

DEAL OF THE MONTH:

Kefi Minerals

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KEFI Minerals joined AIM in 2006 with the focus on Turkey and the surrounding region. It has since examined numerous expansion opportunities, evolving into a key player in exploiting the highly prospective Arabian-Nubian Shield.



It is always essential to explore new opportunities – something KEFI Minerals' experienced management team has done with aplomb; its latest move being the acquisition of 75% of the Tulu Kapi licence in Ethiopia, which it completed in December 2013. As a result, by 2017 the aggregate estimated production at projects in Saudi Arabia (Jibal Qutman) and Ethiopia attributable to KEFI Minerals could exceed 80Koz Au p.a.

The addition of Tulu Kapi means that KEFI Minerals is now on the cusp of moving from exploration to development of a strong cash-generating project while also significantly transforming the company's growth potential.

Establishing a presence in the Arabian-Nubian Shield

KEFI Minerals had been examining the Arabian-Nubian Shield, which remains hugely under explored compared with Australia and Canada, for the previous three years before signing terms with ARTAR

– a decision which set the foundations for rapid development in Saudi Arabia and the more recent foray into Ethiopia. The partnership with ARTAR was key, given their local knowledge and contacts in Saudi Arabia, facilitating KEFI Minerals' aim of growing a footprint in the region.

To date, four of the 23 exploration licence applications have been granted in Saudi Arabia. Rapid progress at its flagship Jibal Qutman prospect provides a template for the company's development plans.

Having been granted the exploration licence in July 2012 the company has been quick to establish the credentials of this prospect, and within 12 months established its maiden JORC compliant resource, which was updated in November 2013 to a total indicated and inferred resource of 17.7Mt at 0.84g/t Au for 480,000oz Au.

The Jibal Qutman Licence covers an area of 99.9km²

and hosts part of the prospective Nabitah-Tathlith Fault Zone, a 300km long fault structure with over 40 gold occurrences and ancient gold mines. Reverse circulation (RC) drilling is continuing at pace on the ground – consistently revealing further expansion of mineralisation as the company moves towards a pre-feasibility study and closes in on its first mining licence application this year.

The Benefits of Operating in the Region

The Arabian-Nubian Shield is a prospect for gold and copper and extends from Egypt and Saudi Arabia in the North to Sudan, Eritrea and into Ethiopia. It hosts well known deposits like Sukari (13Moz Au), Mahad adh Dahab (6Moz Au), Hassai (2.1Moz Au), Bisha (1Moz Au, 330Kt Cu) Jabal Sayid (99Mt at 1.2% Cu), and is where Ma'aden has proved up 13Moz Au in the past decade.

Ethiopia has diverse untapped mineral resources and is actively encouraging exploration and development. The Lega Dembi mine, producing 135Koz pa Au

(1.98Moz Au) is the largest gold mine in Ethiopia.

Government policies and regulations have helped the country attract mining investors. Currently, there are 136 companies working on 246 licences. Gold is Ethiopia's main mineral export, with exports rising from \$5M in 2001 to \$602M in 2012. It has been mined since ancient times, primarily as alluvial or free gold.

Income tax was reduced in July 2013 from 35% to 25% and the government is expected to soon announce a reduction in the gold royalty rate. The prospectivity of the area is highlighted by the fact that majors, Newmont and Goldfields recently commenced exploration for gold in Ethiopia. Meanwhile, the few studies undertaken so far by UNDP and others reported occurrences and deposits of gold, tantalum, soda ash, potash, coal, nickel and platinum in different parts of the country.

Tulu Kapi Acquisition

With a growing footprint in Saudi Arabia and proven understanding of the Arabian Shield's geology the company seized the opportunity to add the Tulu Kapi licence in Ethiopia to its portfolio. The focus here is on refining the definitive feasibility study (DFS) prior to development in 2015. In addition to its 75% stake in the prospect, KEFI Minerals has pre-emptive rights over the remaining 25% participating interest owned by Nyota Minerals.

Tulu Kapi was first mined in the 1930s and a DFS was completed in December 2012, which produced a JORC-compliant inferred and indicated resource estimate of 25Mt at 2.34g/t Au (1.9Moz Au), including a probable reserve of 17Mt at 1.82g/t Au (1.0Moz Au).

This DFS was based on the work performed to date, which included over 120,000m of drilling and an aggregate expenditure of over \$50 million.

