

## The Role of Mining in Development



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CHAIRMAN OF KEFI MINERALS PLC



- African economy growing faster than any other continent – led by Africa's most resource-rich economies
- One-third of African countries have GDP growth rates of over 6%
- Consensus forecast for annual economic growth in Africa until 2020 is 4.5-6.0%
- Standard Chartered predicts an "Asia-like bull run in investment" equating to 30% of GDP by 2020

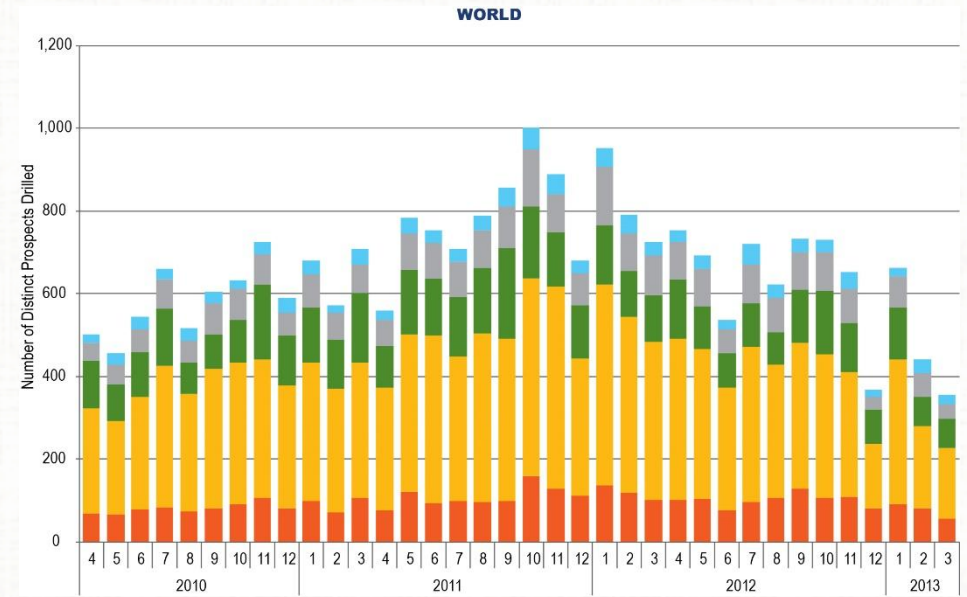
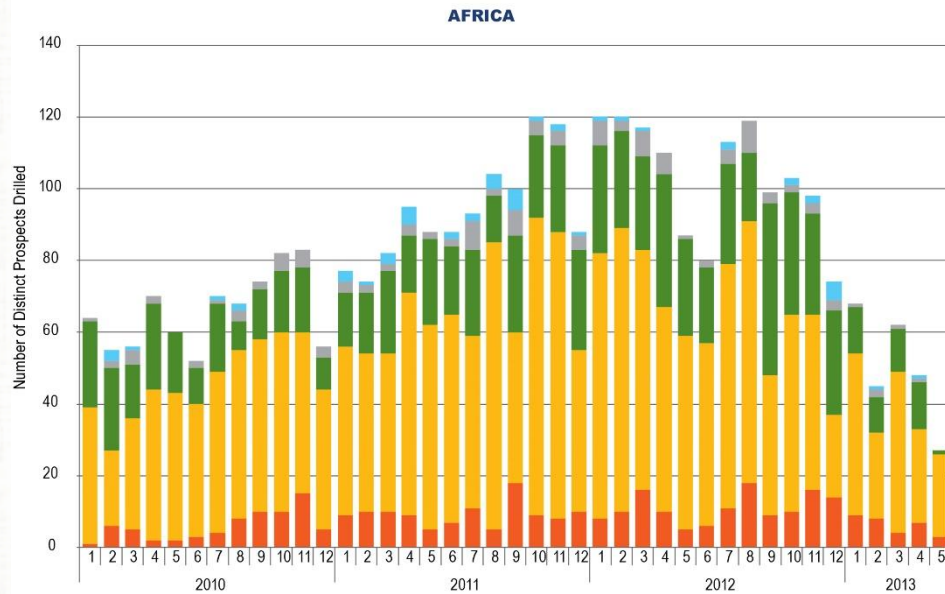
### **MINING SECTOR SUFFERING DECLINE IN INVESTMENT OTHER THAN FOR PROJECT DEVELOPMENT**

