

# KEFI Gold and Copper

Fund-raising

The penultimate piece of the puzzle

Metals and mining

7 March 2024

**Price** **0.59p**

**Market cap** **£29m**

US\$1.2714/£

Net cash (£m) at end June 2023 0.4

Shares in issue (excluding shares from the March 2024 capital raise) 4,965.1m

Free float 92.3%

Code KEFI

Primary exchange AIM

Secondary exchange N/A

On 4 March, KEFI announced a firm placing of 750m new shares to raise £4.5m at a price of 0.6p/share plus a further 83.3m shares (subject to approval by shareholders at a general meeting on 26 March), also at 0.6p, in direct settlement of a number of the company's liabilities. Finally, on 5 March, it announced the closure of a simultaneous retail offer via PrimaryBid to raise a further £0.5m via the issue of a further 82.7m shares. Assuming approval at the company's general meeting, in aggregate, KEFI will be raising £5.5m (gross) via the issue of 916.0m shares, such that the final total, post-presumed 26 March approval, will be 5,881.1m.

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	(11.4)	(0.1)	0.0	N/A	N/A

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

## Raising more should lower the overall financial risk

KEFI's equity raise has been larger (by 634.7m shares/£3.6m) than we expected, leading to 12.1% more shares in issue (cf our prior expectations) – albeit conferring on KEFI greater financial resources and with proportionately less financial risk.

Apart from the reported necessity to spend money on preparing the community and site for project launch, KEFI needs to clean up its balance sheet for project finance closing, from the viewpoint of shareholders and for the project financiers putting up the very large funding package between them, as arranged by KEFI.

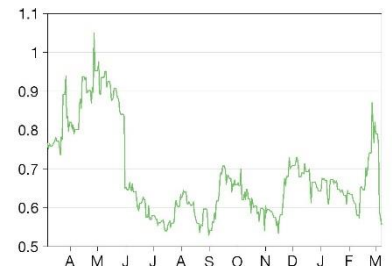
## Raise follows notable exploration success

KEFI's fund-raising follows three recent notable exploration discoveries, including high-grade cross-cut intersections at Asfingia at Jibal Qutman (up to 66.6g/t), the Abu Salal volcanogenic massive sulphide complex 50km south of, and on strike to, Hawiah, and a maiden mineral resource estimate at Al Godeyer in FY23.

## Valuation: Offering a 41.3% internal rate of return

In the wake of KEFI's equity raising, we calculate that Tulu Kapi, Hawiah and Jibal Qutman are capable of generating average free cash flow of c £82.3m in FY27–32 (almost unchanged of £82.6m previously), making average (maximum potential) dividends of 0.59p/share possible (cf 0.66p/share previously) and valuing KEFI at 2.21p/share (cf 2.47p/share previously) fully diluted. This suggests a post-money value for KEFI of £130.0m or US\$165.2m. This current valuation reduces to 1.96p/share (cf 2.18p/share previously) if all convertible instruments are converted at our valuation of the shares in 3–4 years' time. At current metals prices, however, it increases to 4.20p (4.14p previously) now and to 5.58p (5.50p previously) in FY27 (plus a further c 1.95p/share for Guji-Komto), which implies an internal rate of return for investors of 41.3% (43.7% previously) in sterling terms over the next 13 years. Our timing assumes Tulu Kapi starts commissioning in late 2025 and we believe this goal is still achievable as long as project launch is before end June. In the event of a six-month delay, our valuation (all other things being equal) reduces by 4.7% to 2.11p/share.

## Share price performance



% 1m 3m 12m

Abs (6.3) (20.7) (25.4)

Rel (local) (6.5) (22.6) (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

General meeting 26 March 2024

Tulu Kapi project launch Mid-2024

Tulu Kapi commissioning H225

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**Exhibit 1: Financial summary**

	£000s	2020	2021	2022	2023e	2024e
December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
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)	(10,410)
Profit Before Tax (norm)		(2,806)	(3,395)	(3,295)	(3,519)	(11,440)
Profit Before Tax (FRS 3)		(2,632)	(3,442)	(3,563)	(2,603)	(11,440)
Tax		0	0	0	0	0
Profit After Tax (norm)		(2,806)	(3,395)	(3,295)	(3,519)	(11,440)
Profit After Tax (FRS 3)		(2,632)	(3,442)	(3,563)	(2,603)	(11,440)
Minority interests		0	0	0	0	3,432
Net income (normalised)		(3,894)	(4,877)	(6,087)	(8,255)	(8,008)
Net income (FRS3)		(2,632)	(3,442)	(3,563)	(2,603)	(8,008)
Average Number of Shares Outstanding (m)		1,663.2	2,178.9	3,537.3	4,452.1	5,728.5
EPS - normalised (p)		(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
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)	(0.1)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		-	-	-	-	-
EBITDA Margin (%)		-	-	-	-	-
Operating Margin (before GW and except.) (%)		-	-	-	-	-
<b>BALANCE SHEET</b>						
Fixed Assets		24,545	28,424	31,481	34,585	127,837
Intangible Assets		24,510	28,361	31,356	34,490	38,490
Tangible Assets		35	63	125	95	89,347
Investments		0	0	0	0	0
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	(4,285)	(74,651)
Long term borrowings		0	0	0	(344)	(70,710)
Other long term liabilities		0	0	0	(3,941)	(3,941)
Net Assets		23,237	22,318	26,982	26,445	51,152
<b>CASH FLOW</b>						
Operating Cash Flow		(2,092)	(329)	(2,634)	(2,880)	(2,821)
Net Interest		(100)	(1,121)	(527)	(495)	(10,410)
Tax		0	0	0	0	0
Capex		(4,389)	(3,064)	(5,245)	(3,929)	(93,282)
Acquisitions/disposals		0	54	0	0	0
Financing		6,996	826	6,405	6,741	36,146
Dividends		0	0	0	0	0
Net Cash Flow		415	(3,634)	(2,001)	(564)	(70,366)
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	71,890

Source: Company sources, Edison Investment Research.

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