Generating Value

The plan for Tulu Kapi now is aimed at reducing the anticipated capital and operating expenditure, which should allow for a lower start-up risk and a higher overall return.

KEFI Minerals believes a limited programme of RC drilling, surface sampling and metallurgical test work in 2014 will be sufficient to refine a DFS for planned development in 2015 based on a production plan of approximately 85Koz Au p.a. Management's preliminary estimates of the Tulu Kapi project indicate attractive operating costs of \$500/oz Au.

An internal scoping study is for a 1.2Mtpa open pit carbon in leach processing plant. The initial focus will be on the open cut of approximately 12Mt at 2.31g/t Au, which has been delineated from within the existing reserve over a 10 year mine life, while underground mining could extend the potential mine life.

The plan is to conduct surface sampling, trenching, a limited amount of 'in pit' RC drilling and metallurgical test work. As such, the work programme up to the end of May 2014 has been submitted to the ministry of mines with trial mining planned for the second half of this year. A new indicated and inferred resource will be calculated, as well as an optimised pit plan for a revised probable reserve.

KEFI Minerals intends to drive value at Tulu Kapi by starting with a smaller open pit, than had previously



been planned as it focuses on higher grade material – with a head grade of 2.4g/t Au. This is merely the start-up plan and will form the base for expected future expansion. Given the current price of gold it is essential that the company keeps costs down, and with an estimated capex of \$143 million there is huge scope for it to increase the potential return on investment. The key now is on producing a new interpretation of the orebody.

Experienced Management Team

KEFI Minerals has experienced mine development geologists and engineers, who have improved understanding of the geology and its structural controls along with refining the development plan. As such it is well placed to evaluate the opportunity for potential future open-pit expansion, complementary underground mining and heap leach operations, and exploration of the district for satellite deposits.

KEFI's managing director Jeff Rayner - a geologist with over 24 years' experience in gold exploration and mining in Australia, Europe and Asia, turned to Saudi Arabia in 2009 having established a partnership with leading Saudi construction and investment group Abdul Rahman Saad Al-Rashid & Sons Company Limited (ARTAR).

Jeff brings a wealth of experience to the company – having started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, all of which are now operating mines.

KEFI has an exceptionally strong board to rely on; non-executive chairman Harry Anagnostaras-Adams is drawn on from time to time into a hands-on role as required supporting management, such as during the Tulu Kapi acquisition and its subsequent bedding-down. He was formerly managing director of AIM-listed EMED Mining Public Limited, where he led the corporate restructuring, installed the team and personally led the re-engineering of the project from the site. He was also previously managing director of ASX and AIM-listed Devex Limited (later Gympie Gold Limited), deputy chairman of the Australian Gold Council, executive director of investment company Pilatus Capital Limited and general manager of natural resources investment company Clayton Robard Limited. He was an inaugural senior investment manager in Australia for Citicorp Capital Investors Limited and was manager of Australian mergers and acquisitions for CitiNational Merchant Bank.

Non-executive deputy chairman Ian Plimer (B.Sc. Hons, PhD, FTSE, FGS, FAIMM) is professor of mining geology at the University of Adelaide (2005-present) and was previously professor and head of earth sciences (University of Melbourne 1992-2005) and professor and head of geology (University of Newcastle (1985-1991)). Previously, he worked in the Australian mining industry and at various universities. He is a prominent Australian geologist, has published 130 scientific papers, seven books and is a regular broadcaster. He was director of CBH Resources Ltd from 1998 until takeover in 2010 and sits on the boards of Ivanhoe Australia Ltd Ormil Energy Ltd and the unlisted TNT Resources Ltd.

Finance director John Leach has over 25 years' experience in senior executive positions in the mining industry internationally and is currently also the finance director of EMED Mining. He holds a Bachelor of Arts (economics) degree and a Master of Business Administration. He is a member of the institute of chartered accountants (Australia), a member of the Canadian Institute of Chartered Accountants, and is a fellow of the Australian Institute of Directors.

KEFI Transformation

KEFI Minerals has now become an operator of two gold development projects within the highly prospective Arabian-Nubian Shield which has been its primary focus since 2008. The projects have significant resource growth potential beyond the deposit estimates already reported.

The company is focused on seizing opportunities to develop into a self-funding explorer of areas of Saudi Arabia being opened for modern exploration for the first time, in Ethiopia, to develop a profitable long term operation in the best interests of all stakeholders.



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