BEAUFORT

KEFI Minerals

18 January 2017

Financing 2017, construction 2018

BUY

Price: 0.36p

Target Price: 0.95p

Sector: Metals & Mining

Share Price Performance

Source: London Stock Exchange

Key Data

Market:	London (AIM)
TIDM:	KEFI.L
1 Year Hi/Lo:	0.67p/0.23p
Existing Shares:	3883m
Market Cap:	£14m
ISIN:	GB00B1HNYB75
SEDOL:	B1HNYB7
Co. Website:	*www.kefi-minerals.com*

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During 2016 KEFI was engaged in Tulu Kapi financing, but the process was interrupted in 4Q16 by a state of emergency in Ethiopia. The prime minister has since made progressive changes including new, more representative, federal and regional cabinets and the situation is much improved.

The emergency is due to end in April, which should mean financing is secured during 2H17 (KEFI is pushing for mid-year). The preferred financing structure will involve Ethiopian government funding, project debt tailored to the Tulu Kapi contracting arrangements, and a $20-30m KEFI equity component.

Our valuation and target price is based on this structure and includes the effect of dilution, although we note that almost any financing structure should equate to share price upside from current levels. Financial close will be a major milestone and catalyst for the stock. We recommend BUYing the shares with a 0.95p TP.

Ethiopia visit – main takeaways

We visited Tula Kapi in 4Q16 and were impressed by the country's infrastructure, the Tulu Kapi project and KEFI's owner's team. We saw no impact of the emergency in Addis or on site although we recognise it is a serious issue and that it is delaying financing. Government has and is making changes to ensure long-term stability, however we note that political risk remains.

Financial close – expected in 2017

Although there is no guarantee, we expect financial close in 2017. This should be a major catalyst for the stock assuming a structure that provides for a reasonable level of upside. Since the board is heavily invested and primarily incentivised through equity, we expect it to negotiate an attractive structure for shareholders.

1.7 Moz gold - undervalued

Although in-situ valuation methods can be misleading, they sometimes provide a useful benchmark. In KEFI's case, it is trading at an EV/oz of $5/oz versus a peer group mean of $26/oz. Factoring in grade, capital intensity and other variabilities, we believe this 80% discount is unjustified.

Gold price outlook – positive medium term

We have a positive medium term outlook due to the current $920/oz global cost of production, which means very few miners can sustainably or justifiably expand and build new mines at current prices. We also recognise the potential for U.S. economic slowdown and a pause or reversal of the new more hawkish interest rate policy. We have a medium term gold price forecast of $1250/oz.

Valuation and recommendation

We have reinstated our BUY recommendation with a new 0.95p target price. Our risked NAV is based on a DCF model using a flat $1250/oz gold price and includes no upside for Ethiopian exploration success or the Saudi Arabian exploration portfolio. But note that these ex-Tulu Kapi projects are probably worth half of KEFI's £14m market value.

Investment case

2016 was a very challenging year for KEFI as its senior debt financing process was interrupted by a State of Emergency in Ethiopia. A weak gold price in Q416 was also an unfortunate hindrance for the stock. Assuming the State of Emergency is lifted in Ethiopia (expected in April), 2017 should be much better for the company and share price. The two major catalysts are:

1. An end of the “state of emergency”
2. Financial close and/or material financing updates

Project fundamentals

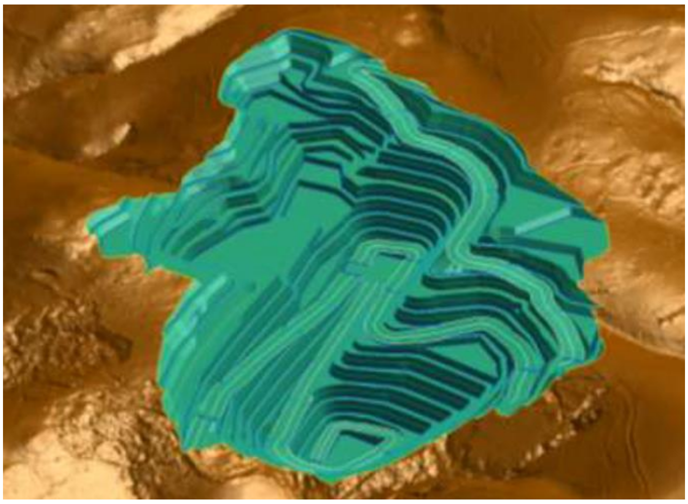
KEFI’s Tulu Kapi is one of the few decent sized construction-ready gold projects, not just in Africa but globally. It has 1.7Moz of gold in the Indicated category and circa 1.0Moz in reserves grading 2.1g/t. More than $50m has been invested in the project primarily drilling and technical studies.

These reserves sit in a 200m deep open pit with a 7.4:1.0 strip ratio. Mine life is currently 9 years but there are several opportunities to extend the mine life, including an underground zone grading c.6.0g/t with a mineable thickness of 12-25m and open at depth. The Tulu Kapi ore has simple metallurgy (91-93% recovery) and the project has access to hydroelectric grid power (40km away).

Key points:

- 9-year mine life
- 15.4 million tonnes ore
- 2.1 g/t grade
- 980Koz recovered
- AISC $742/oz
- All in cost $872/oz
- NPV_8 $197m at $1250/oz gold

Pit design:



Source: KEFI Minerals

In-situ value

KEFI's is trading at an EV/oz of c$5/oz versus a peer group mean of $26/oz. Even considering grade, capital intensity, jurisdiction and other variabilities, we believe an 80% discount is unjustified. N.B our valuation is based on a DCF model.

