

KEFI Minerals (KEFI LN)

20 December 2016

Stock Data

Share Price:	0.235p
Market Cap (M):	£9.1
EV (M):	£9.2

Price Chart



52 Week Range

0.235p	0.235p	0.665p
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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 HOLDING

Odey Asset Management	18.43%
Capita Financial Managers	15.63%
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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Tulu Kapi Gold Project Update

Event

KEFI has provided an operational update for the period 1 October to 19 December 2016.

Comment

KEFI's Executive Chairman, Mr Harry Anagnostaras-Adams, said: "The calm and pro-development situation in Ethiopia, combined with the financing proposals being considered by KEFI, make the Board confident that the Tulu Kapi Gold Project starts development in 2017." The press release stated that the development is expected to be triggered during 2017.

Despite the State of Emergency in Ethiopia, which was declared in early October for a period of six months, the country is still experiencing growth rates of better than 7% and the country still rates above many of the other countries in Africa as a destination for "Mining Investment Attractiveness" according to the latest report published by the Fraser Institute. The Government has taken steps to address the grievances that caused the social unrest. Changes to date include new Federal and Regional Cabinets and the establishment of Independent Agency for Land Compensation

Secondly, KEFI has received formal confirmation that it is due for a refund of the equivalent of £2.5M from the Ethiopian tax authorities, having completed repayment of the inherited "Reverse VAT Liability" within the agreed schedule to December 2016, as contractually set out on acquisition of the Tulu Kapi Gold Project in December 2013. This should alleviate any short term cash flow problems. KEFI has already seen much of the directors' remuneration being paid in shares as KEFI has reduced its "burn rate".

The third key point is, that although the gold price has dropped the project is still profitable. KEFI forecast the economics at different gold prices –

Gold Price	NPV@8%	NPV@8%	IRR
	Open Pit +Underground	Open Pit Only	Open Pit Only
\$1,150/oz	\$74M	\$56M	37%
\$1,200/oz	\$100M	\$77M	47%
\$1,250/oz	\$126M	\$98M	56%
\$1,300/oz	\$151M	\$119M	65%
\$1,350/oz	\$178M	\$140M	72%

It is important to remember that the project currently has a mine life of 11 years. This mine life does not include the underground or any exploration success that may occur, and we do not believe that the gold price will bump along at current levels for the entire mine life.

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 20 December 2016

Company Name	Disclosure
KEFI Minerals (KEFI LN)	1, 2, 7, 8, 9

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