

MINING FLASHNOTE

KEFI Minerals (KEFI LN)

17 July 2017

Stock Data

Share Price:	5.50p
Market Cap (M):	£18.3
EV (M):	£17.8

Price Chart



52 Week Range

3.995p	5.50p	10.71p
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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

Lanstead Capital LP	25.99%
Capita Financial Managers	13.29%
Odey Asset Management	13.29%
Hargrave Lansdown Asset	7.39%
Barclays PLC	5.96%
Ausdrill International	4.98%

Source: Bloomberg

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KEFI Signs a Conditional Detailed Heads of Terms for US\$135M of Project Funding for Tulu Kapi Gold Project

Event

KEFI has announced the signing of a conditional detailed Heads of Terms for US\$135M of project funding with Oryx Management Limited ("Oryx") to finance and operate all the on-site infrastructure at the Company's Tulu Kapi Gold Project in Ethiopia. The planned financing package also provides funding for finance charges during a 30 month construction and production ramp-up period.

Comment

The KEFI has signed a conditional detailed Heads of Terms for US\$135M of project funding with Oryx to finance and operate all the on-site infrastructure at the Project. Oryx intends to fund all the required on-site infrastructure in a form similar to a Build, Own, Operate and Transfer ("BOOT") arrangement. The on-site infrastructure will be built by Lycopodium Minerals Pty Limited ("Lycopodium") and includes the processing plant, provided under a fixed price EPC (Engineering, Procurement, Construction) contract, and accommodation village, earthworks, water dams and tailing storage facility provided under a cost plus margin EPCM (Engineering, Procurement, Construction, Management) arrangement.

The key points relating to this arrangement are interest of 8% pa and a tenor of 9 years with no repayments before month 30. However, there is a potential variable interest supplement if the gold price is above US\$1,100/oz. This rises linearly to a cap of 8% pa at a gold price of US\$1,700/oz. The BHC modelling uses a gold price of US\$1,300/oz at which price the interest supplement is 2.6%.

The advantages of this financial package are that there is no hedging stipulated and equity dilution is minimised.

In addition to this funding, and the infrastructure deal with the Ethiopian Government, KEFI will require around US\$32M of additional funding which includes contingencies of US\$13M. A variety of sources to finance this residual requirement of US\$20-30M are being considered, including working capital facilities with Development Bank of Ethiopia, Project-level equity with a mining and engineering group and further equity from KEFI in the Project company.

The BHC modelling, using a gold price of US\$1,300/oz, indicates that KEFI will be able to repay the financing well before the 9 year tenor is reached. Any early repayment would significantly improve the profitability and cash flow from the Tulu Kapi mine.

Research Disclosures

Peter Rose

Peter has 31 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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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 17 July 2017

Company Name	Disclosure
KEFI Minerals (KEFI LN)	1, 2, 7, 8, 9

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