

## MINING FLASHNOTE

# KEFI Gold and Copper plc (KEFI AIM)

22 October 2020

### Stock Data

Share Price:	2.36p
Market Cap (m):	£46.89
EV (m):	£45.53

### Price Chart



### 52 Week Range

2.99p	2.36p	0.51p
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### Company Summary

KEFI Gold and Copper plc is a gold exploration and development company with projects in the Federal Republic of Ethiopia and the Kingdom of Saudi Arabia. Management is focused on development of the Tulu Kapi gold project in Ethiopia with commissioning of gold production in Q4 2022.

MAIN SHAREHOLDERS	HOLDING
Hargrave Lansdown	15.2%
Pershing Nominees Limited	12.4%
Interactive Investor Limited	9.5%
Vidacos Nominees Limited	6.5%
HsdI Nominees Limited	6.0%

Source: KEFI Gold and Copper plc

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**KEFI to increase project ownership in Tulu Kapi to c 65% (from current 45%) on the back of a refined project development funding package**

### Event

KEFI Gold and Copper plc ('KEFI') has announced that it has now assembled the full consortium and set the conditional terms for the independently reviewed development funding package of c US\$221m for its flagship Tulu Kapi Gold Project in Ethiopia.

### Highlights

- **Non-binding term sheets signed to complete the US\$221m consortium for project development funding**
- **Experienced African investors conditionally agree to contribute a minimum of US\$40m to the project**
- **KEFI ownership expected to increase to c 65% from previously envisaged 45%, thereby increasing KEFI's attributable NPV by c 33%**
- **First production remains on track for Q4 2022, targeting to lift average gold production to 190,000oz p.a. within 3 years of initial production**
- **KEFI's internal estimates indicate an anticipated post-tax project NPV (8%) of £201m or 11p/share (assuming 65% interest and US\$1,700/oz gold price). This excludes any other KEFI assets, notably the Hawiah copper-gold-zinc-silver and Jibal Qutman gold deposits in Saudi Arabia**

### Conditional US\$40m in project funding

KEFI has entered into two non-binding term sheets for a total of US\$40m (minimum) with the Ethiopian division of a global industrial company ("Local Investor") and with one of the world's leading commodity trading companies ("Mining Financier"). Both organisations have extensive experience in Africa.

### Project financing structure

The project finance structure comprises KEFI's government partners (both Federal and Regional), leading African Banks, African experienced principal contractors and now the Local Investor plus the Mining Financier. As management has now succeeded in conditional offtake-linked financing, KEFI and its government partners will be able to retain a higher beneficial ownership of the project. This is now expected to be c 65% for KEFI, compared with the previously envisaged 45% ownership.

KEFI now has signed agreements and non-binding terms sheets in place with all consortium members, although the individual agreements remain conditional on completion of due diligence, confirmation of regulatory compliance, internal approvals and the execution of full documentation by each consortium member. KEFI expects all of these outstanding matters to be completed in Q4 2020, to avoid any delay in gold commissioning during Q4 2022.

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## Comment

KEFI has consistently maintained that the full development funding package for Tulu Kapi would be announced in Q4 2020 followed by site construction in early 2021 and for gold production to commence in Q4 2022, with today's announcement the Company remains on track to meet its targets. More importantly, management has been able to increase its beneficial interest in the project from the initial envisaged 45% to c 65%, thereby significantly increasing the value to KEFI shareholders. We note that KEFI's internal estimates indicate a potential post-tax NPV(8%) of £201m or 11p/share (assuming 65% project interest and US\$1,700/oz gold price). This excludes KEFI's other projects, notably the Hawiah copper-gold-zinc-silver and Jibal Qutman gold deposits in Saudi Arabia.

## Research Disclosures

### Sheldon Modeland, P.GEO

Sheldon is a registered professional geoscientist with over 18 years' experience in the mining industry. Having started his career as an exploration geologist in Canada with Falconbridge (now Glencore) and BHP Billiton, he then spent several years as a research geoscientist with the Saskatchewan Geological Survey. Followed by eight years as a project geologist with AREVA Resources (now Orano). More recently, Sheldon has spent the past nine years on the sell-side as a mining analyst in London covering a range of production, development and exploration companies from FTSE 100 to micro-cap.

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Research disclosure as of 22 October 2020

Company Name	Disclosure
KEFI Copper and Gold (KEFI AIM)	1, 2, 7, 8, 9

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