

## Allied Gold's listing and Kurmuk project development puts KEFI in the spotlight

Allied Gold (AAUC.TO) listed in Toronto last week raising US\$267m in equity and debentures in the largest mining IPO in Canada since 2010, and achieving a market cap. of C\$1.3bn. Allied is led by Peter Marrone, founder and former Executive Chairman of Yamana Gold, which was sold for US\$4.8bn earlier this year. Allied, expected to produce 360,000 oz gold this year from mines in Mali and Ivory Coast, said it had approved development of the Kurmuk project in Ethiopia. This is expected to highlight to investors positive recent developments in Ethiopia and to put the spotlight on KEFI and the Tulu Kapi project.

Kurmuk is expected to produce 240,000 oz gold pa over 15 years, at an average AISC of US\$844/oz. Upfront capital costs are US\$500m.

### Game on in Ethiopia

Ethiopia now boasts two major gold development projects, with some US\$785m of upfront capital required for slated production of 430,000 oz gold pa. Gold mining is expected to become a major contributor to the Ethiopian economy, a testament to the great strides made by the Ethiopian Government in updating its regulatory environment.

On 8 September 2023, the National Bank of Ethiopia (the Central Bank), recognising the need to attract strategic foreign investors to support Government growth and development objectives, and to generate foreign exchange inflows, issued a Directive effectively removing foreign exchange controls for large mining projects.

### Tulu Kapi nearing project launch

Critically, this removal of the exchange control was the final major condition for the banks' final credit approval for the Tulu Kapi project funding.

KEFI said, 12 September, it also received formal approval of the updated Environmental and Social Impact Assessment, facilitated by the Ethiopian Ministry of Mines, as well as updated completion schedules from the power and roads authorities for offsite infrastructure. Now, only documentation and administrative matters remain. Project launch remains on track for 4Q23.

After years of setbacks, KEFI's shares look incredibly undervalued. **Final credit approval is expected to be a significant positive share price catalyst.**

18 September 2023

### Key financial data

Share price, pence/share	0.707
Share on issue, millions	4,965.1
Options, warrants, millions	1,127.4
Fully diluted shares, millions	6,092.5
Market cap., £ m	35.1
Net cash, estimate, £ m	1.0
EV, £ m	34.1

### Valuation

Current, pence/share	3.2
Tulu Kapi valued at US\$1,000/oz planned output, other assets at US\$60/oz Au or AuEq resource	
2026, pence/share	6.0
Based on 237,000 oz attributable gold production and US\$3,000/oz	

### Website

[www.kefi-goldandcopper.com](http://www.kefi-goldandcopper.com)

### Company snapshot

KEFI is exploring and developing mining assets in Ethiopia and Saudi Arabia, part of the vast and highly prospective Arabian-Nubian Shield. KEFI's most advanced project is Tulu Kapi in Ethiopia which has planned production of 190,000 oz pa gold.

### Key catalysts and news

4Q23: Tulu Kapi financial close, and construction start  
2024: Updated DFS and award of a Mining Licence at Jibal Qutman, Saudi Arabia  
2024: Resource growth at Hawiah and Al Godeyer, Saudi Arabia, resulting from ongoing drilling programs

### Share price chart



Source: LSE

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**Figure 1: Tulu Kapi and Kurmuk project comparison**

	<b>KEFI</b>	<b>Allied Gold</b>
Code	KEFI.L	AAUC.TO
Project	Tulu Kapi	Kurmuk
Location	Oromia, Ethiopia 360km west of Addis Ababa	Benishangul-Gumuz, Ethiopia 750km west-northwest of Addis Ababa 5km from border with Sudan
Ownership	70-80%	93%
Brief history	Discovered in 1930s Nyota Minerals acquired exploration licences in 2009 and undertook extensive exploration completing a DFS in 2012 KEFI acquired the project in 2013 KEFI completed DFS studies in 2015, 2017	Long history of artisanal mining Ariab Gold Mining and Investment secured the Dish Mountain exploration licence in 2007 ASCOM Mining Ethiopia secured the licence in 2008, undertook trenching in 2010, RC drilling in 2011, and completed a PFS in 2013 Allied acquired AME in 2017 and the Ashashire exploration licence in 2018 Allied completed a PFS in 2019, and an updated PFS that included Ashashire in 2021 Allied completed a FS in 2022
Total resources	20.2Mt at 2.65 g/t Au for 1.72 Moz Au	65.7Mt at 1.7 g/t Au for 3.6 Moz Au
Proven, probable reserves	15.3Mt at 3.25 g/t Au for 1.06 Moz Au	52.8Mt at 1.53 g/t Au for 2.6 Moz Au
Planned production, oz pa	190,000	240,000
	Including open-pit and underground	
AISC, US\$/oz	855	844
NPV <sub>5</sub> , post-tax, US\$ m	320	548
Initial capital costs, US\$ m	285	500
Expected start-up	2025	2026
Funding	International consortium that includes the Ethiopian Government (20%), other Ethiopian investors (10%), East Africa Trade and Development Bank and African Finance Corp (AFC)	IPO monies and operating cashflows Ethiopian Government owns 7%

Note: NPVs and initial capital costs stated unlevered, based on a gold price of US\$1,568/oz

**Source: Company data, Orior Capital estimates**

**References:**

Allied Gold Corp, Kurmuk Technical Report NI 43-101 available at [www.sedarplus.ca](http://www.sedarplus.ca)

News articles on Allied Gold Corp listing and Kurmuk project approval:

Financial Times: <https://www.ft.com/content/92950b78-1044-4be5-8c90-853cbdf5d31>

Northern Miner: <https://www.northernminer.com/people-in-mining/ex-yamana-ceo-marrone-leads-allied-in-africa-in-search-of-investor-torque/1003858728/#:~:text=The%20CEO%20and%20four%20colleagues,per%20year%20by%202029>

Mining Weekly: <https://www.miningweekly.com/article/newly-listed-allied-gold-board-approves-500m-ethiopia-project-2023-09-12>

National Bank of Ethiopia: <https://nbebank.com/wp-content/uploads/pdf/directives/forex/fxd-86-23.pdf>

Comment on Benishangul-Gumuz regional government clearing artisanal miners from Kurmuk: <https://www.capitalethiopia.com/2023/01/16/artisanal-invading-gold-miners-derailing-kurmuk-operations-to-be-kicked-out/>

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