Nubian Shield.

| MAIN SHAREHOLDERS | HOLDING |
|---------------------------|---------|
| Hargrave Lansdown Asset | 18.8% |
| Vidacos Nominees Limited | 7.7% |
| Hsdl Nominees Limited | 7.3% |
| Jim Nominees Limited | 4.5% |
| Barclays Direct Investing | 4.5% |
| Spreadex Limited | 4.0% |

Source: KEFI Minerals & Bloomberg

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KEFI: Announces Hawiah Exploration Project update

Event

KEFI has announced an update on the ongoing exploration programme at the Company's Hawiah exploration project in Saudi Arabia. KEFI's operations in Saudi Arabia are conducted through its 34% owned joint venture company, Gold and Minerals Co. Limited ("G&M"), where KEFI is the operating partner.

Highlights

G&M has now completed Stage 2 of the Hawiah diamond drilling programme, increasing the number of completed diamond drill holes to 69 since the first drill hole in October 2019.

Comment

Interestingly, the first two paragraphs of our previous note in KEFI hold true and they are re-iterated below. However, what the additional drilling has shown is that each of the 3 loads are longer than originally thought, have been modestly increased in average width with some minor changes to the metal contents. In BHC's opinion this only serves to suggest that the project is getting significantly better.

Although there is an attempt to portray this in gold terms as equivalent to KEFI's Tula Kapi deposit in Ethiopia, in reality, the copper content alone is worth approximately twice the value of gold at a time of elevated gold prices and depressed copper prices. Further, BHC now believe that there are better than 13Mt of potential mineralisation which is also open at depth.

Originally this was seen as potentially an underground mine and the true widths would certainly support this concept. However, the fact that there is an overlying gold cap suggests mining operations could start as a gold open pit mine, which would effectively be a pre-strip for the higher levels of polymetallic mineralisation.

The current drilling indicates that these lodes contain a tonnage of around 12Mt with a grade about 2% copper equivalent. This part of the system shows the typical VMS signature of several economic zones in a cluster which would feed a central processing plant. The already discovered tonnage and grade should be sufficient to build a 1Mt pa mine and processing plant. The near-vertical planar massive sulphide is considered amenable to underground long-hole open stoping which at indicative grades should be quite profitable.

However, BHC believes that there is good upside to this tonnage. VMS deposits frequently contain lead and we understand that there is the potential for lead in these lodes but it will not be known until the full assays are returned. Further, a previous RNS, dated 23 January 2020, mentioned over 4km of consistent mineralisation encountered and the target remains open at depth. There is also potential to find the feeder or stockwork zones which, if found, would potentially be of much larger scale. KEFI also has applications over other similarly prospective ground.

The Stage 2 Hawiah drilling programme has to date added a further 19 drill holes, all of which have intercepted massive sulphide and confirms the positive progress towards delineating an initial Mineral Resource in accordance with the JORC Code by mid-2020. 69 diamond drill holes have now been completed in total and assays have been received for 59 of these drill holes.

The drilling has identified 3 separate zones of mineralisation:

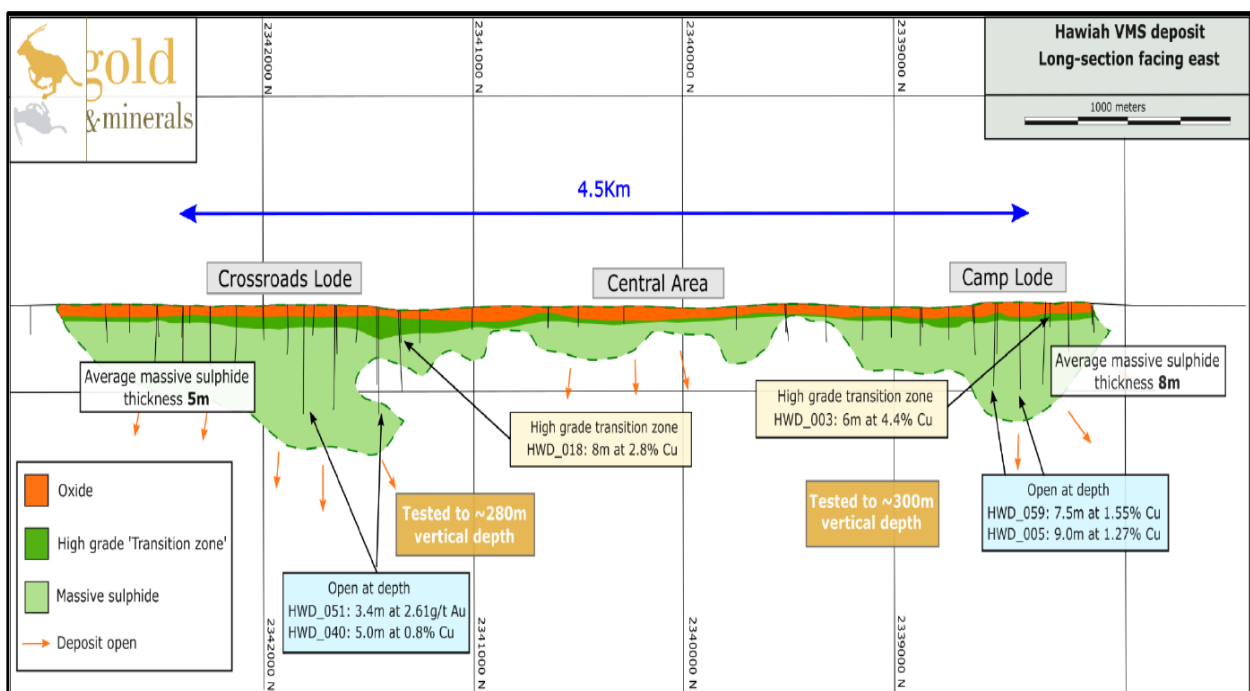
- The 'Camp Lode': 1.2km long, with an average width of 7.5m with the widest intersection of 20m found at a depth of 90m. The lode has been drilled to a depth of 300m where 9m of massive sulphide was intersected. The indicated grades of this Lode are Cu 1.2%; Zn 0.9%; Au 0.5g/t and Ag 9.7g/t over an average true width of 7.5m. More importantly, the downdip continuation of Camp Lode is of particular interest with the deepest two holes, HWD_005 returning 1.27% copper over a true width of 9m and HWD_059 returning 1.55% copper over a true width of 7.5m.
- The 'Crossroads Lode': 800m long, with an average width of 5m with the widest intersection being 8m. This lode has been explored to a maximum depth of 350m where 7m of massive sulphide was intersected. The indicated grades of this Lode are Cu 1.2%; Zn 0.9%; Au 0.5g/t and Ag 9.7g/t over average true width of 7.5m
- The 'Crossroads Extension Lode': 1,000m long, with average width of 5m with the widest intersection being 12m at a depth of 112m. This part of the orebody is also open at depth where the deepest hole of 270m intersected 8m of massive sulphide. Assays for this load are largely pending.