AIM peer group:

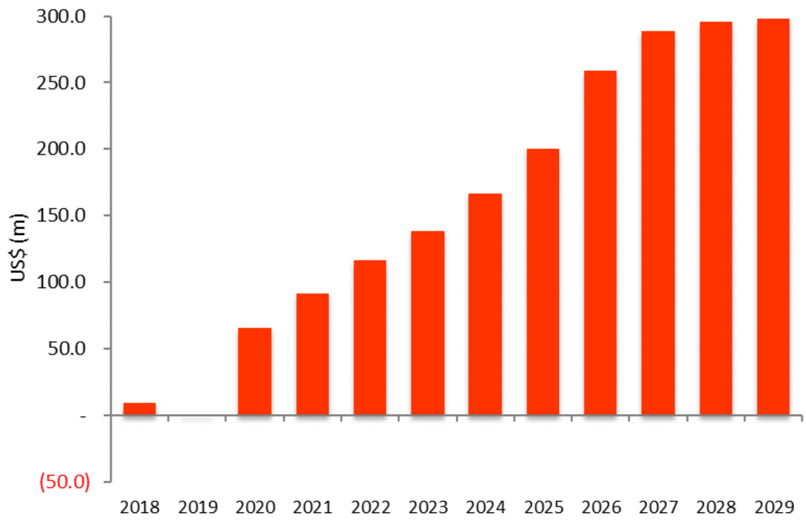
Description	EV US$m	Reserve	Resource	EV/Reserve	EV/Resource
DALRADIAN	178.49	1.4	4.40	124.1	40.6
HUMMINGBIRD	16.16	0.6	5.44	26.7	3.0
KEFI	14.74	1.0	3.11	15.0	4.7
MARIANA	107.36	0.0	0.86	0.0	125.2
CONDOR	32.46	0.7	2.30	48.1	14.1
CHAARAT	36.12	4.9	7.05	7.4	5.1
AVOCET	8.25	0.7	7.19	11.5	1.1
ARIANA	17.84	0.1	1.12	259.6	16.0
SCOTGOLD	9.22	0.2	0.27	46.4	34.6
GALANTAS	8.84	0.0	0.52	0.0	17.0
Average					**26.1**

Source: Bloomberg, Beaufort Securities

Value to KEFI shareholders - $124m at $1250/oz

The value to KEFI shareholders will depend on the financing structure, essentially how leveraged it is. The current plan is for $20-30m of KEFI equity, $20m of project level equity from Ethiopia government, and the balance of $100m in debt. With this structure, KEFI shareholders would be exposed to 75% of the post-tax, post financing cashflows. Based on the optimised DFS and assuming a $1250/oz gold price, this would result in an KEFI attributable NPV_{10} of circa $124m.

Tulu Kapi cumulative cashflows



Source: Beaufort Securities, Tulu Kapi optimised DFS

Tulu Kapi's history and misconceptions

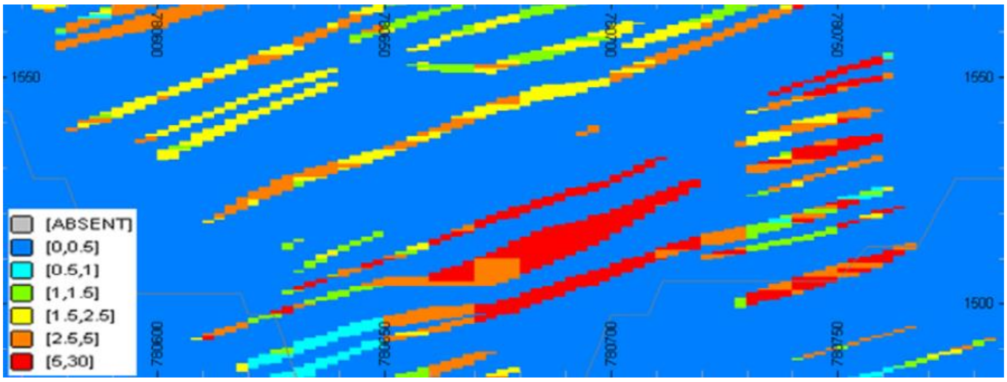
Complex orebody

Tulu Kapi had a reputation for being a complicated orebody, described by previous management as being a complex mass of veins with no clear structural control. This geological 'model' drove drilling programmes and ultimately a non-selective mining approach which resulted in a lower head grade in the 2012 Definitive Feasibility Study (1.82g/t).

As KEFI's corrected current resource model (see below) demonstrates, the deposit is in fact a well-defined series of stacked veins. The head grade for the 8 years of mining is now 2.5g/t, while the reserve grade is 2.12g/t after including 2 years of processing low grade stockpiles at the end of the (current) mine life.

KEFI will spend more per tonne mining using more careful methods than previously planned, but the cost per ounce is significantly reduced due to the grade improvement.

2015 wire frame resource model (cross section)



Source: Snowden

Relocation challenges

The second Tulu Kapi misconception is the perceived challenges of relocating local people. Although this is something which needs to happen, it is standard practice for many mines, including most open pit gold projects across Africa where artisanal mining often leads to nearby settlement. Tulu Kapi has no artisanal miners and KEFI has an active community relations team, who are working closely with locals and the government. We don't see the relocation as a major issue.

Capex – was high, KEFI reduced by 40%

Probably the main historical issue was that under previous management the pre-production capex estimate (2012 DFS) was $235m not including working capital, which for a junior and with a mid-size 1Moz mine was too much. KEFI has successfully increased the resources and reduced capex to $145m including working capital.

KEFI's high quality owner's team

KEFI has installed an excellent owner's team at Tulu Kapi, based in country, and with the requisite experience to deliver in the development stages and operationally. These technicians have delivered a more accurate wire frame resource model, allowing the design of a more selective mining method and a better mine schedule.

The team has also been responsible for managing the tendering processes for construction and contract mining, a very involved process that included "contract scope optimisation" i.e. how can the mining approach be improved to maximise economics and cashflows. KEFI's owner's team will remain on site during the planning, construction and production phases.

Wire frame model and selective mining

One of the first jobs the KEFI team undertook was a wire frame resource model. This constituted several man years of painstaking work but resulted in a much better constrained model, a higher grade reserve and better optimised mining plan. KEFI also did some drilling to confirm its upgraded resource and geological model.

