EDISON

KEFI Gold and Copper

New beginnings

Having required KEFI to work through regulatory overhauls and security threats, its host countries have now taken the brakes off, with the result that KEFI is launching its projects with a serendipitous tailwind of high metal prices. Major banks are signing up for Tulu Kapi in Ethiopia, with board ratification by Africa Finance Corporation following TDB last year. As such, project finance and other preparations are coming together for launch in Q225. In the meantime, KEFI has announced a JV today between its Saudi Arabian vehicle, GMCO, its local conglomerate partner ARTAR and Australian major Hancock. The JV focuses on a 900km² major mineral belt 50km east and parallel to the analogous belt where GMCO has already discovered one of the world's top 10% VMS deposits. This follows KEFI announcing material mineral resource upgrades at the Hawiah and Al Godeyer VMS deposits and at Jibal Qutman (gold) recently. As such, KEFI's projects in both Ethiopia and Saudi Arabia are advancing apace.

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
12/22	0.0	(3.3)	(0.17)	0.00	N/A	N/A
12/23	0.0	(4.6)	(0.21)	0.00	N/A	N/A
12/24e	0.0	(8.1)	(0.21)	0.00	N/A	N/A
12/25e	0.0	(15.1)	(0.15)	0.00	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

GMCO assets worth 0.60p/share; maybe 0.96p/share

Based on its June 2023 pre-feasibility study (PFS), Hawiah has an NPV_8 of US $301m, of which KEFI's 15% share is US$45m, or 0.56c (0.44p) per KEFI share. Based on its internal preliminary economic assessment (PEA), Edison estimates that Jibal Qutman has an NPV_{10} of US$112m, of which KEFI's 15% share is US $17m, or 0.21c (0.16p) per share. Taken together, therefore, these two projects (via GMCO) could be worth an aggregate US$52m, or 0.77c (0.60p) per share to KEFI. However, the official valuations (above) of Hawiah and Jibal Qutman are based on relatively depressed metals prices (see Exhibit 19). At today's prices, we estimate that Hawiah has an NPV_{10} of US$403m, of which KEFI's 15% share is US$60m, or 0.76c (0.60p) per share. Similarly, we estimate that Jibal Qutman has an NPV_{10} of US$245m, of which KEFI's 15% share is US$37m, or 0.46c (0.36p) per share. Taken together, therefore, the two could be worth US$97m, or 1.22c (0.96p) to KEFI (ignoring GMCO's proprietary database built up over 17 years and blue sky).

Valuation: Potentially worth 5.93p/share and rising

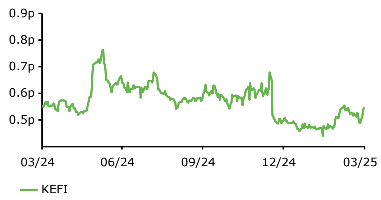
At Edison's long-term gold price of US$1,794/oz from FY30, we calculate that Tulu Kapi (plus its 15% residual interest in its Saudi Arabian joint venture, GMCO) could generate average free cash flow to KEFI of c £88.2m in FY28–33 (cf £81.7m previously), making average (maximum potential) dividends of 0.52p per share possible. This values KEFI at 2.03p per share (cf 1.88p/share previously) on the basis of the value of future dividends potentially payable to shareholders discounted to present value as at 1 January 2025. At current metals prices, however, this valuation increases to 5.93p now and to 7.90p in FY28, which implies an internal rate of return (IRR) of 58.2% in sterling terms to buyers of the shares at their current price over the next 12 years.

Metals and mining

20 March 2025

Price	**0.52p**
Market cap	**£42m**
	US$1.2870/£
Net cash/(debt) at end-June 2024	£(2.0)m
Shares in issue	7,980.8m
Free float	92.3%
Code	KEFI
Primary exchange	LSE
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	1.6	1.9	(9.0)
52-week high/low		0.9p	0.5p

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 15% held via associate GMCO) in Saudi Arabia.

Next events

Tulu Kapi project launch	H125
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

Investment summary

Company description: Arabian-Nubian shield specialist

KEFI is an exploration and development company focused on gold and copper deposits in the highly prospective Arabian-Nubian Shield – principally the Tulu Kapi project in Ethiopia and, to a lesser extent, the 15%-owned Hawiah and Jibal Qutman projects in Saudi Arabia. KEFI is currently in talks to sell its interest in its Saudi Arabian assets. Hence, this report focuses on the development of Tulu Kapi from an exploration prospect into a mining project.

Valuation: 2.03p per share

At Edison's long-term gold price of US$1,794/oz from FY30, we calculate that Tulu Kapi (plus its 15% residual interest in its Saudi Arabian joint venture, GMCO) could generate average free cash flows to KEFI of c £88.2m in FY28–33, making average (maximum potential) dividends of 0.52p per share possible. This values KEFI at 2.03p per share on the basis of the value of future dividends potentially payable to shareholders discounted to present value as at 1 January 2025. Our equivalent discounted cash-flow valuation is 1.87p/share – ie within 10% of our discounted dividend number. An alternative, sum-of-the parts valuation, considering KEFI's individual interests in its three assets (conducted at long-term gold prices between US$1,800–2,000/oz) is 1.84p/share (see Exhibit 19).

Sensitivities: 5.93p at today's metal prices

Our 'base case' valuation above of 2.03p/share was conducted at long-term gold price forecasts that ultimately settle out at US$1,794/oz in 2030 in 2025 money terms (ie a significant discount to today's price). Quantitatively, KEFI's most significant valuation sensitivity is towards the gold price. It almost trebles to 5.93p/share at currently prevailing metals prices, which implies an IRR of 58.2% in sterling terms to buyers of the shares at their current price over the next 12 years. Moreover, this 5.93p/share valuation itself rises to a peak of 7.90p/share in FY28. Otherwise, each 10% move in the gold price from our base case assumption results in a 0.67p per share variation in our valuation, while each 10% variation in unit costs results in a 0.39pp variation. Finally, if we analyse KEFI with a contribution from Tulu Kapi only and with the contributions from Jibal Qutman and Hawiah removed, our discounted dividend valuation reduces to 1.62p/share – being a reduction of 0.41p/share relative to our 'base case' valuation, or £32.7m (US$42.1m) in aggregate. As such, any sale of its 15% stake in GMCO above a consideration of US$42.7m may be considered value adding to our valuation of KEFI, while any sale below this level may be considered value destroying.

Financials: No more equity at parent company level

As is typical for exploration companies, KEFI has funded its pre-development activities with regular equity raising. It had £2.0m in net debt on its balance sheet as at 30 June 2024 (cf £1.9m as at 31 December 2023), after £5.9m in operating and investing cash outflows before working capital and after having raised £2.3m (net) in equity over the prior six months. In H2, we estimate that it raised a net £8.8m in equity, followed by a further £4.9m in early FY25, such that we do not now anticipate any further dilutive equity issues at parent company level in the foreseeable future. Companies on the verge of closing large project financing often have small working capital facilities offered to them as bridging finance support. If this is applied to KEFI, as long as it is neither large nor dilutive, any impact on our valuations will be immaterial owing to KEFI's now solidifying non-dilutive plans for project financing the development capital. Hereafter, financing of the project's funding requirement of US$320m is assumed to be via US$240m in senior debt, US$20m in Ethiopian government participation at project level and US$60m in US dollar-linked preference shares. As a result, KEFI will be developing Tulu Kapi from a relatively small equity capital base, albeit the potential GMCO sale proceeds will provide a buffer as well as a source of growth capital.

