

MINING FLASHNOTE

KEFI Minerals (KEFI LN)

13 February 2017

Stock Data

Share Price:	0.35p
Market Cap (M):	£13.6
EV (M):	£13.6

Price Chart



52 Week Range

0.235p	0.35p
0.665p	

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

MAIN SHAREHOLDERS	HOLDING
Capita Financial Managers	19.36%
Odey Asset Management	18.43%
JM Morgan Chase & Co	10.20%
Hargrave Lansdown Asset	9.31%
Ausdrill International	7.25%
Barclays PLC	6.14%

Source: Bloomberg

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Kefi Announces Conditional Fundraising of £5.62M

Event

KEFI has announced a conditional fundraising of £5.62M before expenses. This consists of:

- A placing by Brandon Hill capital to raise £600K
- A subscription by certain directors, employees and Lycopodium raising £400k
- A subscription by Lanstead Capital LP ("Lanstead"), an institutional investor raising £4.62M

A General Meeting on the 1st of March, 2017, has been called to approve the proposed financing and the consolidation of the existing KEFI shares on a 17 for 1 basis. As a result of this consolidation, the fundraising will be at a price of 5.61p per New Ordinary Share.

Comment

This fund raising will underpin the activities of KEFI for the whole of 2017 and removes the near-term uncertainty over the Company's financial position, which has no doubt been weighing on the KEFI share price of late. It should also provide sufficient time to finalise the final funding package for the start-up of Tulu Kapi as well as additional funding for exploration work in both Ethiopia and Saudi Arabia.

The Tulu Kapi Gold Project in Ethiopia remains the primary focus of KEFI's activities and its development funding remains the Company's main objective. The declaration of emergency by the Ethiopian Government on the 8 October 2016, whilst having no effect on operations, has understandably caused a delay in the financing of the project. We are therefore pleased to see management are in an ongoing dialogue with potential financing syndicate members and expect to update the market this quarter. We would expect any clarity on a financing package to fund the restart should be very well received by the market.

Of the gross proceeds of the Lanstead Subscription, £693K (being 15%) will be retained by the KEFI and the balance of £3.927M will be pledged by the Company pursuant to the Sharing Agreement. The Sharing Agreement entitles the Company to receive back those proceeds on a pro rata monthly basis of £218,166 per month over a period of 18 months, subject to adjustment upwards or downwards each month depending on the Company's share price at the time.

The Benchmark Price for the Lanstead investment is set at 7.48p per consolidated share, a premium of 33% to the placing price with no warrants being issued. The number of shares being issued to Lanstead is fixed at the outset.

If the Measured Price exceeds 7.48p, then the additional revenue raised flows to KEFI. If the share price does not exceed the Benchmark Price, then KEFI will receive less funds and any decline in the share price will not result in any advantage accruing to Lanstead.

We have reviewed a number of 'financing facilities' in the past that are used by junior natural resources companies on AIM. Those that have had a negative impact on a Company's share price have invariably been ones which have not finalised a fixed number of shares at the outset, with additional shares being issued should share prices decline. We are pleased that Lanstead is not a facility of this nature with a constant drip and issuance of new stock in the market. We see significant value to the upside above 7.48p and as such would expect more capital to be raised by KEFI than the original £4.62M, but still for the same number of shares. As such, should management deliver on its projected milestones over the coming quarters, the use of Lanstead will prove far less dilutive than had KEFI elected for a straight equity raise at 0.33p (5.61p consolidated) for the full amount.

Research Disclosures

Peter Rose

Peter has 30 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 9 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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Sell	Recommendation implies that expected total return expected over 12 months between current and analysts' target price is negative.

Research Disclaimers

Research disclosure as of 13 February 2017

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

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