

KEFI Gold and Copper

Equity raising

Clearing the decks

KEFI has announced that it is raising c £10.6m by issuing c 1.9bn shares at a price of 0.55p. The full raise is in five parts: a firm placing, a retail offer, a conditional placing, a conditional subscription and a conditional issue. The first two have now been completed, raising £5.4m (gross) via the issue of 988.5m shares. The remaining three require shareholder approval from a general meeting on 2 January. Assuming this to be the case, they will raise a combined £5.1m (gross) via the issue of a further 933.2m shares.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/22	0.0	(3.3)	(0.2)	0.0	N/A	N/A
12/23	0.0	(4.6)	(0.2)	0.0	N/A	N/A
12/24e	0.0	(17.0)	(0.4)	0.0	N/A	N/A
12/25e	0.0	(4.4)	(0.0)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Capital raising funds KEFI to Major Works

In total, the equity issues are expected to raise gross cash proceeds of c £6.0m after also settling c £4.6m of outstanding liabilities. The company expects the net proceeds of the capital raising to cover the incurred and planned expenditure associated with site and community preparations at Tulu Kapi (the Early Works programme) and costs related to finalising the definitive agreements for financial commitments for operating and, in particular, upfront capital expenditure of US\$320m. Management expects these agreements to be finalised during the next circa one month to enable the launch of Major Works as soon as independent certification confirms final capital budgets and the readiness of the community and the project site and transport routes. It also expects that the capital raising will facilitate the granting of additional long-targeted licences in Ethiopia (eg the Konso Cu/Ta/Ni/Co/PGM licence awarded today), which will be complementary to operations at, and the value proposition of, Tulu Kapi.

Valuation: Potential 56.1% internal rate of return

We calculate that Tulu Kapi (plus a 15% residual interest in Saudi Arabian joint venture G&M) could generate average free cash flow for KEFI of c £81.7m in FY27–32 (almost unchanged from £82.4m previously), making average (maximum potential, fully diluted) dividends of 0.47p per share in FY28–34 possible (cf 0.59p/share previously). Like-for-like, this would value KEFI at 1.71p per share (cf 2.15p/share previously) fully diluted as at 1 January 2024. With the passage of time however, this rises to 1.88p/share as at 1 January 2025. Moreover, at current metals prices, the valuation increases to 5.25p now and to 6.99p in FY28 (plus a potential further c 1.69p per share for Guji-Komto), implying an internal rate of return of 56.1% in sterling terms to buyers of the shares at their current price over the next 12 years. Note: all our timings assume that Tulu Kapi starts commissioning in late 2026.

Metals and mining

4 December 2024

Price **0.52p**

Market cap **£37m**

US\$1.2696/£

Net debt at end June 2024 £2.0m

Shares in issue (including issuances from December 2024 firm placing and retail offer) 7,047.6m

Free float 92.3%

Code KEFI

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (13.9) (10.9) (26.3)

Rel (local) (15.7) (11.5) (33.8)

52-week high/low 0.87p 0.52p

Business description

KEFI Gold and Copper is an exploration and development company focused on gold and copper deposits in the highly prospective Arabian-Nubian Shield – namely the Tulu Kapi project in Ethiopia (projected 80% interest) and the Hawiah and Jibal Qutman projects (currently 25%) in Saudi Arabia.

Next events

Tulu Kapi project launch Late 2024/early 2025

General meeting 2 January 2025

Tulu Kapi commissioning Late 2026

Analyst

Lord Ashbourne +44 (0)20 3077 5700

mining@edisongroup.com

[Edison profile page](#)