Company description: Transitioning into production

KEFI was formed in 2006 and, after a period of rapidly evaluating and relinquishing a number of exploration properties, mostly along the Tethyan belt from southern Spain across northern Africa into Turkey and down into the Arabian-Nubian Shield, it settled down to concentrating on the Arabian-Nubian Shield (ANS) in 2008, when it commenced exploration in Saudi Arabia. It expanded its activities to the African side of the ANS in December 2013, when it acquired 75% of Tulu Kapi in Ethiopia for £4.5m, from the previous licence holder, Nyota Minerals. In September 2014, it bought the remaining 25% of Tulu Kapi for £750k plus 50m shares.

KEFI's exploration activities are now concentrated exclusively on the ANS, with Tulu Kapi, in Ethiopia, being its flagship project, followed by Hawiah and Jibal Qutman in Saudi Arabia. KEFI's Saudi assets are currently the subject of sale negotiations. As a result, this report focuses on the development of Tulu Kapi.

History

The ANS is the source of some of man's earliest known mining activities, including the Mahd adh Dhahab ('Cradle of Gold') mine, which is the leading gold mining area in the Arabian peninsula, located in the Al Madina province of the Hejaz region of Saudi Arabia, between Mecca and Medina. Gold was first mined in the area around 5,000 years ago in the form of swarms of gold-bearing quartz veins and the site has been identified as one of the possible locations of King Solomon's mines. Among other things, the area was the source of the world's earliest known map, the Turin Papyrus, which was used by the Egyptians to explore for gold in Egypt and north-east Sudan.

Tulu Kapi

Although very little detailed academic work was performed on it at the time, the Tulu Kapi deposit was known and exploited as long ago as the 1930s, when an Italian company (SAPIE) conducted saprolite, hydro-mining of the quartz veins at depth near the contact of the diorite and syenite, where the degree of albitization is less and the degree of silicification is more. Note that this mineralisation is not the immediate target of either KEFI's exploration work or its development plans (see Geology, below).

Having lain dormant for some years, exploration restarted under the auspices of the UN Development Programme (UNDP), which drilled two diamond holes at Tulu Kapi during the 1970s and identified the eponymous UNDP zone (see Geology, below). Canadian junior, Tan Range, continued exploration work with grid soil, ground geophysical and diamond drill work (five holes totalling 374m) between 1996 and 1998. Mapping, soil sampling, ground geophysics (induced polarisation and magnetics) and additional drill holes (34 diamond drill holes totalling 6,908m on a 80x80m grid) were then performed by GPMC/Minerva between 2005 and 2009, which resulted in their reporting a maiden inferred resource at Tulu Kapi of 690,000oz gold in September 2009.

Exploration was intensified between 2009 and 2013 by Tulu Kapi's new owner, Nyota, in the form of airborne (radiometry) and ground (induced polarisation and magnetics) geophysical surveys plus 14 trenches (totalling 98m) and infill drilling (259 diamond drill holes, totalling 65,125m, and 331 reverse circulation (RC) holes totalling 38,328m), which led to the expansion of the resource to 1.9Moz at an average grade of 2.3g/t.

After a period of due diligence, KEFI acquired 75% of Tulu Kapi for £4.5m in December 2013 (cf historic exploration expenditure of >US$50m [source: KEFI Gold and Copper]), equivalent to US$5.17 per contemporary resource oz. In September 2014, it bought the remaining 25% of Tulu Kapi for £750k plus 50m shares – equivalent to US$5.06/oz at that time – such that its total consideration in respect of Nyota's then 1.9Moz resource estimate was US$9.77m (equivalent to US$5.14/oz).

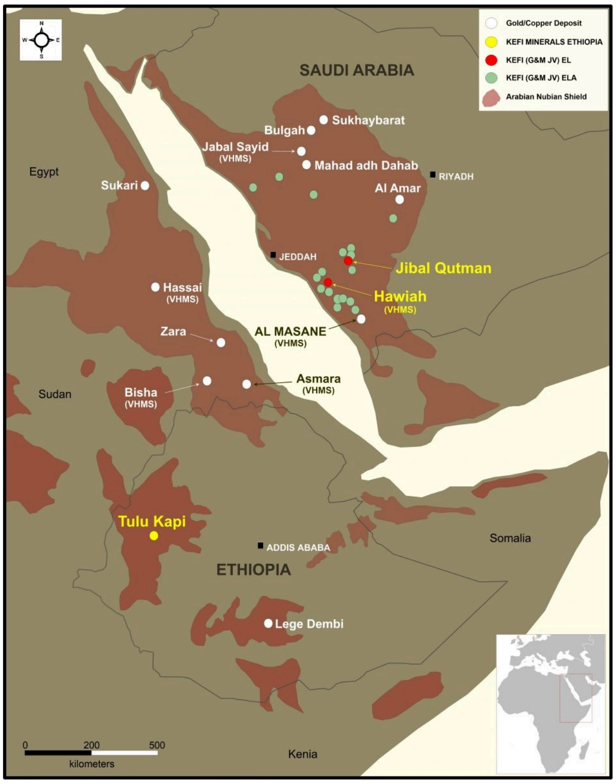
Geography

Tulu Kapi is located in the Oromia regional state (the biggest in the country) and in the Ghimbi/Gimbe zone of western Ethiopia, approximately 360km west of Ethiopia's capital, Addis Ababa. It is accessible via a 565km main road that passes less than 12km from the site and takes approximately 10 hours to complete by car. It is 1,600–1,765m above sea level.

Exhibit 1: Location of the Arabian-Nubian Shield and major tectonic structures

Source: KEFI Gold and Copper

Exhibit 2: Location of Tulu Kapi, Hawiah and Jibal Qutman within the Arabian-Nubian Shield



Source: KEFI Gold and Copper

Geology

In general, the ANS consists of Precambrian crystalline rocks and hosts various minerals in a diverse range of deposit formations, including gold, copper, zinc, tantalum, silver and potash, which can be found in mesothermal gold, polymetallic, quartz vein gold and volcanogenic massive sulphide (VMS) ores.

