

### MORNING COMMENT

#### CORPORATE

Share Price 0.7p

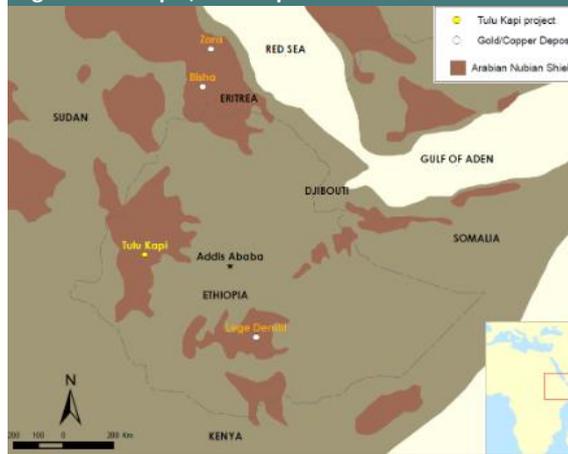
Ticker	KEFI
Index	FTSE AIM
Sector	Mining
Market Cap	£27m

### KEFI Copper & Gold

#### Updates in Ethiopia and Saudi Arabia – KEFI pushes on and close to a break through

KEFI Copper & Gold is looking to build a gold mine in Ethiopia (Tulu Kapi) and is close to a final, low-dilutive funding solution, and, in Saudi Arabia, has a large (and growing) copper-gold-zinc massive sulphide deposit (Hawiah) and a soon-to-be-licenced gold project (Jibal Qutman). KEFI has provided updates on both last week and it is right just to show the progress that KEFI is making across two fronts. KEFI will move from explorer-developer to developer-producer over the next couple of years. We see fair value at 5.4p/sh but will update on our understanding of the key risks of funding and permitting as the year progresses.

Figure 1: Ethiopia; Tulu Kapi



Source: WH Ireland research, KEFI Copper & Gold

**Tulu Kapi (KEFI 100%, Ethiopia)** – open pit development-ready project in the west of Ethiopia to produce 140koz/yr gold with likelihood of expansion to 190koz/yr to take in underground resource (Total Resource of 20Mt grading 2.7g/t gold with 1.2Mt in an “underground” resource grading 6g/t and open in all directions). Signing a funding syndicate agreement is expected shortly with construction to begin in October (subject to confirming security arrangements) at the start of the dry season. At current plans, KEFI will keep a 70% ownership in the mine after funding. Funding of \$356m is required with KEFI lining up the majority of this via its funding consortium.

Figure 2: Saudi Arabia: Hawiah and Jibal Qutman



Source: WH Ireland research, KEFI Copper & Gold

**Hawiah (KEFI 34%, Saudi Arabia)** – four drill rigs drilling at Hawiah and Al Godyer licences to extend the known open pit resource (25Mt grading 0.9% copper, 0.9% zinc, 0.6g/t gold) which remains open along strike and a depth. This was a discovery by KEFI and is shaping up to be a global-scale massive sulphide deposit and could add to the number being mined in Saudi. We expect the resource to grow significantly. With a strong local partner and support from the Saudi Authorities who want to push on a post-oil economy we anticipate that funding will come through Saudi financial institutions.

**Jibal Qutman (KEFI 35%, Saudi Arabia)** – another discovery by KEFI with a resource of 28Mt grading 0.8g/t gold. This has been delayed by licencing issues which now appear to be behind them. KEFI is looking to reengineer the project taking a look again at modelling the resource at higher gold prices and has engaged Lycopodium to update a DFS for a 2Mt/yr Carbon in

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#### Analyst

Paul Smith  
+44 (0) 113 394 6609  
paul.smith@whirelandcb.com

David Seers  
+44 (0) 113 394 6610  
david.seers@whirelandcb.com

WH Ireland Limited, 24 Martin Lane, London, EC4R 0DR, tel. 020 7220 1666

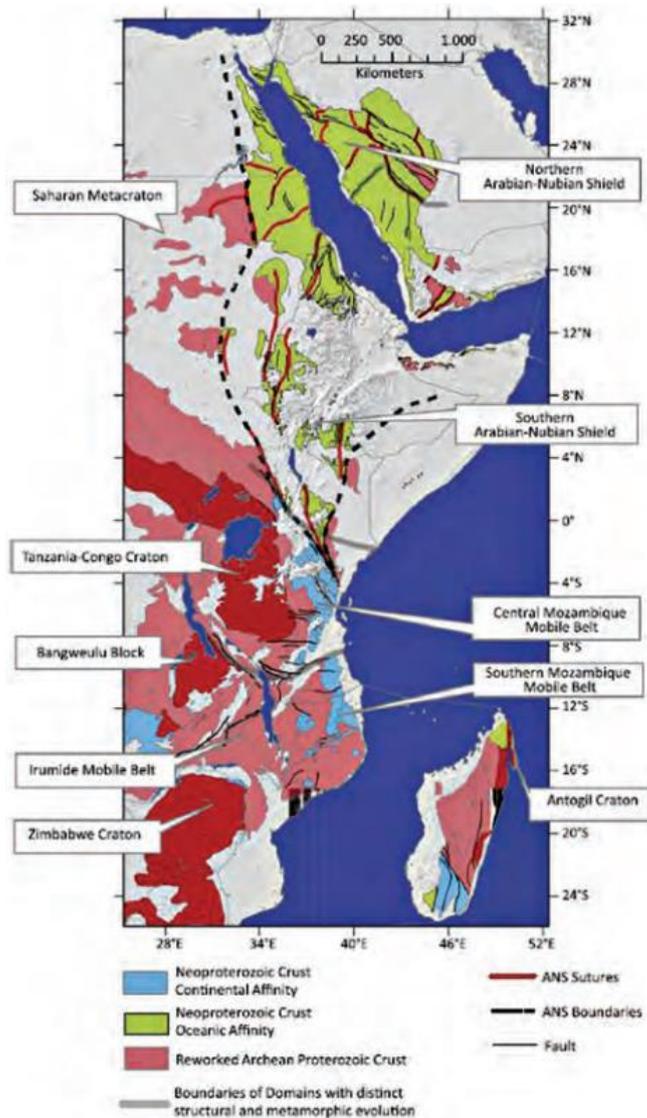
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Leach plant. Funding is expected to be through Saudi financial institutions (including the Saudi Industrial Development Fund).