KEFI Gold and Copper is a research client of Edison Investment Research Limited

Exhibit 1: Financial summary

	£000s	2020	2021	2022	2023	2024e	2025e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		0	0	0	0	0	0
Cost of Sales		(2,663)	(2,257)	(2,744)	(3,527)	(6,548)	(1,000)
Gross Profit		(2,663)	(2,257)	(2,744)	(3,527)	(6,548)	(1,000)
EBITDA		(2,663)	(2,257)	(2,744)	(3,527)	(6,548)	(1,000)
Operating profit (before amort. and excepts.)		(2,706)	(2,274)	(2,768)	(3,556)	(6,566)	(1,018)
Intangible Amortisation		0	0	0	0	0	0
Exceptionals		174	(47)	(268)	1,623	893	0
Other		0	0	0	0	0	0
Operating Profit		(2,532)	(2,321)	(3,036)	(1,933)	(5,673)	(1,018)
Net Interest		(100)	(1,121)	(527)	(1,000)	(10,460)	(3,419)
Profit Before Tax (norm)		(2,806)	(3,395)	(3,295)	(4,556)	(17,026)	(4,437)
Profit Before Tax (FRS 3)		(2,632)	(3,442)	(3,563)	(2,933)	(16,133)	(4,437)
Tax		0	0	0	0	0	0
Profit After Tax (norm)		(2,806)	(3,395)	(3,295)	(4,556)	(17,026)	(4,437)
Profit After Tax (FRS 3)		(2,632)	(3,442)	(3,563)	(2,933)	(16,133)	(4,437)
Minority interests		0	0	0	0	0	887
Net income (normalised)		(3,894)	(4,877)	(6,087)	(9,519)	(21,504)	(3,550)
Net income (FRS3)		(2,632)	(3,442)	(3,563)	(2,933)	(16,133)	(3,550)
Average Number of Shares Outstanding (m)		1,663.2	2,178.9	3,537.3	4,508.2	5,959.1	7,968.0
EPS - normalised (p)		(0.2)	(0.2)	(0.2)	(0.2)	(0.4)	(0.0)
EPS - normalised and fully diluted (p)		(0.2)	(0.2)	(0.1)	(0.2)	(0.3)	(0.0)
EPS - (IFRS) (p)		(0.2)	(0.2)	(0.1)	(0.1)	(0.3)	(0.0)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		-	-	-	-	-	-
EBITDA Margin (%)		-	-	-	-	-	-
Operating Margin (before GW and except.) (%)		-	-	-	-	-	-
BALANCE SHEET							
Fixed Assets		24,545	28,424	31,481	34,816	38,798	132,189
Intangible Assets		24,510	28,361	31,356	34,716	38,716	42,716
Tangible Assets		35	63	125	100	82	89,473
Investments		0	0	0	0	0	0
Current Assets		1,817	685	683	720	8,535	2,052
Stocks		0	0	0	0	0	0
Debtors		448	291	463	528	1,155	1,155
Cash		1,315	394	220	192	6,483	0
Other		54	0	0	0	897	897
Current Liabilities		(3,125)	(6,791)	(5,182)	(9,420)	(10,460)	(8,960)
Creditors		(3,125)	(5,556)	(4,002)	(7,307)	(5,929)	(4,429)
Short term borrowings		0	(1,235)	(1,180)	(2,113)	(4,531)	(4,531)
Long Term Liabilities		0	0	0	0	(4,478)	(92,429)
Long term borrowings		0	0	0	0	0	(87,951)
Other long term liabilities		0	0	0	0	(4,478)	(4,478)
Net Assets		23,237	22,318	26,982	26,116	32,395	32,852
CASH FLOW							
Operating Cash Flow		(2,092)	(329)	(2,634)	(861)	(8,557)	(2,500)
Net Interest		(100)	(1,121)	(527)	(1,000)	(10,460)	(3,419)
Tax		0	0	0	0	0	0
Capex		(4,389)	(3,064)	(5,245)	(3,257)	(4,000)	(93,409)
Acquisitions/disposals		0	54	0	0	0	0
Financing		6,996	826	6,405	2,550	26,890	4,894
Dividends		0	0	0	0	0	0
Net Cash Flow		415	(3,634)	(2,001)	(2,568)	3,873	(94,434)
Opening net debt/(cash)		814	(1,315)	841	960	1,921	(1,952)
HP finance leases initiated		0	0	0	0	0	0
Other		1,714	1,478	1,882	1,607	0	0
Closing net debt/(cash)		(1,315)	841	960	1,921	(1,952)	92,482

Source: Company sources, Edison Investment Research

General disclaimer and copyright

This report has been commissioned by KEFI Gold and Copper and prepared and issued by Edison, in consideration of a fee payable by KEFI Gold and Copper. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2024 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.