Tulu Kapi

The region around Tulu Kapi consists of typical greenstone geology. Tulu Kapi itself is located in the Tulu-Dintu shear zone – a major north-east/south-west trending fault – which is characterised by Neoproterozoic, metavolcanic sedimentary successions that have been faulted and folded and intruded granites, mafics and ultra-mafics. The deposit exists at the contact of three plutonically related lithologies, being one syenite and two diorites into which two major dyke swarms have intruded (being porphyritic, dioritic and basic in nature, thereby indicating a dilational environment). Gold is hosted in the syenite, stacked up against the diorite, leading KEFI to posit that it represents a structurally controlled, hydrothermally altered deposit in which the host rock is the gabbro sill, the heat source was the quartz and the structurally suitable deposition zone is albitized syenite. It is thought that the syenite itself is unlikely to be the source of the gold-bearing fluids and current thinking is that the shear zone represents a structure created by reactivation of a former vein-fault zone and that this reactivation caused the brittle syenite intrusion to shear, thereby forming a series of low angle faults that provided the conduit for both the swarm of dolerite sills and mineralising fluids. As such, the principal gold mineralisation at Tulu Kapi is associated with shallow (c 30°) north-west dipping zones of dense gold-bearing quartz veining, enveloped by an auriferous, highly albitized, metasomatic alteration centred on the shear zone. Gold is generally only associated with the albitized zones (including gold contained within quartz veins and fractures); however, there does not appear to be any correlation between the degree of albitization and the gold grade. The alteration also involves the replacement of the mafic minerals with sulphides (see Metallurgy, below). One of the significant consequences of this formation is the marked visible distinction between the (green) host rock of mafic syenite and the (white) ore comprising albitized syenite. The albitized zones are of a lensoid nature comprising discrete, stacked bodies that pinch and swell along both strike and dip. The thickness of the individual albitized zones is highly variable. Dykes and/or sills are present within the syenite in the form of mafic rocks (dolerite) and are up to 10m in thickness.

There are two ostensible zones of mineralisation, being the more fractured, but higher-grade central zone (c 2.7g/t) and the generally lower grade (c 1.1g/t), albeit first to be discovered, UNDP zone. The two are separated by the UNDP fault (an in-filled dyke). However, there is no major faulting to offset mineralisation.

The exact nature of the shear zone has not been fully confirmed and the shear contact is considered to be complex with deep drilling having identified high gold grades within the diorite located beyond the shear. In addition, the most recent deep, diamond drilling has identified particularly high gold grades at depth, within the syenite, close to the shear zone. Note that the degree of alteration in the syenite reduces with depth with less albitization and more silicification. This zone is variously known by KEFI as 'The Deeps' or 'The Feeder Zone'.

Reserves and resources

The mineralisation at Tulu Kapi exists within in a 1,500m by 400m surface area, with gold, silver and pyrite existing in conjunction with minor amounts of sphalerite and galena. Resources in the (main) central area have been drilled on a 40m grid, concentrating to a 20m grid in some areas, which is relatively dense given the style of mineralisation and therefore suitable for reporting to the indicated category. Outside the central area, the grid ranges from 40m to 80m and is suitable for inclusion within the inferred category. A large portion of the resource also exists in the indicated category owing to extensive RC drilling.

A summary of Tulu Kapi's total attributable resource (assessed relative to an industry standard cut-off grade of 0.5g/t) is as follows:

Exhibit 3: Tulu Kapi mineral resource estimate

Category	Cut-off grade (g/t)	Tonnage (Mt)	Grade (g/t)	Contained gold (Moz)
Measured	0.50	0.00	0.00	0.00
Indicated	0.50	19.40	2.65	1.65
Inferred	0.50	1.51	2.32	0.11
Total	**0.50**	**20.91**	**2.62**	**1.76**

Source: KEFI Gold and Copper

This estimate changes only very fractionally for Tulu Kapi when considered with respect to varying cut-off grades to reflect potential future open pit and underground mining domains.

Exhibit 4: Tulu Kapi resource at differentiated cut-off grades

	Category	Cut-off (g/t)	Tonnes (Mt)	Grade (g/t)	Contained gold (Moz)
Above 1,400m RL	Measured	0.45	0.00	0.00	0.00
	Indicated	0.45	17.70	2.49	1.42
	Inferred	0.45	1.28	2.05	0.08
	Sub total	**0.45**	**18.98**	**2.46**	**1.50**
Below 1,400m RL	Measured	2.50	0.00	0.00	0.00
	Indicated	2.50	1.08	5.63	0.20
	Inferred	2.50	0.12	6.25	0.02
	Sub total	**2.50**	**1.20**	**5.69**	**0.22**
Total	Measured		0.00	0.00	0.00
	Indicated		18.78	2.67	1.62
	Inferred		1.40	2.40	0.10
	Total		**20.18**	**2.65**	**1.72**

Source: KEFI Gold and Copper, Edison Investment Research.

Of the 'above 1,400m RL' resource, 81% of the tonnage, 86% of the grade and 70% of the contained gold convert into reserves:

Exhibit 5: Tulu Kapi reserve statement

Category	Cut-off grade	Tonnage	Grade	Contained
	(g/t)	(Mt)	(g/t)	gold (Moz)
Probable (high grade)	0.9	12.00	2.52	0.98
Probable (low grade)	0.5-0.9	3.30	0.73	0.08
Total		15.40	2.12	1.05

Source: KEFI Gold and Copper

Note that additional resources attributable to KEFI via its holding in GMCO are set out in the section entitled 'KEFI's Saudi Arabian assets'.

Evolution of the Tulu Kapi ore body under KEFI ownership

Upon completing its acquisition of the project in September 2014, KEFI immediately moved to reinterpret Tulu Kapi's ore body to include new and additional data that the previous owner, Nyota, had been unable to process into its models, including data relating to 71 diamond drill holes in its resource estimate. Mostly deep and relatively high grade, the inclusion of these holes resulted in KEFI's ability to reduce the tonnage of the deposit (which was then further constrained by wireframe modelling), while effectively maintaining the gold inventory at a higher average grade. In addition, accurate drill string surveying of historical holes allowed KEFI to reinterpret the data within the context of the known bending of the drill strings and markedly improve its understanding of the ore body.

The consequences of Tulu Kapi reinterpretation for the project

Nyota's higher tonnage, lower-grade resource estimate resulted in its defining a similarly lower-grade reserve estimate of c 1.2Moz contained within 20Mt at an average grade of 1.8g/t. Hence, its mining plan was predicated on a 2.0Mtpa operation at a grade of c 1.8g/t. Initially, KEFI conceived of a mine plan operating at a lower throughput rate of 1.2Mtpa at but a higher grade, and it completed a definitive feasibility study (DFS) to this effect in June 2015. The DFS considered only ore above 1,400m (see Exhibit 4) and envisaged mining ore in excess of 0.9g/t gold for the first 10 years of operation and stockpiling anything between 0.5g/t and 0.9g/t, to be processed in the final three years of the 13-year project. With subsequent revisions, however, it was later able to return the processing rate to 1.9–2.1Mtpa while maintaining the grade above 2.3g/t during steady-state mining (and later by introducing production from underground) and reducing the life of the operation to 10 years.

