

KEFI Gold and Copper

Counting down to launch in H124

Project timing update

Metals and mining

In its post-Indaba release of 13 February, KEFI announced that the multi-party, subsidiary-level financing of its Tulu Kapi gold project in Ethiopia is now advancing on the back of Ethiopian federal government commitments finally received in October 2023. As a result, the lead lender quickly processed its approval in December 2023 and now all other stakeholders are triggering their respective flow-on processes. At the same time, the Federal Government of Ethiopia has confirmed that its equity capital investment has been fully documented, committed and already partly invested, while the contractors to the project have reaffirmed their intention and readiness to enter into the already drafted agreements to enable full project launch in H124 (as previously indicated by KEFI).

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/21	0.0	(3.4)	(0.2)	0.0	N/A	N/A
12/22	0.0	(3.3)	(0.2)	0.0	N/A	N/A
12/23e	0.0	(3.5)	(0.2)	0.0	N/A	N/A
12/24e	0.0	(11.5)	(0.2)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Financial model adjustments

Our last valuation of KEFI was 2.19p/share in December 2022, when we assumed that project launch was imminent. Since then, we have 1) delayed launch by one year to end FY23, 2) adjusted its funding mix to reflect US\$40m in share issues by KEFI subsidiaries to Ethiopia's federal and regional governments (cf US\$28.5m previously), 3) allowed for dilution of KEFI's interest in G&M in Saudi Arabia from 30% to 25%, 4) adjusted to reflect interim equity issuance (albeit mostly already included in our models), 5) updated our financial model to reflect the positive pre-feasibility study at Hawiah in June 2023 and 6) updated our long-term gold price expectations (see [Shades of the 1970s, Gold: September 1979 revisited](#), published in September 2023).

Valuation: Nearly four times current share price

In the wake of our assumption changes, we calculate that KEFI's trio of projects are capable of generating free cash flow of c £82.6m in FY27–32 (cf £84.0m previously), making average (maximum potential) dividends of 0.66p/share possible (cf 0.63p/share previously) and valuing KEFI today at 2.47p/share (cf 2.19p/share previously) fully diluted to account for a residual £1.9m in equity issuance at the corporate level this year. This suggests an immediate value for KEFI of £122.6m or US\$155.0m. This current valuation reduces to 2.18p/share (cf 1.92p/share previously) if all convertible instruments are converted at our valuation of the shares in three to four years' time. At current metals prices, however, it increases to 4.14p now and 5.50p in FY27 (plus a further c 1.80p/share for Guji-Komto), which implies an internal rate of return for investors of 43.7% in sterling terms over the next 13 years. Note that our timing assumes Tulu Kapi commissioning in late 2025 and we believe that this goal is still achievable as long as project launch is before the end of April. In the event of a six-month delay, our valuation (all other things being equal) reduces by 4.7% to 2.36p/share.

13 February 2024

Price **0.678p**

Market cap **£34m**

US\$1.2636/£

Net cash (£m) at end June 2023 0.4

Shares in issue 4,965.1m

Free float 92.3%

Code KEFI

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (14.7) (0.4) (26.1)

Rel (local) (14.2) (3.8) (23.0)

52-week high/low 1.05p 0.53p

Business description

KEFI Gold and Copper is an exploration and development company focused on gold and copper deposits in the highly prospective Arabian-Nubian Shield – namely the Tulu Kapi project in Ethiopia (projected 70% interest) and the Hawiah and Jibal Qutman projects (both 25%) in Saudi Arabia.

Next events

Tulu Kapi project launch H124

Tulu Kapi commissioning H225

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Exhibit 1: Financial summary

	£000s	2020	2021	2022	2023e	2024e
December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		0	0	0	0	0
Cost of Sales		(2,663)	(2,257)	(2,744)	(2,994)	(1,000)
Gross Profit		(2,663)	(2,257)	(2,744)	(2,994)	(1,000)
EBITDA		(2,663)	(2,257)	(2,744)	(2,994)	(1,000)
Operating profit (before amort. and excepts.)		(2,706)	(2,274)	(2,768)	(3,024)	(1,030)
Intangible Amortisation		0	0	0	0	0
Exceptionals		174	(47)	(268)	916	0
Other		0	0	0	0	0
Operating Profit		(2,532)	(2,321)	(3,036)	(2,108)	(1,030)
Net Interest		(100)	(1,121)	(527)	(495)	(10,473)
Profit Before Tax (norm)		(2,806)	(3,395)	(3,295)	(3,519)	(11,503)
Profit Before Tax (FRS 3)		(2,632)	(3,442)	(3,563)	(2,603)	(11,503)
Tax		0	0	0	0	0
Profit After Tax (norm)		(2,806)	(3,395)	(3,295)	(3,519)	(11,503)
Profit After Tax (FRS 3)		(2,632)	(3,442)	(3,563)	(2,603)	(11,503)
Minority interests		0	0	0	0	3,451
Net income (normalised)		(3,894)	(4,877)	(6,087)	(8,255)	(8,052)
Net income (FRS3)		(2,632)	(3,442)	(3,563)	(2,603)	(8,052)
Average Number of Shares Outstanding (m)		1,663.2	2,178.9	3,537.3	4,452.1	5,105.8
EPS - normalised (p)		(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
EPS - normalised and fully diluted (p)		(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
EPS - (IFRS) (p)		(0.2)	(0.2)	(0.1)	(0.1)	(0.2)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		-	-	-	-	-
EBITDA Margin (%)		-	-	-	-	-
Operating Margin (before GW and except.) (%)		-	-	-	-	-
BALANCE SHEET						
Fixed Assets		24,545	28,424	31,481	30,644	124,447
Intangible Assets		24,510	28,361	31,356	34,490	38,490
Tangible Assets		35	63	125	95	89,898
Investments		0	0	0	(3,941)	(3,941)
Current Assets		1,817	685	683	1,327	1,147
Stocks		0	0	0	0	0
Debtors		448	291	463	361	181
Cash		1,315	394	220	0	0
Other		54	0	0	966	966
Current Liabilities		(3,125)	(6,791)	(5,182)	(5,182)	(3,181)
Creditors		(3,125)	(5,556)	(4,002)	(4,002)	(2,001)
Short term borrowings		0	(1,235)	(1,180)	(1,180)	(1,180)
Long Term Liabilities		0	0	0	(344)	(74,028)
Long term borrowings		0	0	0	(344)	(74,028)
Other long term liabilities		0	0	0	0	0
Net Assets		23,237	22,318	26,982	26,445	48,385
CASH FLOW						
Operating Cash Flow		(2,092)	(329)	(2,634)	(2,880)	(2,821)
Net Interest		(100)	(1,121)	(527)	(495)	(10,473)
Tax		0	0	0	0	0
Capex		(4,389)	(3,064)	(5,245)	(3,929)	(93,833)
Acquisitions/disposals		0	54	0	0	0
Financing		6,996	826	6,405	6,741	33,443
Dividends		0	0	0	0	0
Net Cash Flow		415	(3,634)	(2,001)	(564)	(73,685)
Opening net debt/(cash)		814	(1,315)	841	960	1,524
HP finance leases initiated		0	0	0	0	0
Other		1,714	1,478	1,882	0	0
Closing net debt/(cash)		(1,315)	841	960	1,524	75,208

Source: Company accounts, Edison Investment Research

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