- **Global mining industry suffering from falling metals prices, increased pressure on operating costs, and heightened community expectations and resource nationalism**
- **Small mining companies with a market value of less than \$2m – c.20% of listed mining companies across the main junior exchanges – had on average less than \$1m in cash and equivalents at 31 December 2012**
- **Junior mining companies increasingly seeking new sources of funding such as private equity, royalty and streaming arrangements, off-take deals, joint ventures and equipment financing**
- **Majority of deals in 2013 were small, low-risk acquisitions – increasing existing stake, domestic/inter-regional consolidation, strategic attempt to secure future supply**
- **Total value of M&A deals where the target was within Africa declined to \$2.9bn in 2013 (2012: \$19.9bn)**

## PREFERENCE FOR CAPITAL ALLOCATION TO DEVELOPMENT IS REFLECTED IN THE DECLINE IN EXPLORATION EXPENDITURE

- Impact of restricted supply of finance particularly acute on exploration sector
- Lack of investment resulting in lower drilling activity in 2013

### DRILLING ACTIVITY

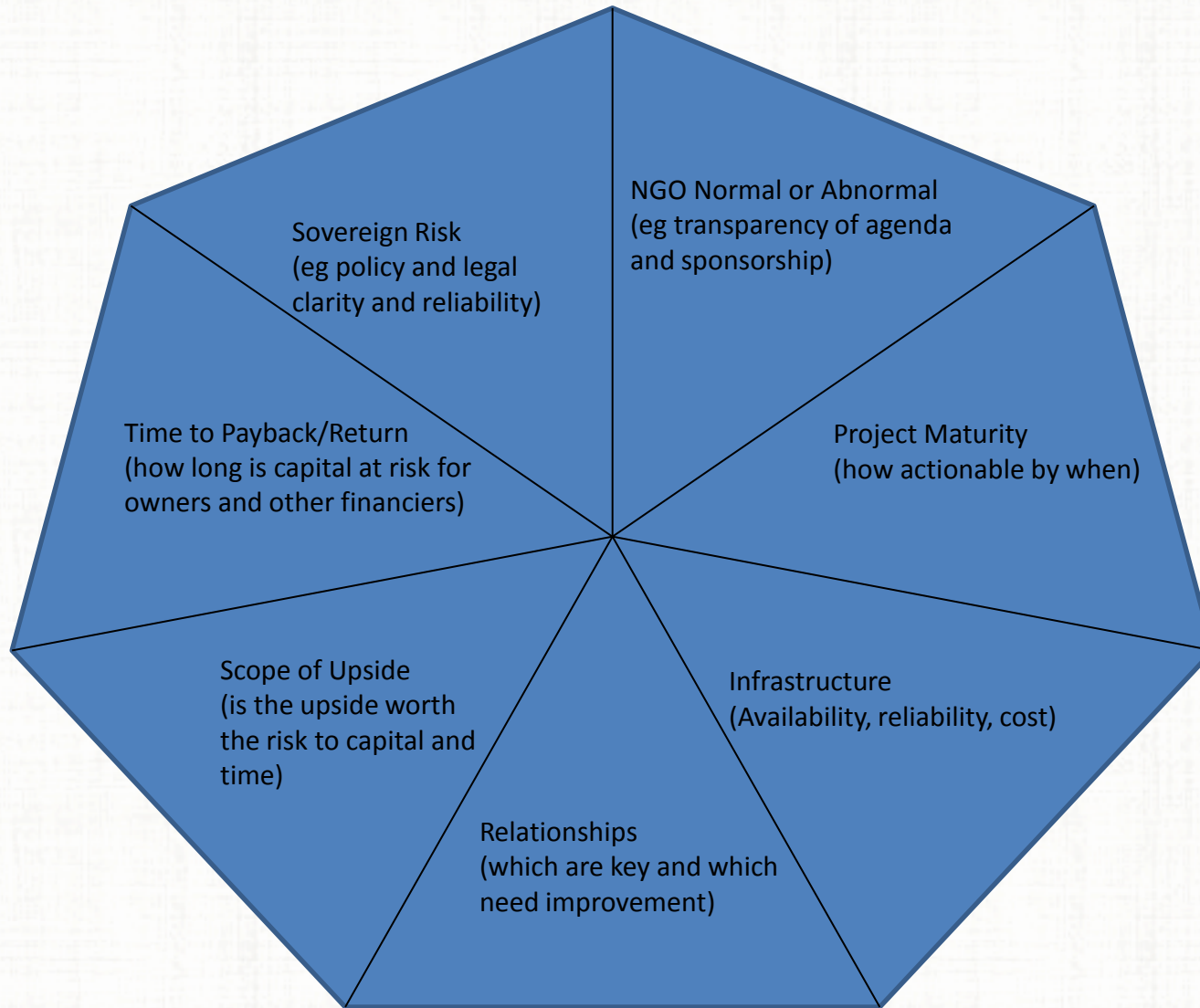


■ COPPER
 ■ GOLD
 ■ OTHER
 ■ SILVER
 ■ ZINC/LEAD



- **Population growth, urbanization and general economic development in emerging economies, such as China and India, provide a strong base for continued growth in metal demand**
- **China purchased \$100bn worth of minerals during 2012 from 100 countries, including 23 African countries**
- **Investor confidence is growing in the face of stronger governance and debt relief**
- **Africa offers foreign investors an opportunity to invest in early stage mining projects and at a lower cost**
- **Improving ROI as mining companies focus on capital prudence and portfolio simplification**
- **Since Jan 2013, approximately 60 global investment banks – such as Goldman Sachs, JP Morgan, Bank of China, Credit Suisse – have invested in mining in Africa with a total investment value of \$43.8bn**
- **African mine development investment increased to \$110bn in 2013 (2012: \$106bn). Project- average \$549m**