The wireframe also allows for better selective mining, which we discuss in more detail below. The main point to make is that all mines use selective mining. At Tulu Kapi the mining method will be slightly different, but standard practice at several Western Australia gold mines which have similar stacked vein systems. Note that the Tulu Kapi mining contractor African Mining Services (an Ausdrill company) is comfortable with the mining method and has provided a fixed annual cost based on the optimised mine plan.

Optimised feasibility study – annual 115Koz in first 7 years

Nyota's original Tulu Kapi feasibility study has been improved upon several times. The current mine plan produces 980Koz over 9 years with 115Koz per annum over the first 7 years. This plan is based on the 2015 Definitive Feasibility Study, tweaked by the contractors (Ausdrill and Lycopodium) and Endeavour Financial.

The main change from the 2015 DFS was to condense 13 years' of production into 9 years, improving the NPV. KEFI will also produce 20Koz more gold from fewer total mined tonnes (129.6Mt vs. 160.6Mt). Note that the mine life is expected to exceed 9 years either through an underground mine below the pit and/or open pittable satellite deposits.

Feasibility evolution:

Description	2016 optimised plan	2015 DFS	Nyota DFS
Pre-production capex	$140m	$140m	$238m
NPV (8%)	$197m	$156m	N/A*
Life of mine	9.0	13.0	10.0
Production	980,000 oz	961,000 oz	924Koz
Average prod.	109 Koz	74 Koz	92 Koz
Strip ratio	7.4:1	7.4:1	8.5:1
Ore processed	15.4Mt	15.4Mt	16.9Mt
Head grade	2.1g/t	2.1g/t	1.82g/t
All-in-sutaining costs	$742/oz	$780/oz	N/A*
All-in costs	$872/oz	$906/oz	N/A*

Source: Company

Full industry support – tier one contractors

KEFI has agreements with two, tier one, project contractors. Both are Australian companies. Lycopodium is the preferred EPC contractor for the plant and has agreed to take the first US$2.5 million of costs in KEFI shares. Ausdrill has invested in KEFI equity and currently owns 7.31% (note that in July 2016 Ausdrill subscribed to $350k in new equity to maintain its pro rata shareholding).

Their involvement and investment in KEFI equity reflect their view of the feasibility of the Tulu Kapi project. Also, given the historical concerns about the mining methodology, Ausdrill's involvement and cash investment is an important technical endorsement. Note that in 2016 KEFI replaced one plant construction contractor with Lycopodium after a corporate takeover of the former led to a change of contractual terms.

Current resources and upside

The Tulu Kapi resource was estimated by Snowden. It is based on 118,700m of drilling (mostly diamond core) and some trenching. Based on total resource estimate of 1.7Moz and the current in-situ value for gold ounces, KEFI's £15m market value is unjustified in our opinion.

Snowden resource estimate

	Cut-off grade	Tonnes	Au (g/t)	Moz
Open pit potential				
Indicated	0.45 g/t	17.70	2.49	1.42
Inferred	0.45 g/t	1.28	2.05	0.08
UG potential				
Indicated	2.5 g/t	1.08	5.63	0.20
Inferred	2.5 g/t	0.12	6.25	0.02
Total				
Indicated		18.80	2.67	1.62
Inferred		1.40	2.40	0.10
Total		**20.20**	**2.65**	**1.72**

Source: Company

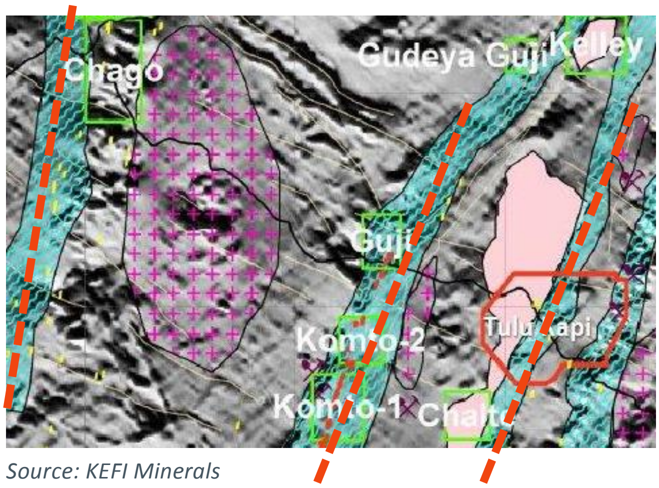
High quality exploration portfolio

KEFI has good quality exploration projects in Ethiopia (near Tulu Kapi) and in Saudi Arabia.

Tulu Kapi satellites

Proximal gold targets to Tulu Kapi are located on two parallel shear zones to the west of Tulu Kapi's shear zone. There is currently eight targets between 2km and 15km away. Names include Guji, Komto and Soyoma. All eight targets are early stage (trenching and some drilling), however based on positive early results we would be surprised if the nearest deposits at Guji and Komto didn't provide some ore during theTulu Kapi's mine-life.

Shear zones near Tulu Kapi:

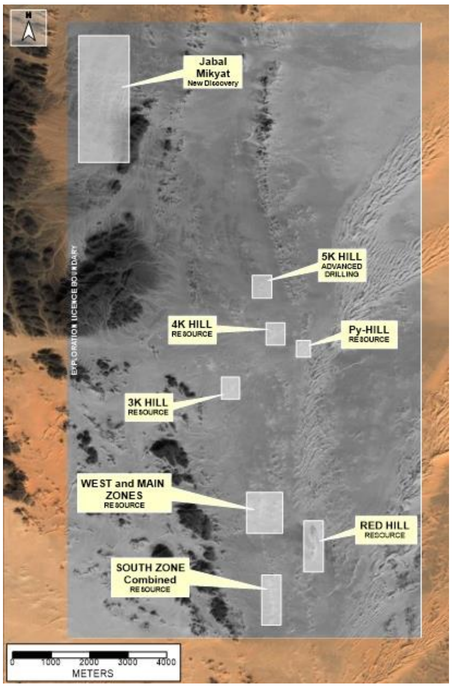


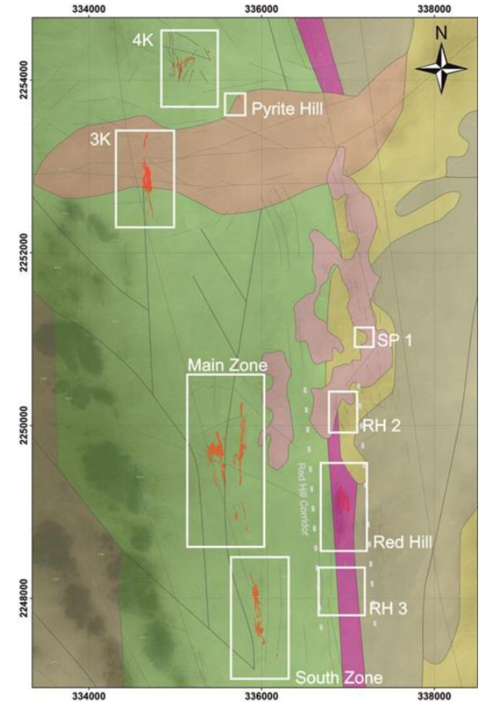
Source: KEFI Minerals

Heap leach in Saudi – quick cashflow potential

Jibal Qutman in Saudi Arabia has c.700koz of gold in a JORC resource, of which 200Koz are heap leachable. Early studies have looked at a 6.6Mt resource grading 0.95g/t which could underpin a low capex heap leach operation. More drilling is required to increase the size of the heap leach oxide resources.

Jibal Qutman gold deposits – a series of oxide shallow open pits





Source: KEFI Minerals

Ethiopia political risk

In 2H16 KEFI had been heading towards financial close when it was scuppered by a state of emergency in Ethiopia, quickly followed by a softening gold price. Financing had also been delayed in 1H16 when the then chosen funding partner decided to exit from the mining sector. The State of Emergency is due to end in April (six months after it started on 9th October) and assuming the country is stable with improved social tensions, we expect the financing process to be finalised and close in 2H17.

Gold price – important catalyst

Although an uncontrollable factor, the direction of the gold price will have a significant impact on the future success of KEFI (and all gold mining companies). Certainly a strong gold price will assist the KEFI share price. The gold price peaked in 2016 at $1366/oz before falling to $1129/oz in December. It has since recovered 6% to $1200/oz.

Gold's performance in the rest of 2017 could also have an impact on the ease of financing, although most mining lenders should have a longer term view and shouldn't be overly affected by short term volatility. We use a long term $1250/oz gold price in our KEFI model.

Summary

KEFI's management has no control over the gold price or Ethiopian politics, and both issues have had a negative impact over the past 6-12 months. However, we believe KEFI's technical work has unlocked Tulu Kapi's value and that Ethiopia should soon become stable and investable for a wider range of funds. We expect management to deliver on its targets, and hope uncontrollable factors start to move in a better direction.

Ethiopia

We visited Ethiopia in November during the state of emergency and were impressed by the relatively high level of development in the country. This is in terms of infrastructure (airport, roads, hydro-power) and business (e.g car and textiles manufacturing). We also found the government representatives we met to be sophisticated and punctual.

We saw no impact of the emergency in Addis or on site, although we met with the Australian Ambassador who provided a detailed account of the background, causes, events and current situation. His advice to Australian nationals is currently "reconsider your need to travel" which is one level below "do no travel", yet he explained how the situation had improved. We also note that the UK Foreign Office advises against travel to certain parts of Ethiopia but only nearby to borders with neighbouring countries.

Government changes made

Since the public protests, government changes include new federal and regional cabinets and a new Independent Agency for Land Compensation. The Government has also started lifting some of the restrictions of the State of Emergency and has publicly indicated its possible end ahead of schedule. According to the Australian Ambassador, the initial changes are a step in the right direction although he believes Prime Minister Hailemariam Desalegn would be advised to make additional progressive changes during 2017.

Stable social/security situation

As far as we understand, the current situation is stable. Along with the government and civil service changes mentioned above, approximately 10,000 arrested protesters were released in December which has also helped.

Summary

Protests are common place in many developing countries including in Africa where the rich-poor divide is most obvious. Ethiopia is one of the world's 10 highest growth countries with a consistent growth record of 7-10% pa GDP growth for the past 15 years.

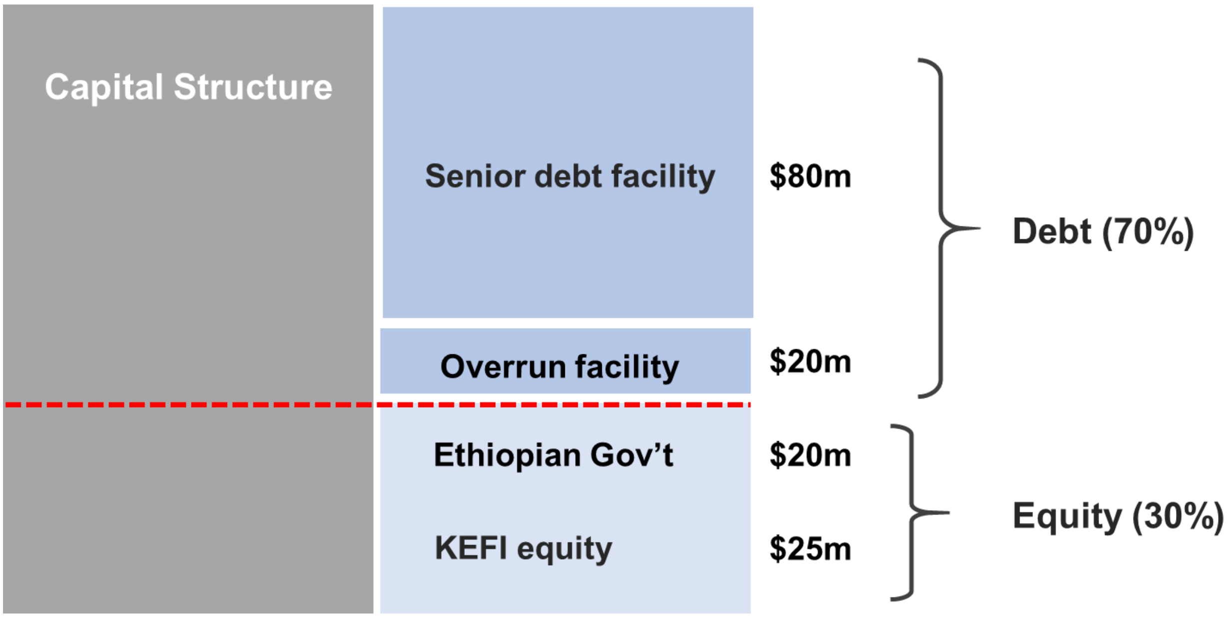
The recent declaration of a formal State of Emergency was after the third incident in three years of public protest demanding improved governance. Government appears to have responded firmly to the public demands and is determined to maintain economic development and stability for international investors.

