25th August 2015

KEFI Minerals

BEAUFORT

Initiation of coverage

Price: 0.7-0.8p

Speculative Buy

Target: 2.92p/share

EPIC: KEFI.L *(FTSE AIM All Share)*

Sector: Metals & Mining

Share price performance

Key Data

Existing Shares:	*1,744m*
Market Cap:	*£12.29 million*
ISIN:	*GB00B1HNYB75*
SEDOL:	*B1HNYB7*
TIDM:	*KEFI*
Website:	*KEFI-minerals.com*

Next Events

Interim Results:	*Sept' 2015*
Financing Details:	*Q4, 2015*

Analyst

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New kids on the block

KEFI Minerals (KEFI.L), the gold exploration, acquisition and development company with projects in the Federal Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, is on track for gold production in 2017 from its Tulu Kapi deposit in Ethiopia. On the back of the recently completed DFS, management expects to produce 80-90,000oz pa for at least 10 years at an all-in sustaining cost of US$755/oz. There is potential to add to the Tulu Kapi production plan through exploration both under the proposed open pit and from adjacent exploration licenses. Following Tulu Kapi start-up, KEFI is also targeting heap leachable gold mineralisation at its Jibal Qutman deposit and surrounding area in Saudi Arabia. KEFI's projects are located within the Arabian-Nubia shield, a highly prospective and emerging minerals province that could potentially transform KEFI from a gold exploration company into a mid-tier gold producer.

Tulu Kapi: Robust economics with near term cash flow

Since acquiring the Tulu Kapi project in December 2013 at an impressive low price of US$5 per resource ounce, KEFI has significantly improved the economics through detailed optimisation studies. KEFI's revised definitive feasibility study (DFS) is based on 15.4Mt of ore with an average grade of 2.12g/t and an average recovery of 91.5% over a 13 year life of mine. Total production is estimated at 961koz at an initial peak capital cost of US$130m and an All-in sustaining costs (ASIC) of US$779/oz. Supported by the revised DFS, management is currently finalising its funding options and evaluating mining contractor bids. Given the advanced discussions on project financing coupled with a 20 year mining licence already in place as well as strong support from the Ethiopian government we believe KEFI is poised to become a mid-tier gold producer by 2017.

Jibal Qutman: potential heap leach operation in Saudi Arabia

KEFI has a 40% interest and is manager of the Gold & Minerals Joint Venture which includes the Jibal Qutman gold deposit with partner Abdul Rahman Saad Al Rashid and Sons (ARTAR). Exploration work has defined a compliant resource of 0.73Moz with 39% of the current resource amenable to heap leach processing. A pre-feasibility study (PFS) was completed in March 2014, however KEFI is currently focused on identifying additional oxide resources in order to develop a low capex start-up operation. In addition to Jibal Qutman, KEFI has an exploration licence for the Hawiah prospect which has the potential to host volcanic massive sulphide (VMS) deposits. We understand that KEFI has been the only company granted licences in recent years and has a large portfolio of exploration licences applications in the regulatory process.

Valuation: 2.9p per share for Tulu Kapi plus 0.06p for Jibal Qutman

Based on the revised DFS and assuming KEFI uses a gold streaming facility for US$100m and a US$20m equity raise (at current price) we value Tulu Kapi at 2.9p/share. To this we then add 0.06p/share (post-funding) for Jibal Qutman based on our selected peer group resource multiple of US$15.5/oz.

Year end	Revenue (£$m)	PBT*(£m)	EPS*(p)	P/E	Yield (%)
12/14	0.0	(2.6)	(0.4)	N/A	N/A
12/15e	0.0	(2.0)	(0.1)	N/A	N/A
12/16e	0.0	(2.0)	(0.1)	N/A	N/A
12/17e	38.9	(2.7)	(0.1)	N/A	N/A

*Source: Beaufort Securities. Note: *PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share based payment*

Investment Case: Unlocking Tulu Kapi

Company description: Gold explorer and developer within the prospective Arabian-Nubian Shield

KEFI Minerals is an exploration, acquisition and development company focused on gold and copper deposits, primarily within the highly prospective Arabian-Nubian Shield. Its two principal assets are the 95% owned Tulu Kapi project in Ethiopia (total JORC-compliant resource of 20.2Mt grading 2.65g/t Au) and the 40% owned Jibal Qutman project (total JORC-compliant resource of 28.4Mt grading 0.8g/t Au) in Saudi Arabia. Since acquiring the Tulu Kapi project 2013, KEFI Mining has updated the JORC compliant resources and reserves and recently revised the DFS focusing on the optimisation of the technical and economic characteristics with emphasis on a 1.2Mtpa open pit mine. On 13 April 2015, KEFI was granted a 20 year mining licence for the Tulu Kapi project and management is currently finalising financing options and contract mining agreements with construction expected to begin in Q4 2015 and commercial production anticipated in 2017.

Valuation: Driven by Tulu Kapi DCF at 2.9p per share

We value the Tulu Kapi project on a DCF basis, assuming an initial capex of US$120m and an average All-in sustaining costs of c US$779/oz over life-of-mine. Using key mine parameters as defined in the DFS and assuming a 10% discount rate, we calculate a project DCF of US$131m (or 4.8p per share) using a flat long term gold price of US$1,250. Moreover, we assume KEFI will raise an additional US$20m at its current share price making our NPV (post-financing) worth 2.9p per share. Given the early stage exploration at Jibal Qutman we use a selected peer group total resource multiple of US$15.5/oz which implies that Jibal Qutman could be worth US$3.1m, or 0.06p per share (post-financing).