Mining and processing

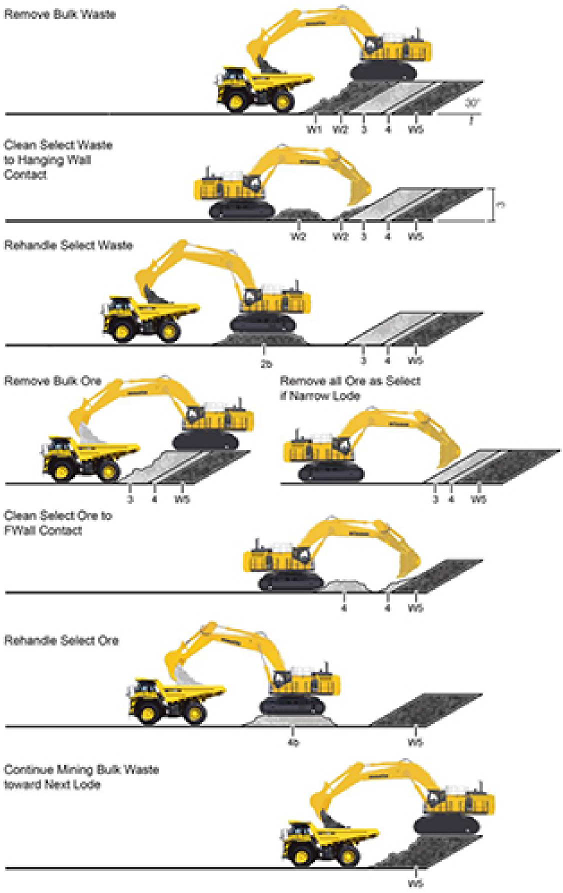
Mining

Open pit

KEFI's mine design is based on conventional open-pit mining methods. Open-pit and blast mining in conjunction with load and haul will be configured on 7.5m benches using 120t backhoe excavators. Every second blast hole will be used for grade control. In addition, KEFI intends to operate a selective mining process to further increase the mined gold grade, thereby improving gold recoveries to an average of 93.7% to produce 1,193koz over 10 years. In particular, there will be a specific requirement for excavator cleaning and re-handling of waste material in a seven-step process:

1. bulk waste removal;
2. cleaning waste from the hanging-wall contact;
3. rehandling of selective waste;
4. removal of bulk ore;
5. cleaning of selective ore to the footwall contact;
6. rehandling of select ore; and
7. continuation of waste material mining.

Exhibit 6: Selective mining ore loading cycle, schematic representation



Source: KEFI Gold and Copper

It is envisaged that mining will progress across the bench from west to east to avoid collapsing the ore material into the waste. A schematic representation of the ore loading cycle is as shown in Exhibit 6.

In general, the cycle uses more productive top loading of trucks. However, the excavator will need to be on the same level as trucks when handling material less than 1m thick at the extreme eastern and western limits of the pit. This will confer a requirement for precise and accurate blasting on the operators. A water cannon will also be used within the pit to assist ore spotters in distinguishing between ore (white) and waste (green).

The average stripping ratio of the open pit is 6.17 to one, owing largely to the dip of the orebody (rather than rock competence or topography). It is relatively lower in earlier years, but then increases in the third year of mining, when operations enter a low density area of veins, before falling again at the end of the life of the mine.

The berm width is 6m for 15m high batters, increased to 10m at the base with a maximum inter-ramp height of 120m. Geotechnical berms will be accommodated by the in-pit road.

Initially, it is expected that a workforce of 700 plus 300 for construction will be required, which will decline to c 700 once steady state production is achieved. However, the mine will indirectly support a further 250 employees through its ongoing supply requirements. First gold is now expected in late 2026.

Underground

KEFI's business plan is to also access the underground deposit and it has added PEA level mine plans, making an initial contribution to the combined open-pit plus underground production of an average of c 50koz pa. For the purposes of this note, Edison has ignored any contribution from the underground mine to its valuation, choosing instead to focus on the initial open pit. If it is included with an operating cash cost of US$914/oz and capex of US$38m however, it increases our 'base case' valuation (see Valuation section below) by 14.3%, or 0.29p/share, from 2.03p/share to 2.32p/share.

Metallurgy

Petrography

Petrographical studies have determined that the gold at Tulu Kapi occurs on the grain boundaries and fractures within sulphides. The gold grains vary in size from c 1µm to 300µm, with an average of c 11µm, and hence gold grains can occasionally be seen in core.

According to a 2007 study commissioned by GPMC (the then owner), the most abundant type of sulphide associated with the gold is pyrite, followed by sphalerite, bornite, chalcopyrite, galena, arsenopyrite and tetrahedrite-tennantite. Of note is the absence of gold in arsenic, tellurium and antimony sulphide minerals, which is encouraging with respect to processing and recovery (NB this was later confirmed via more detailed metallurgical test work, conducted by Nyota, in 2010).

Weathering

The Tulu Kapi syenite hill is divided into two weathering zones, being a weathered and an unweathered zone. There is a sharp transition between the oxides and sulphides and the transition zone between the two is reported to range from

<1m to only several metres in the majority of the deposit. There is no evidence of any supergene enrichment.

Plant design

Conclusions relating to the metallurgical test work from both the PFS and DFS campaigns are summarised below:

- the oxide and transitional ores are of medium hardness and fresh ore becomes harder with depth;
- all the ore types are amenable to gold extraction by conventional cyanidation;
- leach dissolutions of 97.4% and 96.4% were obtained for oxides and deep, hard, fresh ores, respectively, at a P80 grind size of 75µm in a leach time of 24 hours;
- recovery test work with and without gravity separation showed that gravity separation did not significantly increase overall gold recovery. As a result, run-of-mine cyanidation was selected as the process route; and
- leach optimisation test work indicated the following optimum parameters:
  - optimum grind: 80% passing 75µm
  - optimum initial cyanide concentration: 0.035% NaCN
  - presence of preg-robbers: 1.75%
  - residence time: 24 hours.

As a result, a simple carbon-in-leach process route has been chosen to mitigate the effects of potential preg-robbing, especially at the start of operations, as a result of the incomplete grubbing and clearing of organic material before processing.

In general, the plant has been designed to be ‘dumb’ (ie with low levels of automation) to reflect the relative lack of appropriately trained technicians in the area.

Overall life-of-mine recoveries of gold are forecast to average c 93.7%.

Community resettlement

The government owns all land in Ethiopia and every Ethiopian is entitled to land (effectively, on a long lease) at the age of 18, although the land is allocated to the family at an earlier stage. As a result, the landscape is characterised by a large number of small landholdings and any initiative like the development of a mining project at Tulu Kapi will require a programme of resettlement including, where appropriate, infrastructure such as roads and schools etc. On the other hand, this process is concluded under the government’s supervision, and it is a not uncommon aspect of Ethiopia life – not least because it is not in the government’s interest to create a precedent for inflated relocation compensation.

The number of households needing to be relocated is c 360, representing c 1,300 people from the mine licence area. In the case of Tulu Kapi, the acting government entity is the Regional Government of Oromia, its Zonal Administration of Ghimbi and its local municipality or Wereda called Genji. Over the years, KEFI has been involved in extensive community consultation and stakeholder engagement, with the result that its Resettlement Action Plan (RAP) has been approved as part of the Mining Agreement signed between the company and the government. The first small compensation package has been paid for the initial construction camp area and the community property surveys on the rest are in process, with some already agreed and signed off.

In negotiating the RAP, the government originally offered the villagers 17 potential site options, of which three were chosen by the villagers. The most favoured sites have evolved into those nearest Tulu Kapi, for proximity to the economic opportunities created by the development.

In consideration of the RAP, the long-term livelihood restoration programme and the community development programme, KEFI has budgeted US$24.7m (which is deductible against future tax liabilities).

A new access road is already being constructed to the site of the new kebele (smallest administrative unit or ward) during the current dry season (from September to May). Once compensation is paid during the 2025 wet season, residents have a statutory 90-day time limit to relocate, which would coincide with major civil works commencing in the September 2025 to May 2026 dry season.