We expect government to make further progressive changes although we are not political analysts and investors should make their own political risk assessment. Should the situation worsen, financing Tulu Kapi would likely be delayed further.

Tulu Kapi Financing

Tulu Kapi will require c$145m to develop. The Ethiopian government has committed to $20m in project level equity while the Ethiopian Development Fund has expressed interest for up to a further $40m in debt. We met the Ethiopian Development Fund in November and it confirmed its interest. Assuming a traditional funding structure, the balance will be dominated by senior debt plus KEFI equity.

Most likely structure:



Source: Beaufort Securities

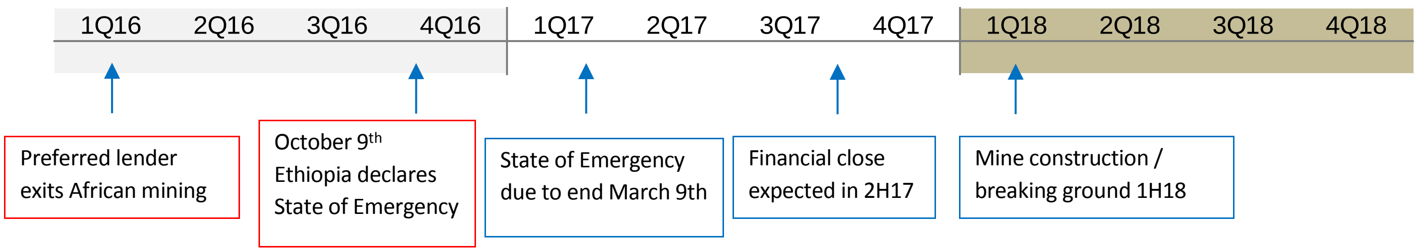
Senior debt process

KEFI management started the financing process in 2H15. And having progressed to a late stage in collaboration with the Development Bank of Ethiopia, KEFI's chosen senior debt provider unfortunately pulled out of the transaction and the mining sector in mid-2016.

This was a significant setback and KEFI re-started the senior debt process. Then in 4Q16, while management was on a global equity investor roadshow promoting KEFI, the Ethiopian government declared a state of emergency. To make matters worse, 4Q16 also saw a 15% decline in the gold price.

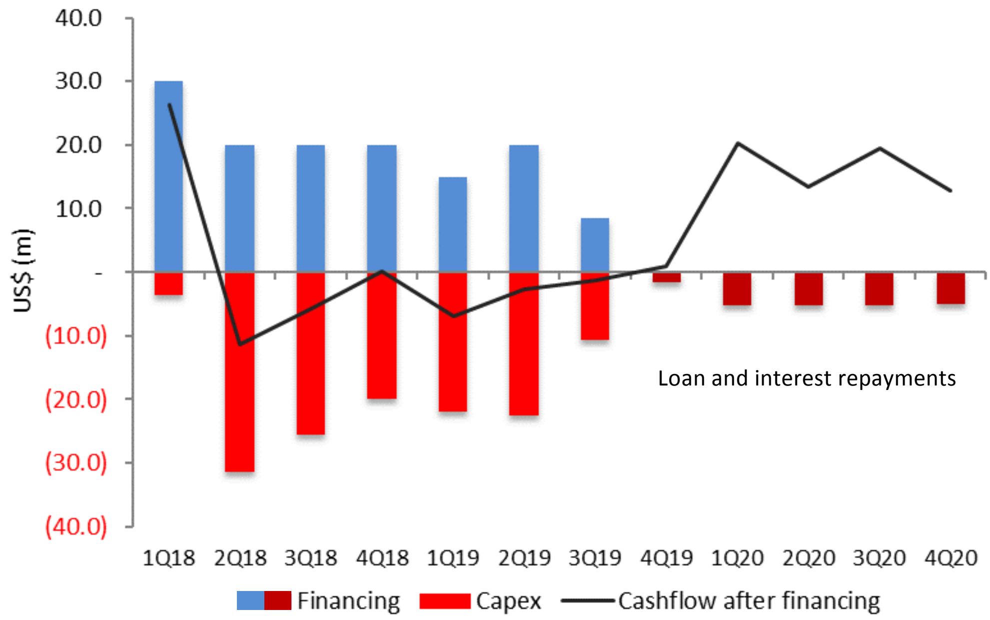
To management's credit, we understand it has always maintained several potential funding routes/sources. These would include traditional mine project finance, strategic investors (e.g. private equity), large family offices, other gold mining corporates and Chinese funding. Gold streaming is an option, however it is expensive and unlikely to constitute a significant part of the package.