Risks and sensitivities: prices, delays and an immature mining jurisdiction

We see the gold prices as the most sensitive to KEFI's operational performance and valuation. We note that a 10% drop in our long term gold price of US$1,250/oz reduces NPV by 25% on average over the life of the mine. Risks also include geological, engineering, metallurgical logistical and Ethiopian sovereign risk particularly given Ethiopia's poor rating on the 2014 Fraser's Institute Mining Survey, rated 108 out of 122 mining jurisdictions. Despite the prospectivity of potential mineral resources given Ethiopia's location within the Arabian-Nubian Shield, little exploration and mining investment has been made and currently only one mine operates in Ethiopia (Lega Dembi with annual production of c 150koz). That said, we note that Tulu Kapi is the first internationally financed mining project in the country after the Ethiopian government made the sector a priority five years ago. The government remains committed to opening up the country to foreign investment. We also note, however that there are risks associated with the resettlement of c 300 local households. While we understand the government is taking a lead role in the administration and logistics with the proposed resettlement plan any delay could negatively impact KEFI's production timeline in 2017.

Other projects: Gold in the Kingdom of Saudi Arabia

As at December 2014, KEFI has a combined JORC compliant resource of 28.4Mt grading 0.80g/t Au for a total 733,045oz. Metallurgical heap leach testwork results indicate that 69% gold recovery occurred over a five day leach time. Preliminary pit shells at a price of US$1,250/oz have been designed on the oxide portion of the resource indicating a potential open cut minable resource of 6.6Mt grading 0.95g/t. KEFI intends to commence a Preliminary Feasibility Study (PFS) in Q3 2015 with completion expected in mid-2016. Given the discoveries to date and the potential to discover additional oxide resources around Jibal Qutman, KEFI expects to generate cash flows over the near term to fund its exploration programs inside Saudi Arabia.

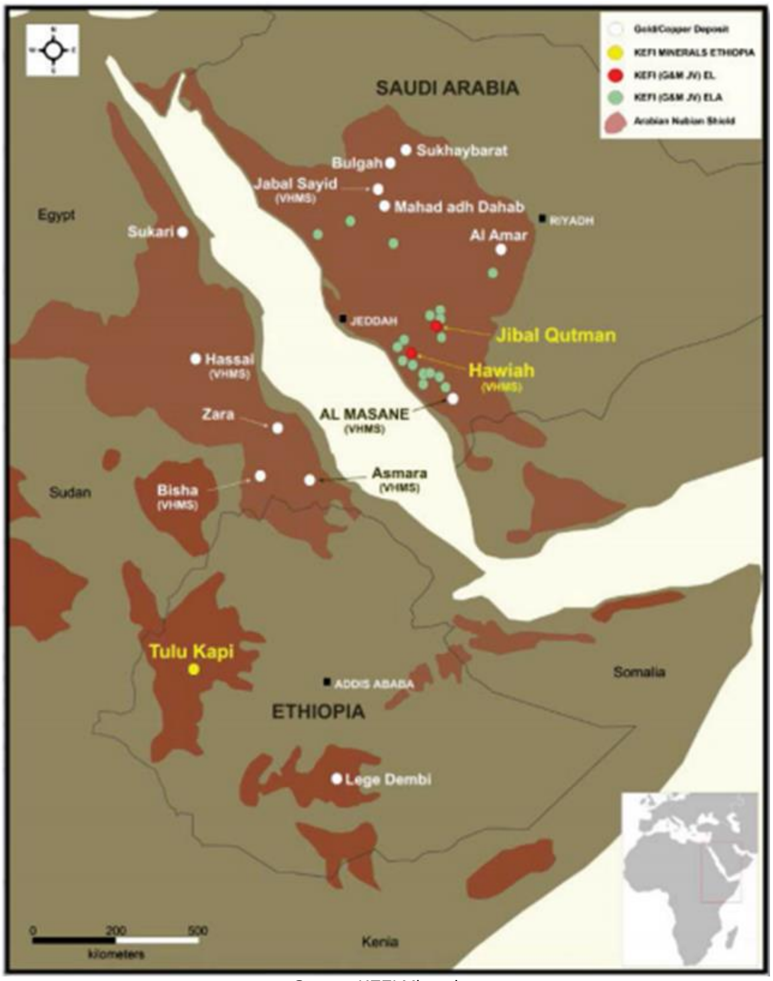
Financials and financing: Several funding scenarios

As at 31 December 2014, KEFI had net cash position of £0.6m. Since then, KEFI has raised gross proceeds of £4.4m. The initial peak funding requirement for the Tulu Kapi project is approximately US$130m (£83m) based on the proposed use of contract mining and an all new processing plant. We understand that KEFI is in advanced discussions to secure a total of US$100m (£64m) through a combination of secured debt-based finance and revenue streaming. The remainder of the capital expenditure, depending on additional cost savings, will be through contractor finance and equity finance, which KEFI expects to be mostly at the project level. For the purposes of our valuation, we have assumed US$20m in equity issued at the parent company level.

Company overview: Emerging gold producer with in the Arabia-Nubian Shield

KEFI is the operator of an advanced gold development project and an advanced gold exploration project within the highly prospective Arabian-Nubian Shield. The advanced projects have a total attributable resource of 1.93Moz comprising 95% of Tulu Kapi's 1.72Moz and 40% of Jibal Qutman's 0.73Moz combined JORC-compliant resource. KEFI remains focused on gold production at both projects with the aim of generating cash flows for further exploration and expansion as warranted. Gold production from Tulu Kapi is on track to commence in 2017, ramping up to an average 80,000 – 90,000oz per annum for at least 10 years and total production of 960,000oz over 13 years when including low-grade stock piles. With a 20 year mining licence already in place KEFI can now focus on project financing and has targeted approximately US$100m from a combination of senior-secured debt and a gold stream facility from tier 1 financiers and the remainder from equity financing. Over the longer term, we note that both projects and the exploration portfolio have the potential to add additional resources based on the highly prospective mineral potential within the Arabia-Nubian Shield.