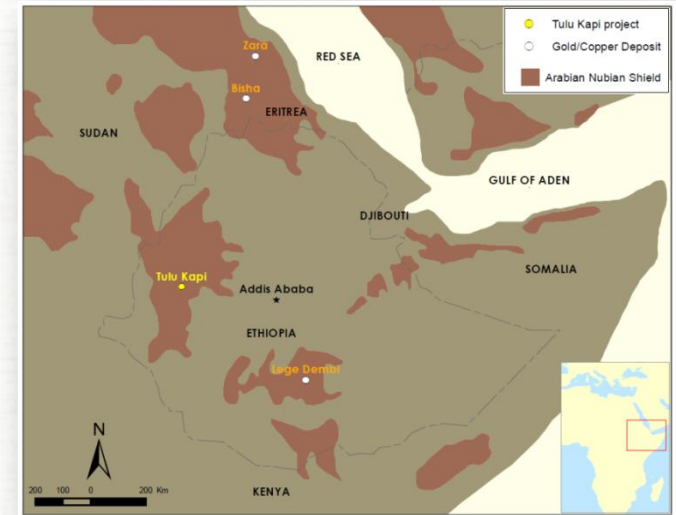
## SOME KEY CRITERIA FOR CAPITAL ALLOCATION TO AFRICAN MINE DEVELOPMENT



# Case Study Ethiopia & KEFI



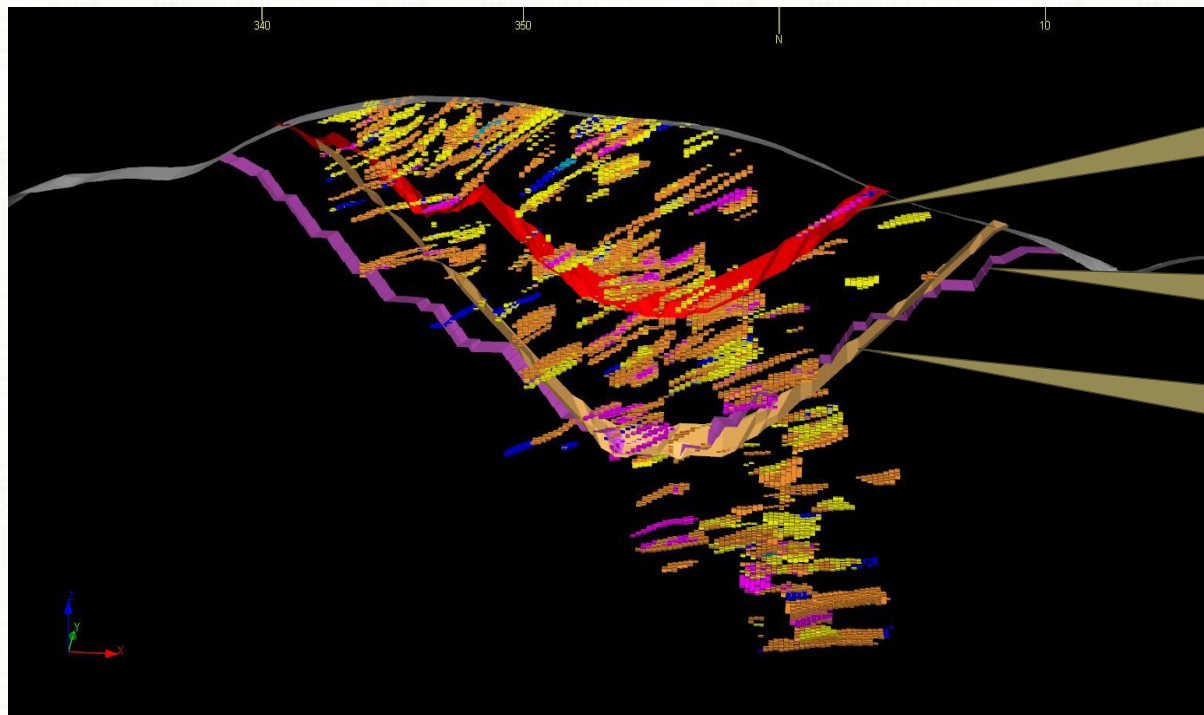
- Established in 2006
- Admitted to AIM in December 2006
- Total equity financings of \$26m – used to evaluate many acquisition opportunities and exploration targets in various countries around the Mediterranean, Middle East and Africa
- Strategically focused on the Arabian Nubian Shield
- Key asset is Tulu Kapi in Ethiopia – acquired in Dec 2013
- Rapid progress achieved in 2014
- Refined selective mining strategy to increase gold production and grade whilst maintaining planned low All-in Costs
- Planning to reactivate Mining Licence Application by end 2014, start construction in 2015 and commence operations in 2016





- **Ethiopia is stable, never colonised and serves as base of African Union and UN Economic Commission for North Africa**
- **Area bigger than Spain and France, population 93 million (surpassed only by Nigeria), median age under 20**
- **Within world's top 25 for human development indicators**
- **World's fifth fastest growing economy – GDP growth 8% for past 10 years**
- **GDP per capita growing at 11%pa for past 10 years**
- **Production transferring in from China, India, Turkey and South Korea**
- **Mining will actively support the Govt's Growth and Transformation Plan**
- **As internal consumption and imports grow, natural resources can provide counterbalancing exports and foreign currency reserves**

- **Actively boosting mining sector**
  - **Corporate tax reduced to 25%**
  - **Royalty on Au production reduced**
  - **Legislative incentives such as security of tenure and exemption from customs duty and taxes on mining equipment**
- **Actively facilitating the Tulu Kapi project**
  - **In conjunction with KEFI acquisition in Dec 2013, reached agreements with Government regarding revised work program, settlement basis for taxes unpaid by the previous owner and renewal of tenure**
- **Ensuring accessibility, transparency and clarity**
  - **KEFI has experienced professional conduct, quick and effective engagement, and invited to highlight problems so that weaknesses can be addressed to enable both the Government and the Company to achieve their respective KPIs**
- **Government understands that its administrative and technical capacities are being over stretched and that it needs to build its human resources capacities for social program implementation and regulation. KEFI is assisting where possible**