Historic and potential timeline:



Financing and construction expectations

We cannot be certain as to the shape and timing of the financing. However, we believe management's preferred solution is project debt and equity, and as such this is the most likely structure. Timing will depend on the security situation in country. If the state of emergency ends in April we could see financial close in 3Q17. Our financial forecasts assume construction (not including relocation which could be earlier) starts during 1Q18.



Valuation

Our valuation is based on a discounted cashflow model for Tulu Kapi open pit only, using a 10% discount rate. We have used the mining schedule from the optimized DFS, the estimated contracted mining costs and a flat $1250/oz gold price. The model also includes $85m of senior debt, $20m of junior debt and $50m in equity, $20m of which is project level equity invested by the Ethiopian government.

Risked NAV:

Description				
Tulu Kapi NPV	$m	165.4	£m	137.9
Attributable	%	75%		
KEFI's NPV	$m	124.1	£m	103.4
Dilution	%	52%		
Sub-total	$m	58.9	£m	49.1
Risk factor	%	25%		
Sub-total	$m	44.2	£m	36.8
Exploration	$m	0.0	£m	0.0
NAV	$m	44.2	£m	36.8

Price target	(p)	0.95
Current share price	(p)	0.37

Risks

Ethiopian political risk

Since the public protests, government changes include new federal and regional cabinets and a new Independent Agency for Land Compensation. The social situation has improved and we expect the emergency to end in April, however political risk remains.

Financing risk

The Tulu Kapi project is valuable based on its gold resources in the ground, however to unlock the most value management needs to close financing for mine construction. We expect this in 2017 although there is a risk this could be delayed.

Execution risk

Once financed, mine construction and commissioning is a major engineering project which is vulnerable to problems. If too many things go wrong, it could lead to a shortfall in capital. Given the relatively highly geared finance structure, capital blow outs could damage the value of KEFI equity.

Gold price

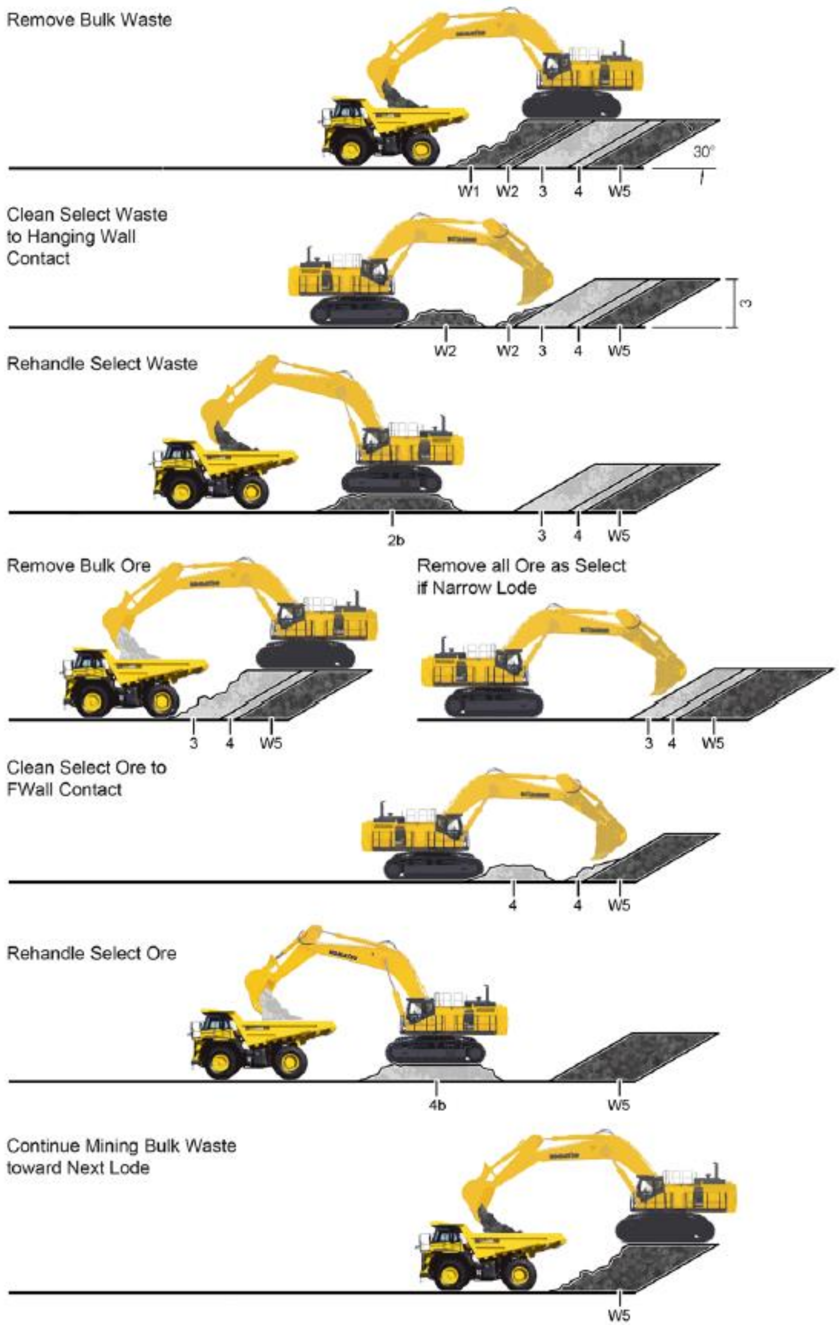
Fluctuations in the gold price will have an impact on the share price and once in production revenues and profit margins. Gold price volatility is hard to forecast and can have a positive or negative effect. Our long term forecast is $1250/oz.