Project Locations within the Arabian Nubian Shield



Source: KEFI Minerals

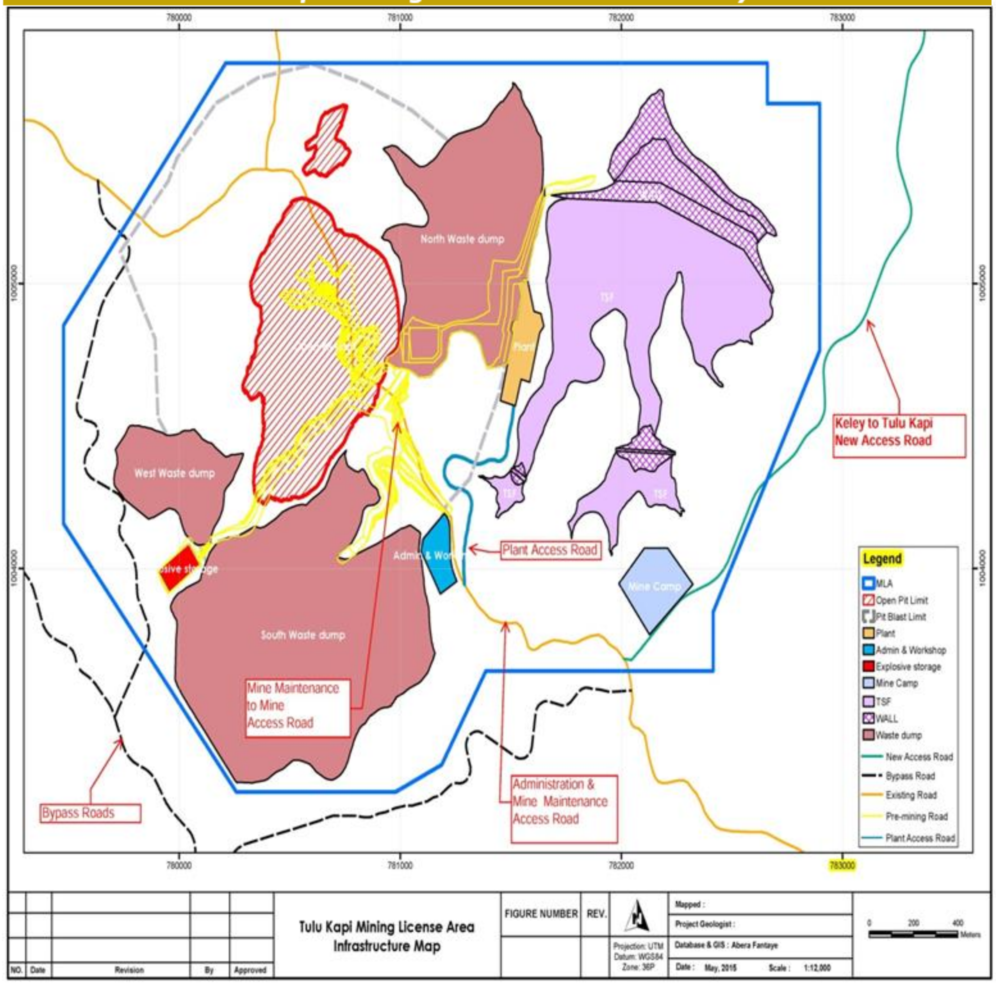
Tulu Kapi history

Small scale surface mining at Tulu Kapi occurred during the 1930s by Sapie, an Italian mining company, and focused on the easily accessible gold bearing saprolite. More recently, under the guidance of the United Nations Development Programme (UNDP), reconnaissance exploration was conducted over western Ethiopia between 1969 and 1972 and consisted of stream, soil and geochemical sampling as well as geophysical surveys, geological mapping and diamond drilling.

Between 1996 and 1998, Tan Range Resources, a Canadian exploration company acquired an exploration licence that covered the Tulu Kapi project and undertook further exploration and some drilling.

The Tulu Kapi Mining Licence was originally granted to Minerva Resources through its wholly owned subsidiary GPMC in May 2005, prior to the acquisition of the project by Dwyka Resources (renamed to Nyota Minerals in August 2009). During this time, GPMC conducted detailed geological mapping, trenching, geophysical surveys and completed 34 diamond drill holes. Numerous studies were again undertaken during 2009 to 2012 including a Definitive Feasibility Study (DFS) completed by Nyota in December 2012. The DFS was based on a 2Mtpa processing plant and an annual production of 105,000oz of gold. In December 2013, KEFI Minerals acquired the project from Nyota for £6m. Subsequently, KEFI revised the DFS to re-evaluate the technical and economic characteristics of the Tulu Kapi project with the emphasis on an open pit mine and a 1.2Mtpa processing plant. As part of the revised DFS, KEFI upgraded the Resource and Reserves as well as improving the overall confidence and optimisation of mining and processing parameters.

