

12 Nov 2018

Stock Data

Ticker	KEFI LN
Share Price:	1.7p
Market Cap:	£9.3m
	\$12.0m

Price Chart



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Mining Flash Note

KEFI Minerals*

KEFI LN

Tulu Kapi construction start eyed for Q2/19 and first gold pour in H2/20

KEFI Minerals is an AIM-listed gold and base metals mineral exploration/development company advancing DFS stage Tulu Kapi Gold Project in Western Ethiopia as well as a set of precious and base metals exploration permits in Saudi Arabia.

The 1.1moz Tulu Kapi Project is in final funding stages with community resettlement scheduled for Q1/19, construction start in Q2/19 and first gold pour in H2/20. The project is estimated to run at 135kozpa and \$793/oz AISC generating \$73mpa in net operating cash flow and \$115m NPV (DR8%, post debt/lease payments) using \$1,300/oz gold price and 20.1 USD:BIRR exchange rate (v current spot 27.7). This implies \$58m value for a minimum 50.1% KEFI interest in TKGM and does not include underground potential at Tulu Kapi (1.2mt at 5.7g/t for 220koz in Indicated and Inferred resources) with orebody reported to remain open at depth.

In Saudi Arabia, KEFI is a 40% investor and technical partner at Gold & Minerals, a local JV with a leading local industrial group ARTAR, focused on the central-southwestern part of the prolific Arabian Nubian Shield prospective for gold and VMS deposits. The team is planning to launch a drilling programme (Q2/19) once Tulu Kapi construction is launched testing gold oxide at surface and the underlying copper-gold-zinc sulphide mineralisation. At the same time, drilling to start in Ethiopia of the satellite prospects in the 1,900km² of exploration areas around the Tulu Kapi project.

- The Company assembled a funding package for the Tulu Kapi Gold Project (TKGM) minimising dilution at the parent company level involving contractors, project-level lenders, Ethiopian government, as well as a consortium of institutional investors.
- \$180m project capex to be funded as:
 - \$20m (equity) from the Ethiopian government (5% free carry + 18% in TKGM);
 - \$30-38m (equity) from ANS Mining Share, a syndicate of local investors (up to 26.9% in the TKGM);
 - \$110m (infrastructure bond/loan) with additional sums for costs and escrowed cash for debt service during construction;
 - \$20m working capital for ore stockpile funding.
- KEFI Minerals is set to secure a 50.1-54.0% interest in the TKGM, reflecting negotiated entry prices for local investors (Government and institutions) and \$60m in the Company's investment to date (including pre-KEFI spend funded by previous shareholders who were transferred to KEFI along with the project).
- Of \$30-38m committed from ANS through a binding Project Equity Investment Agreement, first \$9m tranche earning 7% interest in TKGM is expected to be completed in Q4/18 subject to "reasonable assurances of the full funding proceeding from the secured financing providers"; funds would be directed towards the start of a community resettlement programme, among other costs related to project development; the balance of \$21-29m to be invested at/or before all development funding completion which is targeted for Q2/19.
- Infrastructure wise, the Ethiopian Electricity Power Corp and Roads Authority have confirmed their budget/schedule commitment (\$20m total construction capex) in return for the Ethiopian government interest going up from 5% to 23% in TKGM.
- Lycopodium is in charge of the EPC contract for onsite infrastructure including the CIL plant while African Mining Services (Ausdrill) to provide contract mining services.
- The next major catalyst is the news of the \$9m investment from ANS allowing to start the resettlement programme; Q2/19 – infrastructure loan/bond funding completion.
- The Company had c.£2.0m in cash (incl 60m shares issued at 2.5p in Jul/18) as of mid-2018, as well as access to £4m in secured convertible loan facility (due for shareholder approval that is planned to be sought shortly).

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