Mining Tulu Kapi – standard selective mining

The schematic below shows the mining method to be employed at Tulu Kapi. It is not dissimilar to standard open pit mining of narrow gold veins (e.g. greenstone), but the shallow dipping nature of the ore body means it requires more careful mining to minimize dilution. Snowden recommended focusing on the following points to limit dilution:

- Well trained operators
- Good grade control
- Optimised blasting
- Optimal bench and flitch sizes
- Smaller machines to clean ore faces and isolate ore

Mining methodology:



Dilution example:

Block height (m)	Gold grade	Diluted grade
0.5	0.04	1.74
0.5	5.18	3.38
0.5	4.92	5.01
0.5	4.92	4.90
0.5	4.86	4.88
0.5	4.86	4.60
0.5	4.07	4.33
0.5	4.07	4.04
0.5	3.98	4.01
0.5	3.98	4.10
0.5	4.33	2.78
0.5	0.04	1.46

The table above shows an actual example of grade and expected dilution on one of the Tulu Kapi lodes.

African Mining Services (wholly owned by Ausdrill):

AMS is one of the largest mining contractors in Africa employing 3,128 people and with a fleet of 359 surface mining vehicles. Current clients in Africa include Endeavour, Perseus, Anglo Gold Ashanti, Newmont and PMI Gold.

Other assets – significant value

KEFI has good quality exploration projects in Ethiopia (near Tulu Kapi) and in Saudi Arabia. We believe both portfolios have significant value, for example Jibal Qutman in Saudi Arabia has c.700koz of gold in a JORC resource at 0.9g/t, of which 200Koz are heap leachable. Although the grade is low, the leachability, low capex and potential for attractive economics are more important. Based on $26/oz in the ground, KEFI's 40% of 700Koz could be worth $7.0m, with additional upside from exploration.

Saudi Arabia joint venture

KEFI is operations manager with a 40% interest of the Gold & Minerals Joint Venture in Saudi Arabia alongside Abdul Rahman Saad Al Rashid and Sons (ARTAR). KEFI calls this the G&M JV.

Jibal Qutman - potential heap leach operation

The most advanced project in the JV is the Jibal Qutman gold project which is near-ready for a development decision. The JV partners are awaiting to see Saudi Arabia's new policy towards mining before pushing the button on construction. The next step would be application for a mining licence and other permits.

Jibal Qutman has a preliminary economic assessment and won't require a comprehensive feasibility study given the JV partner's access to debt funding. A pre-feasibility study should be sufficient to gain funding. KEFI believes the financing structure should result in KEFI requiring less than $5m to fund its 40% equity share.

Resources and economic studies

Exploration work has defined a compliant resource of 0.73Moz at 0.8g/t with 39% of the current resource amenable to heap leach processing. A pre-feasibility study (PFS) was completed in March 2014 for a traditional carbon in leach (CIL) operation. However, given the oxide's amenability to heap leach, KEFI switched focus to developing a heap leach operation.

A preliminary economic assessment supported by independent consultants was completed in 2015 and this was sufficiently attractive (opex estimate c.$600/oz, capex estimate <$40m) for the JV to start openly discussing project construction. Further exploration for oxide gold resources is the next step.

Highlights from the PEA include:

- 1.5Mtpa
- Cash cost $597/oz
- Capex $30m
- Heap leach recovery 73%
- Production of 139Koz over 4.5 years
- 6.6Mt at 0.95g/t

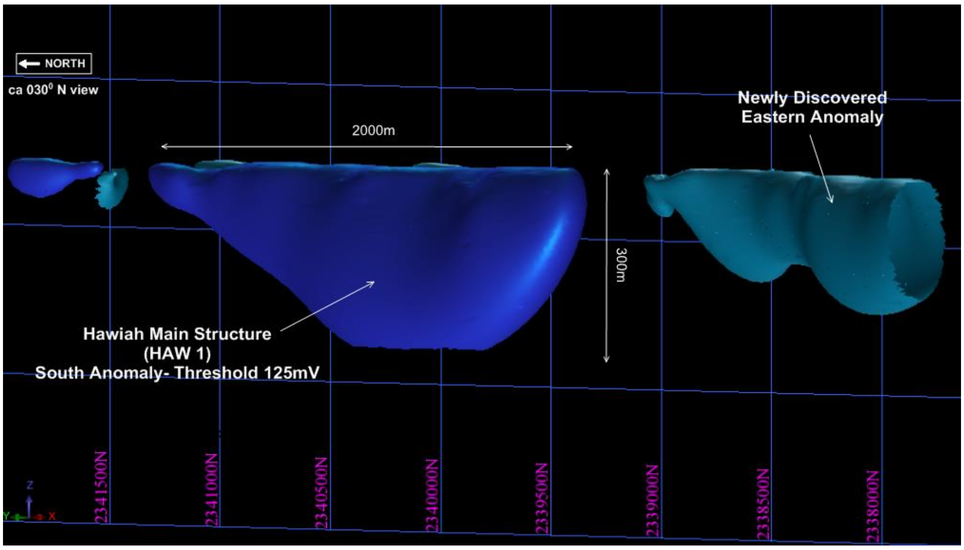
Hawiah – copper-gold-zinc VMS

The second Saudi project is Hawiah, a 95Km^2 licence with potential for a volcanic massive sulphide (VMS) complex. Hawiah looks to be a large and continuous VMS with gold mineralised gossans on surface. The concept is to define near surface economic gold mineralisation in the gossans and explore the deeper bodies for copper and zinc.

Large and juicy drill target

KEFI did a "self-potential geophysical survey" and identified a large anomaly located between 125m and 300m below surface with an 800m strike length. A second less continuous anomaly sits parallel to the main structure, approximately 600m to the east. The Hawiah Main Structure is an exciting VMS target in a known mineralised area.