Tulu Kapi mining licence area and site layout



Source: KEFI Minerals

Geology and Mineralisation

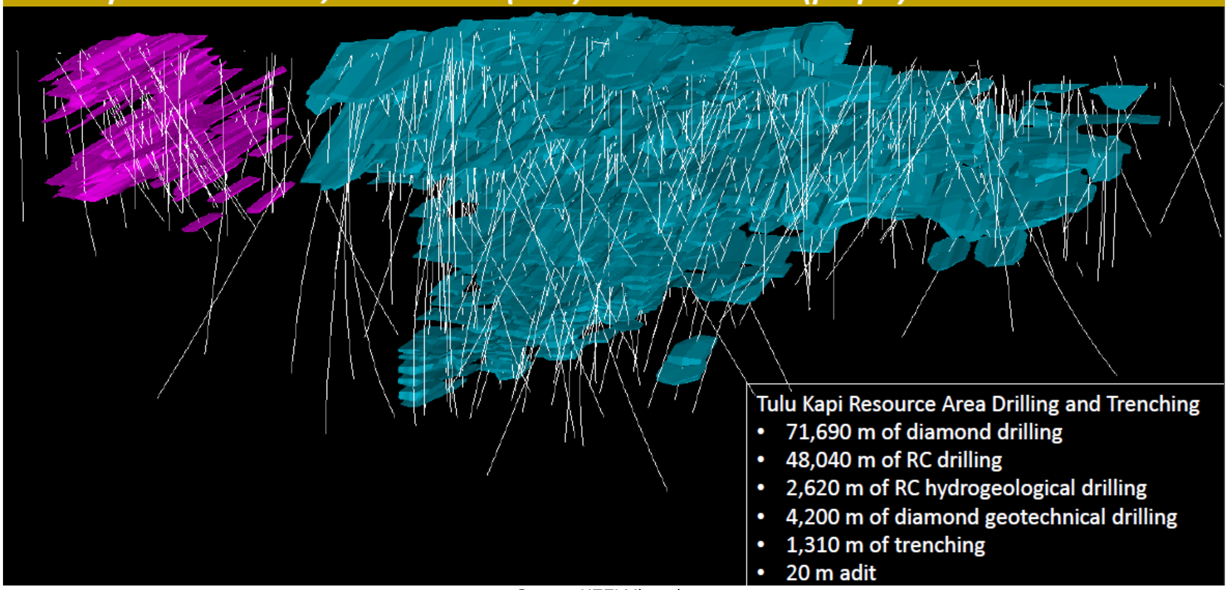
The Tulu Kapi project area lies within the southern margin of the Arabian-Nubian Shield and comprises Neoproterozic rocks (c 800-550Ma) of granite and greenstone lithology. Weakly metamorphosed volcano-sedimentary successions were intruded by Pan African aged granites (c 500Ma) and lesser mafic to ultramafic intrusives. Gold mineralisation is hosted by Neoproterozoic age intrusives consisting of course grained syenites and is characterised by a series of stacked gold bearing quartz-carbonate veins, veinlets and stockwork that is intimately associated with sub-horizontal dipping albite alteration zones. Gold mineralisation is generally pervasive and disseminated throughout the albitised syenite and is also associated with quartz veins and fractures.

Mineralisation at Tulu Kapi is characterised by a series of stacked gold-bearing quartz-carbonate veins, veinlets and stock work typical of Archean greenstone belts. Mineralised veins are generally associated with sub-horizontal dipping albite alteration zones. Both alteration and mineralisation is hosted within a syenite pluton to moderately dipping towards the west at 30 degrees.

Resources and Reserves

As part of the feasibility study, Snowden Mining Industry Consultants estimated the mineral resource for the Tulu Kapi project based on 118,700m of diamond drilling, reverse circulation and trenching as completed by previous and current owners of the project. The JORC-compliant mineral resource estimate (as listed in the following table) uses a 0.45g/t Au cut-off grade for the open pit resource above 1,400mRL and a 2.5g/t cut-off grade for the potential underground resource below 1,400mRL. The update resource was derived from wireframing and ore body solids and forms the basis for the ore reserve estimate (see ore reserve table below).

Tulu Kapi resource area, central area (blue) and UNDP area (purple)



Source: KEFI Minerals

JORC-Compliant Resources for Tulu Kapi (updated February 2015)			
Category	Tonnes (Mt)	Gold (g/t)	Contained gold (Moz)
Indicated	18.8	2.67	1.62
Inferred	1.4	2.40	0.10
Total	**20.2**	**2.65**	**1.72**

Source: KEFI Minerals

Probable Ore Reserve for Tulu Kapi (estimated April 2015)				
Probable Reserve	Cut-off (g/t gold)	Tonnes (Mt)	Gold (g/t)	Contained gold (Moz)
High grade	0.9	12.0	2.52	0.98
Low grade	0.5	3.3	0.73	0.08
Total		**15.4**	**2.12**	**1.05**

Source: KEFI Minerals

Permitting, Mining Licence and Mining Agreement

On 13 April 2015, KEFI signed a Mining Licence and Mineral Agreement with the Ministry of Mines of the Democratic Republic of Ethiopia for the Tulu Kapi project. Under the terms of the agreement, KEFI was granted a mining licence valid for a period of 20 years, which fully permits the development and operation of the Tulu Kapi gold project and covers an area of 7 km^2 in the Oromia National State, Western Wellega Zone. The Ethiopian Government has a right to a 5% free carry interest in the project. KEFI will apply for ancillary licences and authorisations, including transport and power authorisations as and when required from the provincial authorities.

Resettlement Plan

As set out in the Mining Agreement with the Government of Ethiopia along with the Ministry of Mines, development of the Tulu Kapi gold project will require resettlement of c 300 households. The local residents occupy the land under arrangements with the Government which owns the land, and KEFI is working with the Government to ensure the resettlement is planned and implemented in accordance with international standards as set out by the World Bank, known as the IFC Standards. As a result, a Resettlement Action Plan (RAP) has been approved. To provide for crop compensation, property compensation, relocation, infrastructure and livelihood re-establishment KEFI has budgeted US$7.5m. Crop compensation will be paid once the 2015 harvest is completed and based on actual yields. At which time residents will have a statutory 90-day time limit to relocate. The new site will require a 5km road to be constructed, which will likely commence after the rainy season in September.

Ethiopia: Background

With the exception of a short-lived occupation by Italy from 1936 to 1941, Ethiopia is unique among Africa countries having maintained its freedom from colonial rule.

In 1974, a military junta known as the Derg with support from the former Soviet Union seized power from Emperor Haile Selassie who had ruled for 44 years and established a socialist state. Following years of coups, uprising, wide-scale drought and massive refugee problems, the Derg was defeated in 1991 by a coalition of rebel forces known as the Ethiopian People's Revolutionary Democratic Front (EPRDF). In 1994 a constitution was adopted and the country's first multiparty elections were held a year later. A border dispute with Eritrea led to the Ethiopian-Eritrea war from 1998 till a peace treaty was signed in 2000 resulting in Eritrea's independence.

Ethiopia is a federal parliamentary republic in which executive power is exercise by the government and the prime minister is the head of government. The prime minister is chosen by parliament and legislative power is vested in both the government and the two chambers of parliament. The judiciary is more or less deemed independent of the executive and legislature. Ethiopia is divided into nine ethnically based regional and politically autonomous states.