Infrastructure

Power

The plant will be powered by overhead grid power lines. Existing power lines are 40km away. A new, 47km long, 132kV power line from Ghimbi to Tulu Kapi will therefore be required. The plant's power requirement is estimated at 13MW. Hence, infrastructure will be constructed for a power requirement of 15MW, with the additional 2MW being made available to the local community. A stand-by diesel power plant has also been budgeted as a back-up supply, sized to keep key process equipment operating when grid power is not available.

Water

Contrary to popular perception, there is no shortage of water in western Ethiopia, with the region experiencing average annual precipitation of approximately 150cm (cf 58.5cm pa in London). The majority of this occurs in the wet season, between May and September, and particularly between June and August, with the result that the process plant is being designed around the concept that rainwater can be stored and reused. Nevertheless, a pipeline has been budgeted and permitted for, drawing from the large nearby Birr River in case of a one in 100 year dry season.

Roads

Although there is an existing road that connects the village of Kelley to the project area, KEFI intends to construct two major roads outside the mine licence area to both minimise the impact of the operation on the local community and to improve Tulu Kapi's access to the outside world. Specifically, these will be:

- first, a 15km new, shorter road for more direct access from the highway near Kelley to Tulu Kapi. This is under construction.
- second, a 14.97km heavy transport road from Kelley to Tulu Kapi, of which c 9.5km will be outside the mine licence area; and
- a 4.5km southern bypass road.

Tailings and waste

It has been possible to locate the mine's waste dumps so as to place them 'within' the underlying topography and also to minimise haulage distances, while the preferred site for the development of the Tulu Kapi tailings storage facility (TSF) is an area immediately adjacent to and to the east of the proposed plant site. The site will be developed as an impoundment facility with staged downstream wall lifts to match the anticipated deposition of 2.0–2.5Mt of gold tailings per annum.

Financial, fiscal and legal environment

All project plans have been approved and form a legally binding contract with the government as part of the mining agreement.

On granting a mining licence for Tulu Kapi, the Ethiopian government has a right to a 5% free-carried interest in the project. Thereafter, profits are subject to a 25% mining tax and a 7% royalty (after deducting past and future capex). In addition, the royalty code is drafted in such a way that KEFI benefits from any future reduction in the 7% rate, but is protected in the event of any future increases.

In the meantime, capital goods may be imported free from import taxes (assuming they are included on the Mining List). However, taxes become payable once commercial production is declared (eg for reagents, such as cyanide).

Assumptions

Tulu Kapi's updated DFS was completed in July 2015 as a collaboration between Senet, Golders, Epoch and Snowden. Since then, KEFI has updated detailed mine engineering and planning for the bulk mining (>90%) and selective mining (<10%) of its ore and waste, as well as now integrating the underground mine with the open pit mine. These have subsequently been built into contractually detailed schedules with its mining contractor – an area on which KEFI has focused intensively, not only to reliably measure average grade, but also to manage grade variability during operations, based on tightly defined reserves derived from the wireframing of the entire ore system.

Commissioning at Tulu Kapi is now anticipated to commence in late 2026, after which our immediate operational performance assumptions are as shown in Exhibit 7, below. These are the same as were assumed in our note of December 2024. Note that KEFI has provided detailed technical and financial information on its website, which may be accessed via https://www.kefi-goldandcopper.com/projects/ethiopia/tulu-kapi. Edison assumptions and modelling are based on the original DFS plus a number of intervening iterations. These should closely approximate KEFI's mine plan, albeit with some minor variations. For instance the company's "Lenders' Base Case" as approved by its banks' advisers shows an average production rate of 135koz pa from the open pit. This is lower than Edison's assumed output in years two to seven of the mine plan (see Exhibit 7, below), but higher than the remainder of the years. In addition, KEFI's business plan case includes an initial contribution from the underground mine, whereas Edison's 'base case' assumptions consider the open pit only (albeit the value of the underground option is briefly considered above, below Exhibit 6, in the paragraph entitled 'Underground'.

Exhibit 7: Tulu Kapi mine plan and cost assumptions

	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
Current									
Waste (kt)	15,338	18,737	20,335	19,397	19,180	13,693	6,251	586	0
Stripping ratio	4.7	5.4	9.7	6.2	7.9	5.6	4.4	3.9	N/A
Ore processed (kt)	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Grade (g/t)	2.33	2.86	2.40	3.10	2.77	2.69	2.45	0.96	0.62
Contained gold (koz)	112.3	184.2	154.3	199.2	178.2	173.2	157.4	61.8	40.1
Recovery (%)	83.16	93.88	93.80	93.91	93.87	93.85	93.78	100.24	110.90
Recovered gold (koz)	93.4	172.9	144.7	187.0	167.2	162.5	147.6	62.0	44.5
Operating costs (US$/t processed unless otherwise indicated)									
Mining (US$/t mined)*	3.82	4.22	4.77	5.04	5.09	5.37	6.44	30.12	-
Milling (oxide, US$/t)	10.75	13.75	13.79	0.00	13.90	13.93	14.01	0.00	15.12
Milling (fresh ore, US$/t)	10.54	11.54	11.59	11.65	11.70	11.76	11.81	12.48	12.40
Milling (hard ore, US$/t)	0.00	13.75	13.79	13.85	13.92	13.99	14.07	14.13	14.26
Total (US$/t)	65.33	66.18	73.17	76.12	75.44	63.20	41.83	18.11	15.32
Gold price (US$/oz)	1,988	1,791	1,660	1,794	1,794	1,794	1,794	1,794	1,794
Sustaining capex (US$000s)	12,195	13,393	7,915	8,917	5,470	2,630	3,144	0	0

Source: KEFI Gold and Copper, Edison Investment Research. Note: Not all years shown owing to space constraints. *Includes waste.

KEFI's proposed mining method and equipment specification at Tulu Kapi are considered straightforward and technically sound by the lenders' independent technical expert. Within this context, it is significant that less than 10% of the total material movement is categorised as 'selective' under the draft mining contract specifications, indicating that the mining methods to be used are generally very standardised.

Additional costs include a 7% government mining royalty, US$14.88/oz in offsite refining, insurance, transport and offtake costs and an US$11.6m provision for closure. Onsite general and administrative costs are forecast to be US $80.5m over the life of the mine. Overall, therefore, including offsite costs and the 7% government royalty, we calculate an average cash costs per ounce for Tulu Kapi of US$953/oz over the life of the open pit.

At the corporate level, we continue to assume head office costs of £1.0m pa (unchanged). A carried-forward tax loss of US$95m has also been applied to future pre-tax profits before tax is payable.