RED: KEFI preliminary pit  
outline (Dec 13)  
800K oz over 10 years

PURPLE: Previous owner's  
DFS pit outline (Dec 12)  
900Koz over 10 years

BROWN: KEFI preliminary pit  
outline (May 14)  
>1,000Koz over 15 years

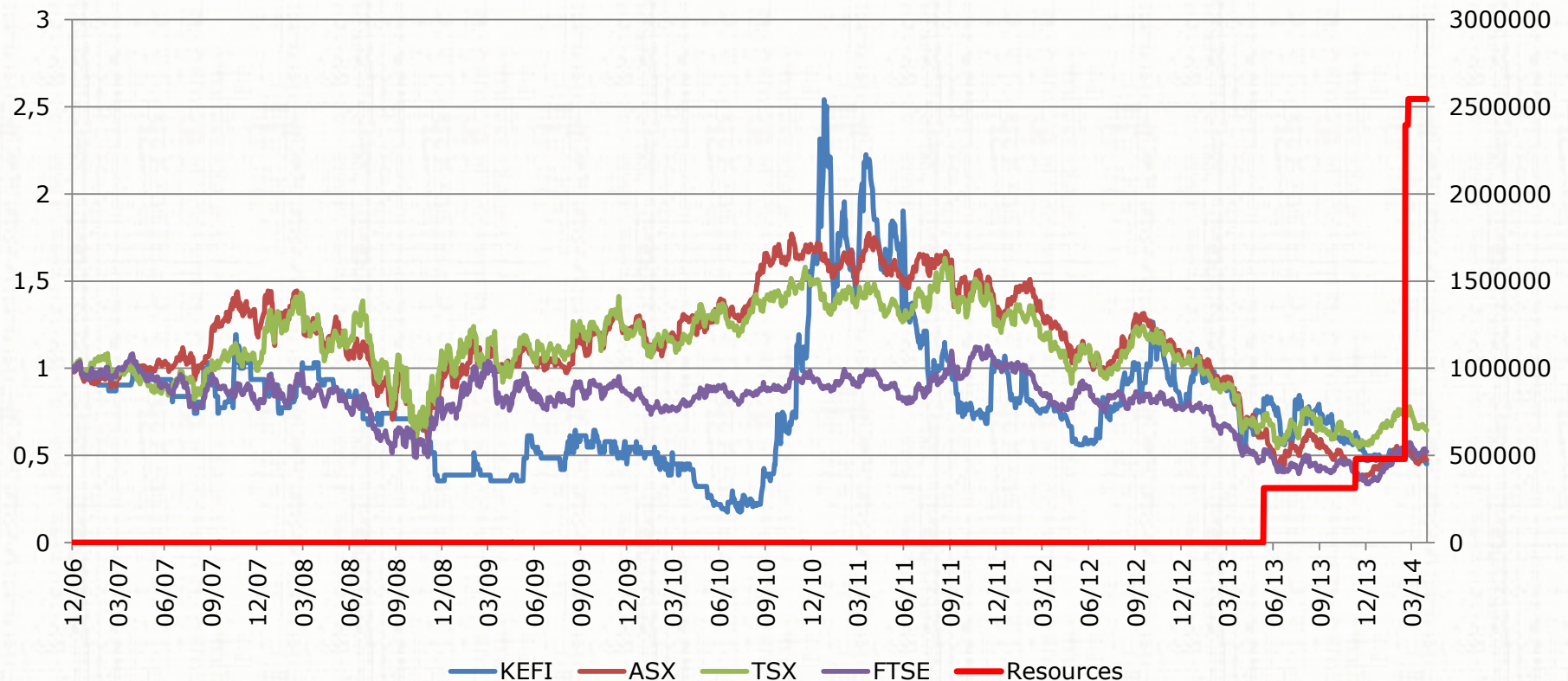
High-grade Au has  
underground mining potential

**Selective mining of the orebody has the effect of reducing:**

- **Waste mining and increases Head Grade**
- **2Mtpa plant to  $\approx$ 1.2Mtpa, targeting halving of initial capex**
- **All-in Costs by mining fewer tonnes at a higher grade and reducing waste, capex and closure costs**
- **Overall reduction of risk by risking less capital and mining more slowly and selectively**

## KEFI HAS SWITCHED FROM EXPLORATION TO DEVELOPMENT

KEFI share price since IPO indexed to key gold indices and KEFI (JORC) gold resources growth in KSA & Ethiopia



The indexing shows that the KEFI share price, since Admission to AIM, sits in line with the indices. The red line shows that KEFI shares have now leapt in terms of gold resource backing.



### Mining is a long-term activity and has high social impact

Mining represents c.20% of Africa's economic activity and minerals are the continent's second-largest export category