Hawiah anomolies:



Source: KEFI Minerals

Income Statement (£m) Dec	2014A	2015A	2016E	2017E	2018E	2019E
Revenue	-	-	-	-	-	33.5
Cost of sales	-	-	-	-	-	(30.0)
Gross profit/(loss)	-	-	-	-	-	3.5
Other	-	-	-	-	-	-
Depreciation	(0.1)	(0.1)	(0.2)	(0.2)	-	(6.1)
Administrative expenses	(2.0)	(1.6)	(1.8)	(1.6)	(2.4)	(2.4)
Operating profit	(2.1)	(1.7)	(2.0)	(1.8)	(2.4)	(5.0)
EBITDA	(2.0)	(1.6)	(1.8)	(1.6)	(2.4)	1.1
	-	-	-	-	-	-
Exploration expenditure	(0.1)	(0.0)	(0.1)	(0.1)	-	-
Finance income	(0.4)	(0.3)	(0.2)	(0.2)	-	-
Finance costs	(0.1)	(0.1)	0.1	-	(0.7)	(4.6)
Share based payments	(0.3)	(0.4)	(0.4)	(0.4)	-	-
Impairments and other	(1.0)	(0.7)	(1.1)	-	-	-
Profit before tax	(4.0)	(3.2)	(3.8)	(2.5)	(3.1)	(9.6)
Income tax expense	-	-	-	-	-	1.9
Profit after tax	(4.0)	(3.2)	(3.8)	(2.5)	(3.1)	(7.7)
Other income/ (loss)	-	-	-	-	-	-
Total income	(4.0)	(3.2)	(3.8)	(2.5)	(3.1)	(7.7)
Equity holders of parent	(3.8)	(3.2)	(3.8)	(2.5)	(2.4)	(5.8)
Non controlling interest	(0.1)	-	-	-	(0.8)	(1.9)
Earnings per share (p)	(0.40)	(0.20)	(0.12)	(0.06)	(0.03)	(0.07)

Source: KEFI Minerals and Beaufort Securities

Cashflow Statement (£m) Dec	2014A	2015A	2016E	2017E	2018E	2019E
Operating cashflow						
Profit before tax	(4.0)	(3.2)	(3.8)	(2.5)	(3.1)	(7.7)
Depreciation	0.1	0.1	0.1	0.2	-	6.1
Tax	-	-	0.1	-	-	(1.9)
Share based payments	0.3	0.4	0.4	0.4	-	-
Finance costs	(0.0)	0.0	(0.0)	-	0.7	4.6
Other	1.0	0.7	1.3	-	-	-
Sub total	(2.5)	(2.0)	(1.8)	(1.9)	(2.4)	1.1
Working capital movements	0.1	(1.1)	0.0	-	-	-
Operating cashflow	(2.4)	(3.0)	(1.8)	(1.9)	(2.4)	1.1
Finance costs	-	-	(0.1)	-	-	(2.7)
Tax paid	-	-	-	-	-	-
Operating cashflow	(2.4)	(3.0)	(1.9)	(1.9)	(2.4)	(1.6)
Investing cashflow						
Investment in intangibles	(2.2)	(2.7)	(1.4)	(1.0)	-	-
Purchase of PPE	(0.0)	(0.0)	(0.1)	(1.5)	(67.1)	(46.0)
Other	(1.6)	(0.8)	(0.4)	(0.3)	-	-
Investing cashflow	(3.9)	(3.5)	(1.9)	(2.8)	(67.1)	(46.0)
Financing cash flows						
Share issue	4.0	6.9	5.5	1.5	25.0	-
Loan	-	-	-	-	75.0	37.5
Other	(0.4)	(0.4)	(0.4)	-	16.7	-
Financing cashflow	3.7	6.5	5.2	3.6	116.7	37.5
Net change in cash	(2.6)	(0.1)	1.4	(1.1)	47.2	(10.1)
Cash start period	3.3	0.6	0.6	2.0	0.9	48.1
FX effect	-	(0.0)	-	-	-	-
Cash end period	0.6	0.6	2.0	0.9	48.1	37.9
Net cash (debt)	0.6	0.6	2.0	0.9	(64.4)	(65.4)

Source: KEFI Minerals and Beaufort Securities

Balance sheet (£m) Dec	2014A	2015A	2016E	2017E	2018E	2019E
Current assets						
Cash & equivalents	0.6	0.6	2.0	0.9	37.5	81.2
Trade and other receivables	0.3	0.4	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.1	0.4	0.4	0.4
Total current assets	1.1	1.0	2.1	1.3	37.9	81.6
Non-current assets						
Other receivables	-	-	-	-	-	-
Property, plant	0.2	0.1	0.1	1.4	111.4	99.3
Intangible assets	9.1	11.8	13.2	14.2	14.2	14.2
Non-current assets	9.3	11.9	13.2	15.5	125.6	113.4
TOTAL ASSETS	10.4	12.9	15.3	16.9	163.5	195.0
Current liabilities						
Trade and payables	3.2	2.0	1.9	1.9	4.6	4.6
Borrowings	-	-	-	-	112.5	103.3
Other	-	-	-	-	-	-
Total current liabilities	3.2	2.0	1.9	1.9	117.1	107.9
Non-current liabilities						
Other payables	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Deferred tax	-	-	-	-	(1.4)	6.7
Total non-current liabilities	-	-	-	-	(1.4)	6.7
TOTAL LIABILITIES	3.2	2.0	1.9	1.9	115.6	114.6
TOTAL NET ASSETS	7.2	10.9	13.4	14.9	47.8	80.4
Equity						
Share capital	21.6	28.6	34.4	38.4	80.0	80.0
Other reserve	(0.1)	(0.0)	0.4	0.4	0.4	0.4
Retained profit	(14.4)	(17.6)	(21.3)	(23.8)	(30.4)	(6.0)
Total equity	7.2	10.9	13.4	14.9	50.0	74.5
Non-controlling interests	-	-	-	-	(2.2)	6.0
TOTAL EQUITY	7.2	10.9	13.4	14.9	47.8	80.4

Source: KEFI Minerals and Beaufort Securities

Recommendation Breakdown

During the three months to end-December 2016, the number of stocks on which Beaufort Securities published recommendations was 228, and the recommendations were as follows: Buy – 83; Speculative Buy – 116; Hold – 27; Sell – 2.

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