According to the IMF, Ethiopia is one of the fastest growing economies in the world with growth averaging 10.6% from 2004 to 2012. Growth has since stabilised to c 7% per annum and forecasted to be 7.5% in 2015. Despite the rapid growth over recent years, GDP per capital still remains among the lowest in the world. While Ethiopia's economy is based on agriculture the government is pushing to diversify into manufacturing, textiles and energy generation. The government has also made mineral development one of its leading economic objectives and has set a target up to 10% of GDP within 10 years from the current rate of c 1%.

According to the Fraser Institute 2014 survey on mining jurisdictions, Ethiopia ranks near the bottom (108 out of 122) for investment attractiveness which likely reflects the fact that Ethiopia had discouraged foreign miners from entering the country until five years ago as it wished to avoid some of the problems witnessed in other African jurisdictions. However, given the government's willingness to increase foreign investment we expect the Ethiopia's investment attractiveness rankings to improve in the future and the swift permitting of the Tulu Kapi project is positive sign. Currently, mining in Ethiopia is limited with most production from artisanal sources and only one operating mine, Lega Dembi located in the south, which has an annual output of c 150koz pa.

A revised definitive feasibility study

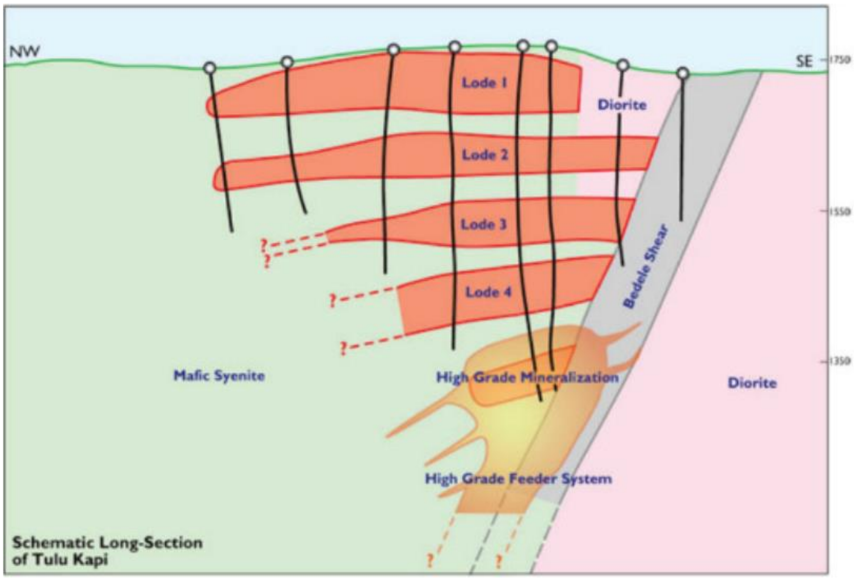
Recently, KEFI requested SENET to act as lead consultant in compilation of the updated Definitive Feasibility Study (DFS). In the lead up to the new design, configuration and economics KEFI had reinterpreted the Tulu Kapi orebody. Unlike the previous resource model, KEFI built a wireframe model around each individual ore lode based on a cut-off grade of 0.3g/t Au in order to tighten geological understanding and facilitate a more selective mining method.

Selective mining

Proposed mining operations at Tulu Kapi will consist of conventional open pit methods comprising drilling, blasting, loading and hauling all conducted by a mining contractor.

Given that the local geology and mineralisation is characterised by a series of stacked variably altered (albitised) syenite with narrow quartz veins that dip at moderately up to 30 degrees towards the West, a selective mining method has been proposed to minimise dilution and ore loss. Fortunately the ore-waste contact is quite visible with ore being moderate to strongly albitised (white) syenite and waste being mafic syenite (dark). In order to minimise dilution mining consultants, Snowden working with other specialists such as grade-optimisation specialist Cube Consulting, have proposed several elements to the selective process such as: blasting methods that minimise movement and mixing, reduced size blasts and bench heights to assist in isolating ore and waste zones, and using appropriate sized machines to increase selectivity of ore while maintaining reasonable production rates.

Long section of Tulu Kapi deposit



Source: KEFI Minerals

Metallurigal testwork: Oxides and fresh ore to feed process plant

Bulk composites of fresh ore and core samples of fresh and oxidised ore were collected for both comminution and extraction testwork. Results indicated that the oxide and transitional ores are of medium hardness and fresh ore becomes harder (more silicified) with increasing depth. Gold extraction by conventional cyanidation can be applied to all of the ore types and results showed that the optimal grind was 80% passing 75µm
With leach dissolutions reaching 97.4% and 96.4% on the oxides and fresh ores, respectively, in a leach time of 24 hours. The recovery testwork also revealed that gravity separation did not significantly increase the overall gold recovery and thus a simple carbon-in-leach process route has been chosen with an average life-of-mine gold recovery of 91.5%.

Infrastructure: Power and roads

Power for the proposed plant will be supplied from the national Ethiopian grid as existing overhead grid lines are located 40km from the Tulu Kapi site. While we understand that KEFI will fund the costs required to design, supply and construct a new 47km, 132kV and 15MVA to the mine site, ownership and maintenance will be the responsibly of the Ethiopian Electric Power Corporation (EEPCo). The maximum power requirement is estimated at 15MW during initial start up.

Although there are existing roads that connect the project area to the village of Kelley, KEFI plans to construct two major roads that lie outside of the main mine licence area. Specifically these entail 1) a 14.97km road that connects Tulu Kapi with Kelley (of which c 9.5km lies outside on the licence area) and 2) a southern bypass road with a total length of 4.5km.

Tailings disposal

The tailings storage facility has been designed to store tailings generated from a 1.2Mtpa during a 13 year life-of-mine. The preferred site is adjacent to the proposed plant site (see site layout figure on pg. 4). The site will be developed as an impoundment facility with staged downstream wall lifts to match the tailings generated for the first six years, after which the facility will be self-raised as a day wall facility for a further five years.

The revised DFS has been optimised by reducing the number of households to be resettled from 460 to 260. KEFI has reduced the peak funding requirement from US$300m to c SU$130m and increased planned profit per unit of production, improving the overall investment returns for debt and equity.