The drilling has also extended the gold mineralised oxide surface zone. Surface trenches reported encouraging gold grades in 2015 before the field programme was suspended at that time for since-resolved security and regulatory obstacles; and initial drilling has returned an average grade of 1.7g/t gold across 7 drill holes with an average vertical depth of 35m.

Once all the assays are available, a maiden resource estimate and preliminary economic assessment are planed which will facilitate the planning and sequencing of exploration and potential development activities at Hawiah.

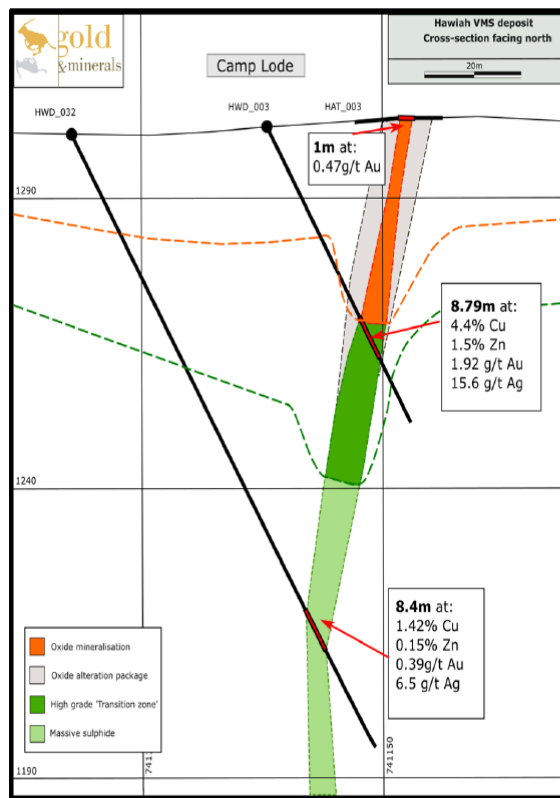
The other key issue is that potential development funding for Hawiah is anticipated to be more straightforward than in Ethiopia because of the simpler partnership structure and given the financial strength of the local development lending institutions for this prioritised sector. This will be aided by the fact that the Saudi Arabian government has made the minerals sector a national strategic priority as it seeks to diversify away from oil.

Exhibit 1: Long Section showing extent of VMS mineralisation as currently identified and defined

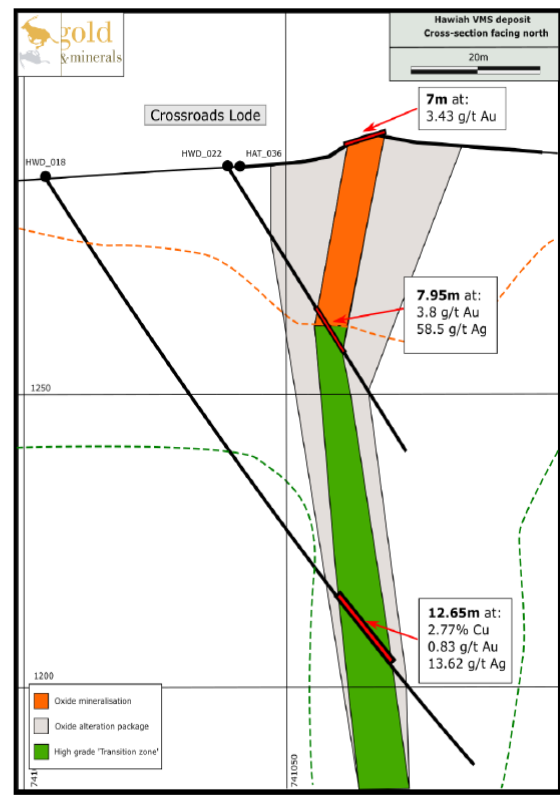


Source: KEFI Minerals

Exhibit 2: Cross Section looking North Showing Good Correlation between Holes



Camp Lode



Crossroads Lode

Source: KEFI Minerals

Research Disclosures

Peter Rose

Peter has 34 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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| | |
|---------------------|--|
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| Sell | Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative. |

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Research disclosure as of 27 May 2020

| <u>Company Name</u> | <u>Disclosure</u> |
|-------------------------|-------------------|
| KEFI Minerals (KEFI LN) | 1, 2, 5,7, 8, 9 |

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