Capex

Our capex expectations remain unchanged relative to those in November 2022 and are detailed below relative to previous estimates:

Exhibit 8: Tulu Kapi estimated initial capex evolution, July 2017 to November 2022

(US$m unless otherwise indicated)	2017 KEFI plan	Final project models	May 2019 estimates	June 2021 estimates	November 2021 estimates	November 2022 estimates
Date	**Jul-17**	**Apr-18**	**May-19**	**Jun-21**	**Nov-21**	**Nov-22**
Mining	15.8	28.6	28.6	26.7	29.4	36.1
Processing	75.9	100.1	100.1	111.8	140.0	161.8
Infrastructure	15.7	15.7	15.7	20.0	20.0	20.0
Tailings	18.7	14.9	14.9	32.3	10.8	15.2
Indirect	1.8	0.0	0.0	1.8	1.8	1.8
Owner's costs	13.7	14.7	14.7	18.5	24.1	25.8
Community relocation etc	10.0	13.5	13.5	23.0	25.3	24.7
Environmental management	1.1	1.3	1.3	1.5	1.1	1.1
Further contingency	3.3	12.7	3.3	0.0	0.0	0.0
Other	(15.7)	(20.7)	(15.0)	(16.2)	3.6	(0.8)
Additional funding-related costs	15.6	0.0	0.0	0.0	0.0	0.0
Subtotal	**155.8**	**180.7**	**177.1**	**219.4**	**256.1**	**285.8**
Working capital	4.0	7.1	3.4	2.7	(2.3)	0.0
Additional funds required for project funding	33.0	33.9	14.2	*6.1	*30.3	*22.7
Cash buffer and other	0.0	17.7	0.0	0.0	1.9	5.0
Totals	**192.8**	**239.4**	**194.7**	**228.2**	**286.0**	**313.5**
Assumed throughput rate (Mtpa)	1.7	1.9–2.1	1.9–2.1	1.9–2.1	1.9-2.1	1.9-2.1
Capital intensity (US$ per annual tonne)	**113.41**	**119.70**	**97.35**	**114.10**	**143.00**	**156.75**

Source: Edison Investment Research, KEFI Gold and Copper. Note: *Lenders' upfront feeds and other financing costs including pre-production interest. Totals may not add up owing to rounding.

Based on the most recent estimate, pre-production capex of US$285.8m (excluding financial items) equates to US $1,746 per average annual ounce of gold production at full capacity.

Tulu Kapi funding mix

KEFI's approach to its funding requirements has been consistent in seeking to share risk with contractors and to minimise dilution. During 2014 and 2015, it revised its inherited DFS as a precursor to opening project construction and mining to international tender, with the specific intent of reducing upfront capex by introducing contract mining. Since then, it has introduced project-level equity (eg the government of Ethiopia and a consortium of Ethiopian investors) as well as senior secured debt provided by banks that are already working in Ethiopia, committed to the country and familiar with local market conditions and many of Tulu Kapi's stakeholders. In this case, the adoption of senior secured debt is considered to be more compatible with Tulu Kapi's consortium of financiers than other forms of finance. It is also anticipated to result in material savings in the cost of debt servicing, administration and other charges, especially during the project's development and start-up period. As such, the development capital requirement of KEFI's Ethiopian subsidiary is anticipated to be financed largely at the project level, approximately as follows:

Exhibit 9: Tulu Kapi sources of funding

Item	Last published (December 2022)		Current				
	US$m	*£m	US$m	Change (%)	Change (US$m)	*£m	Percent of total (%)
Senior secured debt	140.0	114.3	240.0	71.4	100.0	137.4	55.2
Subordinated debt linked to offtake rights	50.0	40.8	-	(100.0)	(50.0)	49.1	19.8
Ethiopian government participation at project level	28.5	23.3	20.0	(29.8)	(8.5)	15.5	6.3
Other project level equity	-	-	-	N/A	-	-	-
Subordinated loan convertible into KEFI equity after four years	60.0	49.0	-	(100.0)	(60.0)	-	-
Contractor charges convertible into KEFI equity after three years	-	-	-	N/A	-	-	-
Convertible note	30.0	24.5	-	(100.0)	(30.0)	-	-
Cost overrun facility	-	-	-	N/A	-	-	-
Preference shares	-	-	60.0	N/A	60.0	46.6	18.8
Sub-total	**308.5**	**251.9**	**320.0**	**3.7**	**11.5**	**248.6**	**100.0**
Parent company level equity	11.5	9.4	-	(100.0)	(11.5)	-	-
Pre-commercial production internal cash generation	-	-	-	N/A	-	-	-
Total	**320.0**	**261.3**	**320.0**	**0.0**	**0.0**	**248.6**	**100.0**

Source: KEFI Gold and Copper, Edison Investment Research. Note: *At US$1.2870/£ (cf US$1.2245/£ previously). Totals may not add up owing to rounding.

In late 2023, Ethiopia's central bank issued a directive exempting certain strategic industries – including mining – from foreign exchange controls, which satisfied the last major condition precedent for the issuance of final approval by the project finance lenders. Since then, the secured lenders for the project have updated terms and conditions relating to the US$240m financing facilities at the same time as early works for security and community preparations have successfully completed and selected major works have been initiated to further de-risk the construction schedule. In addition, the company has now also received sufficient expressions of interest in its preference shares (in alignment with the updated finance plan) and preparations are advancing for the local listing of these bonds. With the funding package and timing now established, the formalities of confirmations are underway, including final checks of prices and terms and conditions for the construction and mining services agreements. So far, in March this year, credit committee approvals have been granted by both banks and then also board approvals, subject to the other formalities of signing, the payment of success and commitment fees and the issuance notices to proceed to the various contractors and service providers. In the meantime, Ethiopian country membership for the second co-lending bank has been approved at the ministerial level and is going through parliamentary ratification after top-level meetings in Addis Ababa in February. This form of protection places both co-lenders on the same in-country footing and is the preferred procedure between countries and their most aligned multilateral development financial institutions. Remaining administrative procedures are proceeding in parallel with detailed definitive agreements being assembled by the end of the month:

- Government field support and the administrative confirmations required were recently presented by KEFI to the highest levels of federal and regional governments.
- Refreshed contractual confirmations for process plant and mining services are in train, so that signings can occur with up-to-date fixed-price and other relevant components.
- First community compensation has been paid, establishing important precedents and allowing fabrication of the initial construction camp.
- Local government is carrying out the Community Property Survey so as to set the full community re-settlement budget in order to avoid any misalignment after major works are launched.
- Activities taken recently to reduce construction schedule risk include:
  - An alternative access road from highway to site (now over 50% complete) to improve efficiency and security.
  - Fabrication of the initial construction camp.
  - Installation of increased water supply for community and works.

In the meantime, equity-capital preparations at subsidiary-company levels are advancing in parallel with the timetable, with government investment proceeding as planned and specialist African investors assembling for the product offering of the KEFI Minerals preference shares, which are denominated as a local-currency investment, but offer US dollar-linked protection for both principal and yield along with a gold upside participation.

Otherwise, the government's policy directive requiring a maximum 50% debt gearing (defined as debt/[debt+equity]) for new projects has been waived in the case of Tulu Kapi, which has prior approval to expand the debt portion of its funding requirement to 70% of the total. In addition, clarification received from the regulator (the National Bank of Ethiopia) indicates that historical exploration spend on the project of c US$95m will be deemed to contribute towards equity for the purposes of this determination.