Assuming production and processing rate at 1.2Mtpa over an initial 10-year life the revised DFS estimates a total production of 888,000oz of gold and a projected unrisked and unleveraged net present value (discounted at 8%) of US$125m (after-tax) using a 1,250/oz gold price.

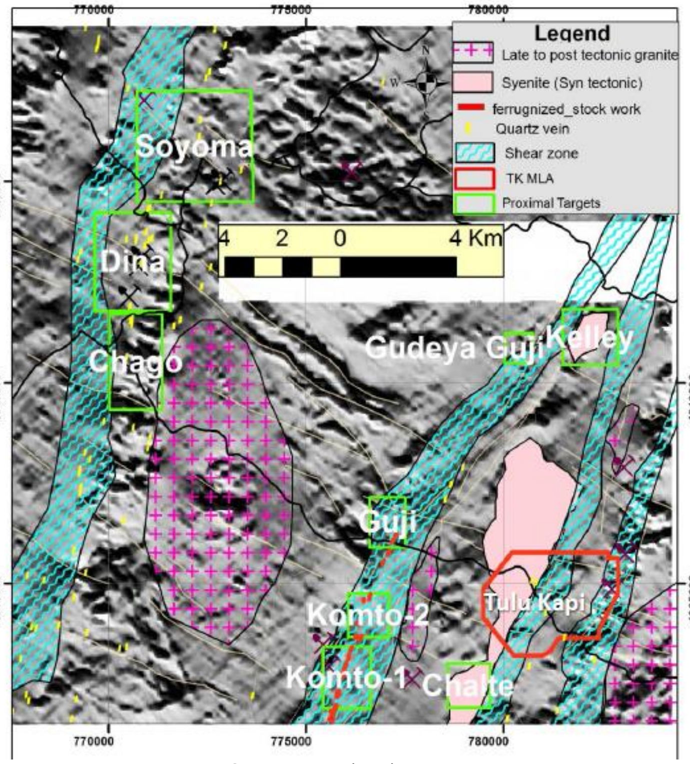
Exploration upside

KEFI's management believes there is potential to add to the Tulu Kapi production plan through exploration both under the planned open pit and in the adjacent exploration licenses where two parallel shear zones host a number of gold prospects.

The Komto-Guji and the Bila-Gulliso shear zones have similar geology to Tulu Kapi and could potentially act as satellite deposits to feed the proposed plant. A total of eight trenches have been excavated and all trenches returned ore grade intercepts over a 3km strike length. The best results include: 7m grading 7.27g/t Au (K1003), 13m grading 1.07g/t Au (K2012) and 6m grading 1.24g/t Au and 5m at 1.07g/t (K2013). The Komto and Guji prospects are located within 7km of the planned Tulu Kapi mine site and have potential to host heap leachable oxide resources.

The Soyoma prospect, within the Bila-Gulliso shear is 15km west of Tulu Kapi consisting of gold bearing quartz veins where previous trenching returned 14.2m grading 8.2g/t Au. Individual veins have also been channel sampled returning 3m grading 4.2g/t Au, 2m grading 2.75g/t and 1m grading 2.65g/t Au. The trenching results have, so far, returned encouraging results indicating a potential for additional mineralisation near Tulu Kapi. KEFI is targeting satellite deposits to help feed its planned central processing plant or possible standalone heap leach projects and hopes to double the current 1Moz gold reserve at Tulu Kapi.

Regional geology



Source: KEFI Minerals

Valuation: DCF derived 2.9p per share valuation plus Jibal Qutman

On the basis of the following assumptions we calculate that Tulu Kapi project could be worth 2.9p per share (post-funding) over 13 year life-of -mine.

Tulu Kapi key production metrics		
	Initial 10 years (excl. low grade ore stock)	13 year life of mine (incl. low grade ore stock)
Mining method	Open pit	Open pit
Ore processing	1.2Mt pa	1.2Mtpa
Life-of mine	10 yrs	13 yrs
Total life-of-mine production	888,000	961,000
Stripping ratio	9.9:1	7.4:1
Initial capex	US$130m	US$130m
Average gold grade	2.5g/t	2.1g/t
Average recovery*	91.5	91.5
Operating costs (C1)	US$645/oz	US$653/oz
All-in sustaining costs	US$755/oz	US$779/oz
Ethiopian corporate tax rate	25%	25%
Ethiopian royalty	7%	7%
Discount rate	10%	10%
Gold price	US$1,250	US$1,250

Source: KEFI Minerals

In addition to the above parameters, we have assumed that KEFI raises sufficient equity at the currently prevailing share price. Our valuation is depending on the total equity raised, several scenarios are listed in the table below.

Notional price issue	pence	0.8	0.8	0.8	0.8
Shares in issue	M	1,744	1,744	1,744	1,744
Pre-funding valuation	US$m	131	131	131	131
Assumed gross funding requirement	US$m	5	10	15	20
Shares to be issued	M	401	801	1,202	1,603
Shares in issue post funding	M	2,145	2,546	2,946	3,347
Post-funding valuation	US$m	136	141	146	151
Diluted valuation per share	pence	4.1	3.5	3.2	2.9

Source: Beaufort Securities

Sensitivities

In addition to the amount of equity raise and the placing price we note that our valuation of 2.9p is sensitive to the gold price, capital costs and discount rates as illustrated below

Gold price vs Discount rate GBX/share

Discount rate	Gold Price: -15%	-10%	-5%	-	5%	10%	15%
7%	2.42	2.80	3.19	3.57	3.94	4.31	4.68
8%	2.25	2.61	2.97	3.33	3.68	4.04	4.39
9%	2.09	2.43	2.78	3.12	3.45	3.78	4.11
10%	1.95	2.27	2.59	**2.92**	3.23	3.55	3.86
11%	1.81	2.11	2.42	2.73	3.03	3.33	3.62
12%	1.68	1.97	2.26	2.55	2.84	3.12	3.40
13%	1.56	1.84	2.11	2.39	2.66	2.93	3.20

