

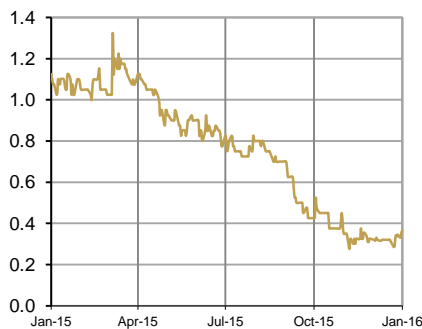
MINING FLASHNOTE

KEFI Minerals (KEFI LN)

Stock Data

Share Price:	0.365p
Market Cap (M):	£9.6M
EV (M):	£8.5M

Price Chart



52 Week Range

0.26p	0.365p	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 mineralization in the Arabian Nubian Shield.

MAIN SHAREHOLDERS	HOLDING
Odey Asset Management	26.06%
Bny (Ocs) Nominees Limited	6.69%
Jim Nominees Limited	6.56%
TD Direct Investing	5.36%
Ausdrill International	4.92%

Source: Kefi Minerals

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Update on Tulu Kapi Development and Finance Plans

Event

KEFI Minerals has released a progress report on the development and financing of the Tulu Kapi Gold Project in Ethiopia. Since the release of the Definitive Feasibility Study (“DFS”), published in August 2015, there have been a number of changes following feedback from the financiers who have now been engaged and other recent appointments including project contractors and the results of the now-completed reviews by the Independent Technical Consultants to the financiers.

Comment

Since the original DFS was released last August, the project has undergone a number of refinements. One of the key changes has been the decision to run the mill at 1.7Mt pa on soft ore, dropping to 1.5Mt once the ore gets harder. This compares with the original concept of operating at 1.2Mt pa, upgraded in the DFS to 1.5Mt pa, and results in far less stockpiling of the lower grade ores and economies of scale with the processing. It has also resulted in gold production being brought forward, with 980k oz over 10 years vs 960k oz over 13 years with an average of 115k oz over 10 years compared with 95k oz over the core production years.

With the down turn in metals prices and the mining industry generally, project contractors have been competing strongly for jobs and prices have fallen significantly since the boom times. This has had a major impact on both capital and operating costs. Despite the larger plant, capital costs have been reduced by US\$10M to US\$120M and the all-in-sustaining costs have dropped from US\$779/oz to US\$742/oz. This places the Tulu Kapi project in the lowest cost quartile globally for existing gold producers.

These factors, combined with the financing syndicates preferred financing plans, would result in an internal rate of return of 50% and a net present value of US\$197M using an 8% discount rate and a US\$1,250/oz gold price.

These figures are based on project debt and a gold stream facility of about US\$100M, which excludes cost-overrun facilities, pre-production financing charges and hedging. It is anticipated that approximately 10% of the base case production ounces will be hedged, as part of the risk management program. The debt-financing structuring has been based on a conservative gold price of US\$1,000/oz.

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.

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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 13 January 2016

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

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