KEFI's Saudi Arabian assets

KEFI has four principal assets in Saudi Arabia in which it currently has an effective 15% stake via its joint venture vehicle, GMCO. The four assets are:

- A 17-licence holding of approximately 1,300km^2 of exploration ground, cherry-picked from a proprietary database built since entering the country in 2008. Note that GMCO is the only company to have made meaningful discoveries in the past decade.
- The Hawiah copper-gold project and its satellite discoveries:
  - Hawiah, which has recently increased its mineral resource estimate by 25% to 36.2Mt at a grade of 1.83% copper equivalent, containing 662kt CuE, or 2.1Moz AuE (Edison calculation – note that all Edison 'equivalent' calculations are based on the spot metals prices set out in Exhibit 13), and now supporting an estimated 10-year production life with 85% of its resource upgraded into the indicated category for reserve determination and still open along strike and down plunge.
  - The adjacent Al Godeyer licences, which are 12km to the west of, and which are regarded as a direct geological analogue to, Hawiah. Volcanogenic massive sulphide (VMS) deposits typically form in clusters and early fieldwork has indicated significant VMS potential at Al Godeyer, similar to the copper-gold deposits at Hawiah. Subsequent more detailed exploration returned grades over 7g/t Au from surface sampling and demonstrated a surface gossan extending over 1.7km. KEFI has similarly recently upgraded its mineral resource estimate by 48% to 2.0Mt at a grade of 2.38% copper equivalent, containing 48kt CuE, or 0.2Moz AuE.

  - Abu Salal discovery at surface with trenching, but which has yet to have resources reported.
  - Note that, at prices of US$9,500/t Cu, US$2,600/t Zn, US$1,965/oz Au and US$24.00/oz Ag, KEFI calculates 'equivalent' resources to date within these licences of 2.9Moz AuE or 604kt CuE.
  - The recent grant of the Umm Hijlan Exploration Licence, which has extended by 4.5km the assessed strike length of the main Hawiah deposit, approximately doubling it.
- Jibal Qutman, where KEFI has recently upgraded the mineral resource estimate from 733koz to 902koz and where a PFS was completed in 2015. Note that these resources were reported from drill results on approximately 7km of assessed strike length out of 35km.
- A newly announced JV with Saudi conglomerate ARTAR and Australian mining major Hancock over the Wadi Shwas mineral belt (WSMB), comprising 900km^2 east of, parallel to and analogous to the Wadi Bidah mineral belt where GMCO has made three VMS discoveries (Hawiah, Al Godeyer and Abu Salal), which rank the project in the top 10% VMS systems globally (and expanding).

In mid-November, KEFI announced it was in talks with its Saudi joint venture partner, ARTAR, to exit its Saudi Arabian joint venture, GMCO. The exit has removed KEFI's obligation to pay US$10m to maintain its beneficial interest in GMCO at 25% and instead reduced it to 15%. However, the impression that this values the remaining 15% stake at US$15m is inaccurate, as the shareholders' agreement regarding dilution for contributions/non-contributions between the founding shareholders is based on historical costs of investment, whereas the sale of a shareholding to a partner or a third party is on an open-market basis.

Our updated financial forecasts and valuations (below) are based on KEFI maintaining a residual 15% interest in GMCO but will be revised if and when a sale of its stake is concluded. The potential value of KEFI's stake in GMCO is considered in the 'Sensitivities' section, below.

Hawiah

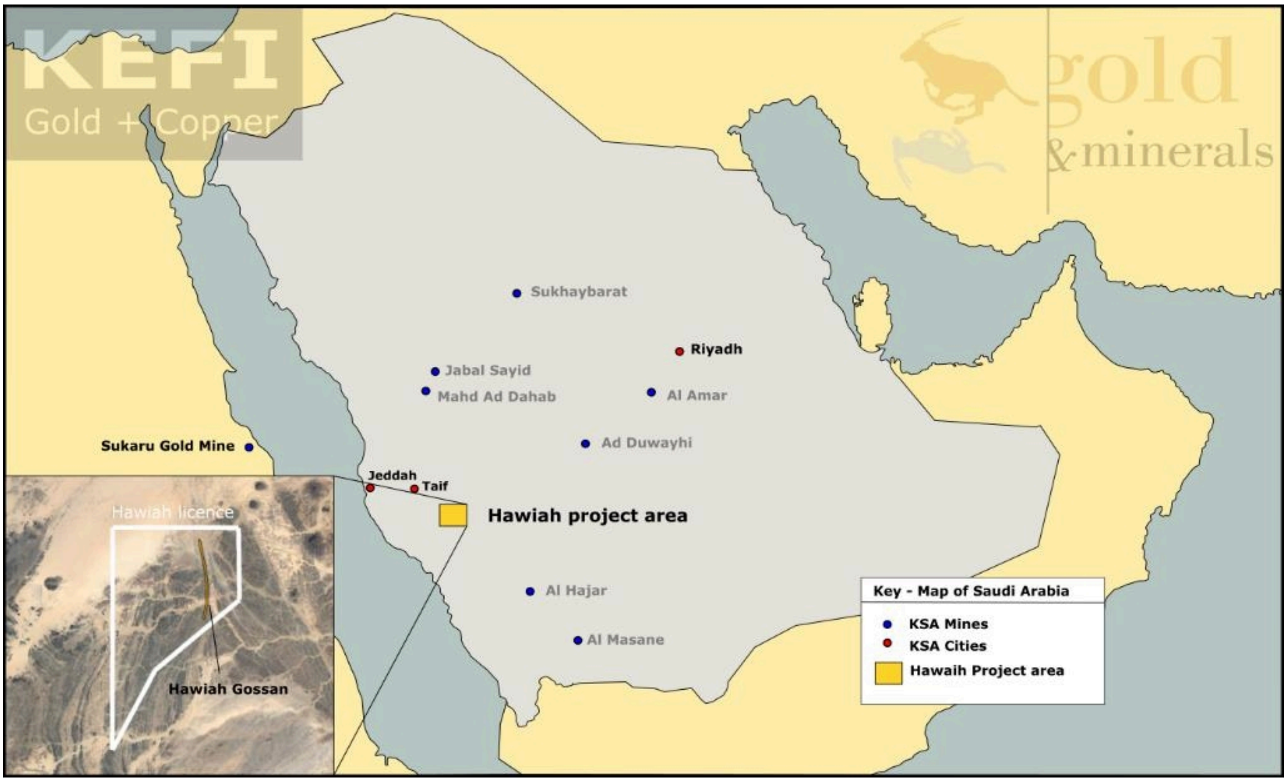
Hawiah mineral resource update

Hawiah reported an updated mineral resource estimate on 18 February 2025. Compared with its 6 January 2022 mineral resource, the update represented a 24.8% increase in tonnage at a slightly lower grade to result in an approximate one-fifth increase in contained metal, capable of supporting production for an additional two years relative to its September 2020 PEA (Edison estimate). Including by-products, the resource is now equivalent to 36.2Mt at a grade of 1.83% copper equivalent (cf 1.71% CuE previously) containing 662kt CuE or 1.82g/t gold equivalent containing 2.1Moz AuE.

Background

The 95km^2 Hawiah exploration licence is located in the south-west of the Arabian section of the Arabian-Nubian Shield on the 120km Wadi Bidah Volcanogenic Mineral belt. The Wadi Bidah belt is almost three times as long as the Bisha belt in Eritrea (see Nevsun), hosts over 20 VMS occurrences and is unique among the world's VMS belts in that it remains, to a very large extent, under-explored.