Gold price vs Capital costs GBX/share

Capital Costs	Gold Price: -15%	-10%	-5%	-	5%	10%	15%
-15.0%	2.33	2.65	2.98	3.30	3.61	3.93	4.24
-10.0%	2.20	2.53	2.85	3.17	3.49	3.80	4.12
-5.0%	2.07	2.40	2.72	3.04	3.36	3.67	3.99
-	1.95	2.27	2.59	2.92	3.23	3.55	3.86
5.0%	1.82	2.14	2.47	2.79	3.10	3.42	3.73
10.0%	1.69	2.01	2.34	2.66	2.97	3.29	3.61
15.0%	1.56	1.89	2.21	2.53	2.85	3.16	3.48

Source: Beaufort Securities

Gold price vs Operating costs GBX/share

Operating Costs	Gold Price: -15.0%	-10.0%	-5.0%	-	5.0%	10.0%	15.0%
-15.0%	2.94	3.26	3.57	3.89	4.21	4.53	4.85
-10.0%	2.61	2.93	3.25	3.57	3.88	4.20	4.52
-5.0%	2.28	2.60	2.92	3.24	3.56	3.87	4.19
-	1.95	2.27	2.59	**2.92**	3.23	3.55	3.86
5.0%	1.60	1.94	2.26	2.58	2.90	3.22	3.53
10.0%	1.26	1.59	1.92	2.24	2.56	2.89	3.20
15.0%	0.91	1.24	1.58	1.91	2.23	2.55	2.87

Source: Beaufort Securities

Jibal Qutman deposits and exploration portfolio in Saudi Arabia

Since the exploration licence for Jibal Qutman was granted in 2012, KEFI has significantly advanced the project from grass roots exploration to defined compliant resources totalling 0.73Moz. The recent discovery of near-surface oxide resources has the potential to transform the project into a low-capex heap leach operation from the original carbon-in-leach (CIL) processing facility as outlined in the PFS dated March 2014. We understand that KEFI is having discussions with its JV partner in order to determine how to fast track the project to commercialisation. In addition to Jibal Qutman, KEFI has an exploration licence on a potential copper-gold-zinc deposit (Hawiah) VMS deposit. Exploration is planned for 2015 to drill test near-surface exploration and deeper sulphide mineralisation containing copper and zinc. A large portfolio of exploration applications is also in the regulatory pipeline and KEFI has demonstrated its ability to receive approvals, explore quickly and to either drop ground (which it has done four times to date) or make a discovery.

JORC-compliant Resource for Jibal Qutman (oxide & sulphide)				
Mineralisation type	Category	Tonnes (Mt)	Gold (g/t)	Contained gold ('000 oz)
Oxide	Indicated	8.3	0.86	229
	Inferred	2.8	0.64	58
Sulphide	Indicated	9.7	0.86	269
	Inferred	7.6	0.72	176
	Total	**28.4**	**0.80**	**733**

Source: KEFI Minerals

Peer Comparison

Our select group of advanced Africa gold explorers and developers are listed in the table below. We use the weighted average EV/total resource to imply a value for KEFI's Jama Qutman attributable in-situ resources. Based on our resource multiple of US$15.5/oz, Jibal Qutman could be worth 0.06p per share (fully diluted). Of note, KEFI currently trading at a 26% discount to the weighted average of our peer group when considering its total attributable in-situ ounces.

Ticker	Company	EV	Shares	Price	Total	EV/Total
		US$m	m	US$/sh	Koz	US$/oz
AMA LN	Amara Mining	52.8	420.2	0.16	5,725	9.2
AKG CN	Asanko Gold	156.9	196.8	1.63	10,431	15.0
AVK CN	Avnel	43.0	304.3	0.18	1,535	28.0
GRY AU	Gryphon	1.5	401.3	0.04	3,689	0.4
ORE CN	Orezone	24.9	117.4	0.25	4,278	5.8
RBX CN	Robex Resources	37.4	579.5	0.05	1,504	24.9
TGM CN	True Gold Mining	20.5	398.8	0.15	4,034	5.1
	Weighted Average					**15.5**
KEFI LN	KEFI	19.8	1,744	0.005	1,730	11.4

Financials and financing

As at 31 December 2014, KEFI had £0.6m in cash and has since raised an additional £4.4m in gross proceeds. For the purpose of our valuation we have assumed a further equity raise of US$20m in FY 2015. Our model assumes that KEFI will repay 280koz of gold over the life-of-mine, representing c 29% of the gold production and will be repaid at a price of US$450/oz in the form of a gold stream facility for US$100m. We understand that various scenarios and combinations are being considered by the company.

KEFI Minerals Strengths and Weaknesses

Strengths

- Two gold projects with total JORC compliant resource of some 2.2Moz (1.93Mzo attributable), a portion of which is amenable to heap leaching;
- Mining license, valid for 20 years, has been approved ;
- Exploration upside with highly prospective areas adjacent.

Weaknesses

- Macroeconomic exposure and geopolitical risks;
- Development plans may take longer than anticipated;
- Shareholders may be asked to fund further financing.