**Wider exploration – KEFI has been** concentrating on drilling in and around its known deposits, but these sorts of deposits never occur in isolation. In Ethiopia, KEFI has a huge first mover advantage and would be developing the country's first modern gold mine. In Saudi, with strong local partners and plenty of underexplored ground, KEFI ranks very highly in Government attention because its Gold&Minerals JV has the largest exploration team in the country and the next two development projects in review under the recently overhauled Saudi mining authority.

Figure 3. Arabian-Nubian Shield



Source: WH Ireland research, KEFI Copper and Gold after Johnson P.R., Zoheir B.A., Ghebreab W., Stern R.J., Barrie C.T., Hamer R.D., 2017: Gold-bearing volcanogenic massive sulfides and orogenic-gold deposits in the Nubian Shield. Article in *South African Journal of Geology*, March 2017

**The Arabian-Nubian Shield (ANS):** The ANS is a collage of Neoproterozoic juvenile arcs, younger sedimentary and volcanic basins, voluminous granitoid intrusions, and enclaves of pre-Neoproterozoic crust that crop out in the western Arabian Plate and the north-eastern African Plate at the northern end of the Eastern African orogeny (Figure 3). There are many deposit styles to be found (Massive sulphides, epithermal gold deposits, and orogenic gold deposits among them). The area is underexplored and offers the potential for spectacular discoveries. KEFI has a foot in much of the ANS and is well placed to benefit.

**WHI View:** KEFI continues to make solid progress in Ethiopia and has managed to keep its funding consortium together despite the headwinds in country, which are thankfully moving onto a new, more peaceful and settled phase. KEFI has advised that signing of the funding agreement will take place this month and it would be a remarkable achievement to finalise the moving parts of this advantageous funding package with a view to starting construction by the end of the year. At the same time it looks like the Jibal Qutman gold project will get its licence and that this low-capital project can look to funding and construction. In our view, the jewel in the crown is Hawiah, a grass roots discovery for KEFI and one that should be transformational for the company as it continues to grow the resource and finalise initial economic studies. We do not think there is any value given by the market for Hawiah and we still see fair value at 5.4p/sh and will look to increase this as KEFI derisks its projects via funding commitments in Ethiopia and by resource growth in Saudi Arabia. Fully unrisks our fair value for KEFI

from our June 2021 initiation report would be 11.2p/sh; funding for Tulu Kapi and licencing in Saudi Arabia are the big driver to any increase in our fair value and we will keep a careful eye on developments. 2023 is a key year for KEFI to demonstrate its credentials and transform into a development and production company.

## Contacts

### Research

John Cummins		020 7220 1755	john.cummins@whirelandcm.com
Matthew Davis		0113 394 6620	matthew.davis@whirelandcm.com
Brendan Long	Oil & Gas	020 7220 1694	brendan.long@whirelandcm.com
Paul Smith	Mining	0113 394 6609	paul.smith@whirelandcm.com
David Seers	Mining	0113 394 6610	david.seers@whirelandcm.com
Nick Spoliar		020 7220 1761	nick.spoliar@whirelandcm.com
Jason Streets		020 7220 1693	jason.streets@whirelandcm.com
Emma Ulker	Healthcare	020 7398 1141	emma.ulker@whirelandcm.com
Susanna Virtanen		020 7220 1674	susanna.virtanen@whirelandcm.com
Charlie Cullen		020 7220 1678	charlie.cullen@whirelandcm.com

### Sales & Trading

Harry Ansell		020 7220 1670	harry.ansell@whirelandcm.com
Dan Bristowe		020 7220 1648	daniel.bristowe@whirelandcm.com
Tara Browne		020 7398 1198	tara.browne@whirelandcm.com
Melvyn Brown		020 7220 1688	melvyn.brown@whirelandcm.com
Stephen Frohlich		020 7220 0492	stephen.frohlich@whirelandcm.com
Beverley Gibbons		020 7220 0479	beverley.gibbons@whirelandcm.com

### Corporate Broking & Investor Relations

Fraser Marshall		020 7220 0484	fraser.marshall@whirelandplc.com
George Krokos		020 7398 1106	george.krokos@whirelandcm.com
Joanna Hunt		020 7398 1124	joanna.hunt@whirelandcm.com
Aimee McCusker		020 7398 1136	aimee.mccusker@whirelandcm.com
Martyna Kandrataviciute		020 7398 1134	martyna.kandrataviciute@whirelandcm.com

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Corporate	64	97.0	64	100.0
Buy	2	3.0	0	0.0
Speculative Buy	0	0.0	0	0.0
Outperform	0	0.0	0	0.0
Market Perform	0	0.0	0	0.0
Underperform	0	0.0	0	0.0
Sell	0	0.0	0	0.0
<b>Total</b>	<b>66.0</b>	<b>100.0</b>	<b>64.0</b>	<b>100.0</b>

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Company Name	Table of interest number	12-month recommendation history	Date
KEFI Gold & Copper (KEFI)	2,4,3,5,7	Corporate	04.01.22
	4	Corporate	21.06.21

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