

## MINING FLASHNOTE

# KEFI Minerals (KEFI LN)

09 October 2017

### Stock Data

Share Price:	4.325p
Market Cap (M):	£14.4
EV (M):	£12.9

### Price Chart



### 52 Week Range

3.995p	4.325p
7.99p	

### 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	23.57%
Odey Asset Management	13.29%
Capita Financial Managers	13.29%
Hargrave Lansdown Asset	8.37%
Barclays PLC	6.42%

Source: Bloomberg

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## KEFI Releases Quarterly Operational Update

### Event

KEFI has announced updates on its Tulu Kapi gold project in Ethiopia and on the situation in Saudi Arabia.

### Comment

#### Ethiopia

KEFI is making solid progress with the financing for the Tulu Kapi. The implementation of the preferred finance plan was triggered on 17 July 2017 upon signing a detailed Heads of Terms and Mandate with Oryx Management Limited ("Oryx") with the goal of closing the funding package this year, which remains on track. Drafts of documentation have either been agreed or are advancing as planned. Oryx has submitted its draft financing agreement to the Ethiopian authorities for approval.

Oryx has appointed a placing agent for the issue of listed bonds and is forming its Finance Special Purpose Vehicle which will be the bond issuer. Initially BHC had concerns about the bond issue but it has become apparent that from the evident collaboration within the syndicate on the project planning side that there is a high level of confidence that the bond issue will succeed. We understand that the expected subscribers have been consulted on designing the financing and its terms.

The proposed financing has been expanded from \$135M to \$140 to enable the mill to be expanded from 1.7Mtpa to between 1.9 and 2.1Mtpa depending on the hardness of the ore. This expansion of the mill, besides lowering unit units should reduce overall costs since the size of the ore stockpile will be reduced and it will allow flexibility to mine at a faster rate as and when warranted in the open pit as well as well as from what we expect will come from satellite deposits which have been the subject of further positive evaluation recently and cater for the potential underground mine in the future.

Since acquiring the Tulu Kapi project four years ago, KEFI has increased the average grade of the project from 1.8g/t to 2.1g/t and reduced the total amount scheduled to be mined from 160Mt (17Mt of ore and 143Mt of waste) to 140Mt (15Mt of ore and 125Mt waste). The major impact on the cost reduction was the introduction of contract mining which transfers some \$50M from capex to opex.

Once the Oryx financing package is in place, there will be a residual requirement for around \$20M. KEFI has "sown the seeds" for an institutional equity raising at the parent company level but other options are available.

Additional project-level equity investment may minimise the dilution of KEFI shareholders' beneficial interests. A project-equity transaction on the same terms as with the Government would imply a project valuation of c. US\$100M and KEFI would expect to retain an equity ownership interest in the order of 55% in the Project. KEFI is in negotiation with several such parties.

## Saudi Arabia

The hiatus in activity in Saudi Arabia has been caused by the change in the Regulatory Regime. The newly created Energy, Industry and Mineral Resources Ministry is preparing new mining policies and regulations - intended to overhaul the mining industry with a view to facilitating growth and making it the third pillar of the Saudi economy.

KEFI has used the time waiting for the new regulations and the clarification that they will reveal by up-grading its portfolio. BHC believes that the Saudi exploration will remain very low key until the new rules and regulations are announced.

## 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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<b>Sell</b>	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 09 October 2017

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

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