Management Team

Harry Anagnostaras-Adams Executive Chairman	Harry Anagnostaras-Adams was founder or co-founder of Citicorp Capital Investors Australia, investment company Pilatus Capital, Australian Gold Council, EMED Mining, KEFI Minerals and Cyprus-based Semarang Enterprises. He has overseen a number of start-ups in those and their related organisations principally through the roles of Chairman, Deputy Chairman or Managing Director. He qualified as a Chartered Accountant while working with PricewaterhouseCoopers and has a Master of Business Administration from the Australian Graduate School of Management.
Jeff Rayner Non-executive Chairman	Jeff Rayner is a geologist with over 24 years' experience in gold exploration and mining in Australia, Europe and Asia. He started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, currently all of which are operating mines. In 1998, He joined Gold Mines of Sardinia plc as exploration manager, responsible for exploration and mining in Sardinia and project generation in Europe. During part of his time at Gold Mines of Sardina plc, he lead the exploration discovery of the Monte Ollasteddu gold deposit in Sardinia. He joined EMED Mining in 2006 and managed its Eastern European projects, resulting in the early drill discovery of the Biely Vrch gold deposit in central Slovakia. He was Managing Director of KEFI Minerals from November 2006 until he became Exploration Director of KEFI Minerals in October 2014.He is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Society of Economic Geologists
Wayne Nicoletto Head of Operations	Wayne Nicoletto has approximately 30 years' experience in the mining industry as a Metallurgist and a General Manager, specialising in start-up and operation of gold mines in Africa, Central Asia and Australia. Over the past 15 years, he has been primarily heading up operations in gold mines in Africa, including General Manager and Country Head of the Edikan Mine in Ghana and SMD in Guinea as well as Vice President of Operations of Boroo Gold Mine in Mongolia. He has a BSc in extractive metallurgy, a graduate diploma in mining from the West Australian School of Mines in Kalgoorlie.
Simon Cleghorn Resource Manager	Simon Cleghorn is a geologist with 24 years experience in mining geology and project development with emphasis on resource and reserve estimation in primarily gold and base metals mines. He completed his Bachelor of Engineering in Mineral Exploration & Mining Geology (Honors) at the Western Australia School of Mines in Kalgoorlie. His experience has been with international projects in Armenia, Georgia, Russia, south East Asia and project review in Europe and South America as well as Australia. He has been responsible for production geology management, due diligence project review and management of mining studies and project upgrades as well as resource and reserve work for feasibility and scoping studies for project finance and development. This has included geological assessment of projects leading to acquisition in Armenia, Georgia and South East Asia. Simon is a Member of the Australasian Institute of Mining and Metallurgy.
Norman Ling Non-Executive Director	Norman Ling was a member of the British diplomatic service for more than 30 years, for the last ten with the rank of ambassador. He has served in a wide range of countries in the Middle East and Africa. His last post, before retirement, was as Ambassador to Ethiopia, Djibouti and the African Union. For the last two years he has been actively involved with development of the mining industry in Ethiopia.

Financial Summary

Income Statement (£'000) Dec	2014A	2015A	2016E	2017E	2018E
Total revenue	**-**	-	-	38,851	89,042
Cash (exploration) costs	(100)	-	-	(24,977)	(49,333)
Gross Profit	(100)	-	-	13,874	39,709
SG&A expenses	(2,089)	(2,089)	(2,089)	(2,089)	(2,089)
Share of loss from JV entity	(982)	-	-	-	-
Change in value of available-for-sale financial assets	6	-	-	-	-
Share based payments	(335)	-	-	-	-
EBITDA	**(3,500)**	**(2,089)**	**(2,089)**	**11,785**	**37,620**
Depreciation & Amortisation	-	-	-	(8,040)	(25,044)
EBIT	**(3,500)**	**(2,089)**	**(2,089)**	**3,745**	**12,575**
Net interest	(463)	(2,168)	(6,258)	(6,523)	(6,499)
Profit/(loss) before tax	(3,963)	(4,257)	(8,347)	(2,778)	6,076
Tax-(expense)/recovery	-	-	-	-	-
Profit/(loss) after tax	**(3,963)**	**(4,257)**	**(8,347)**	**(2,778)**	**6,076**

Balance Sheet (£'000) Dec	2014A	2015A	2016E	2017E	2018E
Assets					
Cash	640	5,310	17,714	4,572	22,591
Short term investments	86	86	86	86	86
Accounts receivables	335	-	-	4,790	10,978
Inventory	-	-	-	6,386	14,637
PP&E	160	49,227	69,227	72,520	50,142
Mineral properties	9,139	9,139	9,139	9,139	9,139
Total assets	**10,360**	**63,762**	**96,165**	**97,493**	**107,573**
Liabilities					
Accounts payable	3,202	-	-	4,106	8,110
Other non-current liabilities	-	43,500	82,935	82,935	82,935
Total Liabilities	**3,202**	**43,500**	**82,935**	**87,041**	**91,045**
Shareholders funds					
Contributed equity	12,352	29,255	29,255	29,255	29,255
Reserves	9,195	9,195	9,195	9,195	9,195
Retained earnings	(14,389)	(18,188)	(25,220)	(27,998)	(21,921)
Total Equity	**7,158**	**20,262**	**13,230**	**10,452**	**16,529**

Cash Flow (£'000) Dec	2014A	2015A	2016E	2017E	2018E
Operating activities					
Net Income	(3,963)	(3,799)	(7,031)	(2,778)	6,076
Depreciation and Amortisation	118	-	-	8,040	25,044
Changes in Working Capital	320	(2,867)	-	(7,071)	(10,435)
Changes in Current Assets and Liabilities	(207)	-	-	-	-
Other	1,313	-	-	-	-
Cash flow from operating activities	**(2,419)**	**(6,666)**	**(7,031)**	**(1,809)**	**20,686**
Investing activities					
Capital Expenditure	-	(49,067)	(20,000)	(11,333)	(2,667)
Adjustment of non-controlling interest	(750)	-	-	-	-
Deferred exploration costs	(1,263)	-	-	-	-
Exploration & development	(976)	-	-	-	-
Change in non-current assets and intangibles	(894)	0	-	-	-
Cash flow from investing activities	**(3,883)**	**(49,067)**	**(20,000)**	**(11,333)**	**(2,667)**
Financing activities					
Contributed equity	4,025	16,903	-	-	-
Issue costs	(362)	-	-	-	-
Cash flow from financing activities	0	43,500	39,435	-	-
Net change in cash	(2,639)	4,670	12,404	(13,142)	18,020
Beginning cash balance	3,279	640	5,310	17,714	4,572
Ending cash balance	**640**	**5,310**	**17,714**	**4,572**	**22,591**

Recommendations

During the three months to end-July 2015, the number of stocks on which Beaufort Securities has published recommendations was 379, and the recommendations were as follows: Buy - 87; Speculative Buy - 249; Hold - 36; Sell - 7.

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Company Name	Disclosure
KEFI Minerals PLC	1, 7

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