

MINING FLASHNOTE

KEFI Minerals (KEFI LN)

Stock Data

Share Price:	0.325p
Market Cap (M):	£5.7M
EV (M):	£4.6M

Price Chart



52 Week Range

0.275p	0.325p	1.35p
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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

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Capita Financial Managers	17.11%
Odey Asset Management	14.02%
TD Direct Investing	4.32%
Anagnostaras-Ada Aristidis	4.23%
Emed Mining Plc	4.19%
Hargreaves Lansdown	3.70%

Source: Bloomberg

Peter Rose

Tel: +44 (0)20 3463 5034

Peter.Rose@brandonhillcapital.com

www.brandonhillcapital.com

Equity Raise of US\$4M

Event

KEFI Minerals has announced that it has conditionally raised US\$4M, before expenses, through the issue of 877,191,422 new Ordinary Shares of 0.1p each at a price of 0.3p per share by way of a placing through Brandon Hill Capital Limited, together with a subscription direct with the Company by Ausdrill International Pty Limited (“Ausdrill”), a leading service provider to the African mining industry and significant shareholder in the Company.

Comment

KEFI is undertaking the Placing to provide working capital for the implementation of its exploration and development activities in Ethiopia and Saudi Arabia, in particular the preparations for commencing the development of the Tulu Kapi gold project in western Ethiopia.

On 13 and 14 October 2015 respectively KEFI announced the appointment of its contractors for plant construction and start-up and for mine start-up and operation. The terms agreed with the contractors indicate a capital requirement of US\$129M, which is intended to be satisfied by c. US\$110M from the aggregate of project debt and gold streaming finance and, as announced on 11 November 2015, US\$15-20M from project-level equity from the Government of Ethiopia. It should be noted that the implied valuation of the Tulu Kapi Project based on the Government’s proposed investment is +US\$75M, which highlights the disconnect in the current KEFI share price which gives a market capitalisation of sub US\$10M

The exact sum to be received from the Ethiopian Government depends upon the cost of the infrastructure they are providing. But, whichever way the numbers fall, the capital cost of US\$129M should be covered by the current proposed funding programme. These figures do not allow for the ongoing running of the company or the exploration in Saudi Arabia. Therefore, some working capital was needed and the US\$ 4M raised should see KEFI through into Q2 2016, by which point the Company expects to be in a position to start drawing down monies from the identified financiers of Tulu Kapi, enabling production in 2017.

A key point in today’s press release is the composition of the subscribers. Odey Asset Management LLP have increased their shareholding in KEFI to 26.1%. Ausdrill, a contractor to the project in Ethiopia, has also increased its stake in KEFI. Finally, we are heartened to see the Board and Management once again subscribing and showing their commitment to the project. These three groups account for circa 70% of the total placing and clearly all have a longer term view of the potential KEFI offers.

Research Disclosures

Peter Rose

Peter has 29 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 8 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.

Tel: +44 (0)20 3463 5034

Peter.Rose@brandonhillcapital.com

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Trading Sell	Recommendation implies that the analysts' expected total return over the short term compared against the target price is negative.
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 24 November 2015

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

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Brandon Hill Contact List

International Sales

Oliver Stansfield

Tel: +44 20 3463 5061

Email: oliver.stansfield@brandonhillcapital.com

Alex Walker

Tel: +44 20 3463 5018

Email: alex.walker@brandonhillcapital.com

Pierre Iseux

Tel: +44 20 3463 5024

Email: pierre.iseux@brandonhillcapital.com

Research

Peter Rose

Tel: +44 20 3463 5034

Email: peter.rose@brandonhillcapital.com

William Arnstein

Tel: +44 20 3463 5020

Email: william.arnstein@brandonhillcapital.com

Corporate Finance & Broking

Jonathan Evans

Tel: +44 20 3463 5016

Email: jonathan.evans@brandonhillcapital.com

Wei Jiao

Tel: +44 20 3463 5019

Email: wei.jiao@brandonhillcapital.com

Robert Beenstock

Tel: +44 20 3463 5023

Email: robert.beenstock@brandonhillcapital.com