Exhibit 10: Hawiah location



Source: KEFI Gold and Copper

Hawiah updated mineral resource estimate

KEFI announced a maiden mineral resource at Hawiah on 19 August 2020 and a PEA on the project on 22 September 2020. After a period of additional drilling, it followed this up with an updated mineral resource estimate on 6 January 2022 and, finally, a second update on 18 February 2025.

Relative to its 6 January 2022 mineral resource, the update represented a 24.8% increase in tonnage at slightly lower grades to result in an approximate one-fifth increase in contained metal, as shown in the table below:

Exhibit 11: Hawiah* updated mineral resource estimate

Material type	Category	Tonnage (kt)	Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Zn (kt)	Au (koz)	Ag (oz)
Updated										
Open pit	Indicated	12.7	0.85	0.83	0.81	10.8	107	105	330	4,392
Underground	Indicated	17.8	0.85	0.91	0.56	9.9	151	162	322	5,651
Sub-total	Indicated	30.5	0.85	0.88	0.67	10.3	258	267	652	10,043
Open pit	Inferred	0.0	1.18	1.14	0.65	9.6	0	0	0	3
Underground	Inferred	5.7	0.69	0.74	0.51	8.4	39	42	93	1,543
Sub-total	Inferred	5.7	0.69	0.74	0.51	8.4	39	42	93	1,546
Open pit	Total	12.7	0.85	0.83	0.81	10.8	107	105	330	4,392
Underground	Total	23.5	0.81	0.87	0.55	9.5	190	204	415	7,194
Total	**Total**	**36.2**	**0.82**	**0.86**	**0.64**	**10.0**	**297**	**310**	**745**	**11,589**
Previous										
Open pit	Total	11.1	0.90	0.75	0.81	10.3	100	85	289	3,685
Underground	Total	17.9	0.89	1.06	0.58	9.9	159	190	332	5,723
Total	**Total**	**29.0**	**0.89**	**0.94**	**0.67**	**10.1**	**258**	**272**	**620**	**9,400**
Difference (%)		24.8	(7.8)	(8.6)	(5.1)	(1.0)	15.0	14.0	20.2	23.2

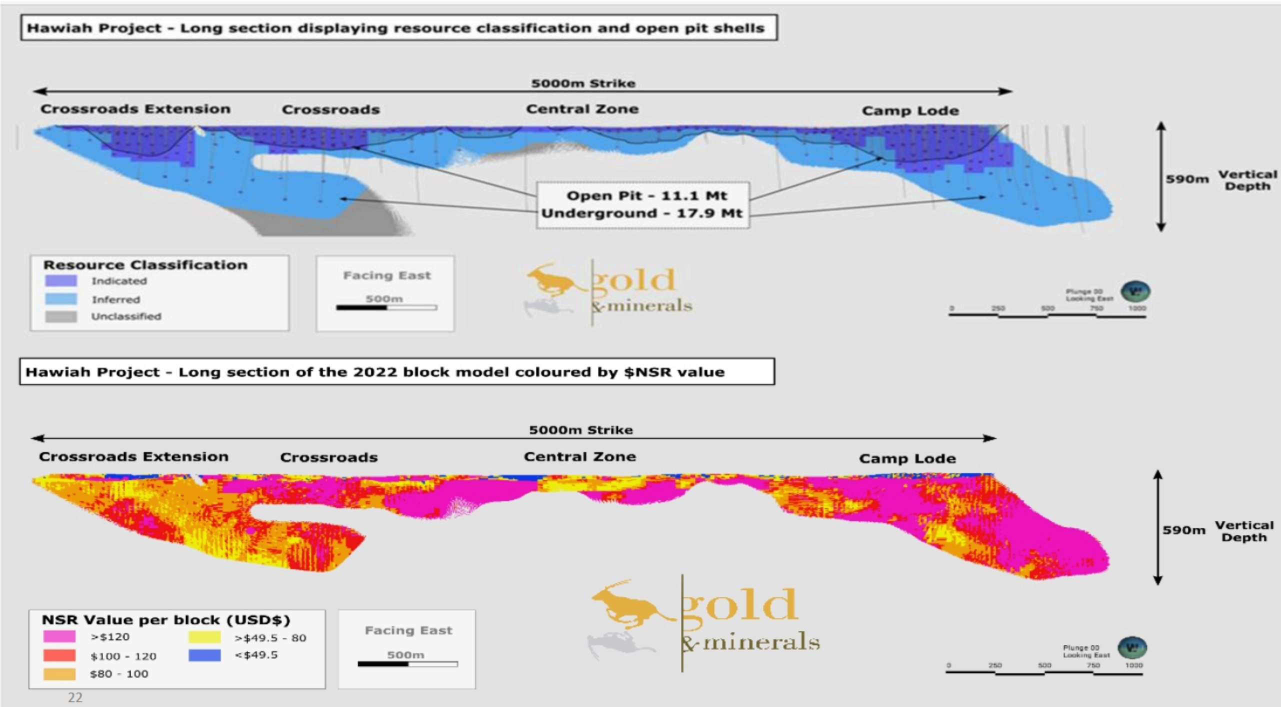
Source: Edison Investment Research, KEFI Gold and Copper. Note: *KEFI 15% beneficial interest; reported in accordance with the Australasian Code for the Reporting of Exploration Targets, Mineral Resources and Ore Reserves, The JORC Code, 2012 Edition.

Drill spacing on the Camp and Crossroads Lodes was approximately 50–60m within areas reporting to the indicated classification of resources and 120–140m for areas reporting to the inferred classification. At prevailing metal prices (US $9,343/t Cu, US$2,810/t Zn, US$2,917/oz Au and US$32.31/oz Ag), we calculate that the resource contains total metal to a value of US$6.2bn (cf US$4.2bn previously), or the equivalent of 662kt of contained copper (cf 419kt previously) at an average grade of 1.83% copper equivalent or 2.1Moz of contained gold equivalent at an average grade of 1.82g/t AuE.

The massive sulphides intersected in its drill programme are reported to reflect a dominantly pyritic stratiform body containing a variable polymetallic blend of copper, zinc, gold and silver. Nevertheless, there remains considerable blue-sky potential. Mineralisation modelled comprises a continuous subvertical tabular layer for approximately 4.5km along north to south strike at outcrop. Localised minor pinch outs occur, which are not significant. Two major zones (lodes) of down-dip extent have been defined (the Camp Lode in the south and the Crossroads Lode in the north), which plunge approximately 25° to the south for 1.7km (Camp) and 1.8km (Crossroads) to approximately 740m vertical depth below surface. Two of the deepest drill holes (HWD_005 and HWD_059) registered grades of 1.27% copper over a true width of 9m and 1.55% copper over a true width of 8.7m, respectively, and may indicate that resources are nearing the source (vent) of the VMS, where higher grades and thicker massive sulphides and stockwork-style mineralisation may be expected. Geochemical analysis and volcaniclastic textures within the lodes have also indicated increasing proximity with depth to a potential primary feeder source.

In addition, massive sulphides have been intersected in a drill hole 150m to the north of the Hawiah ridgeline, confirming that the mineralised horizon continues at depth even beyond the northern surface exposure in the ‘Crossroads extension area’.

Exhibit 12: Hawiah project drilling and exploration



Source: KEFI Gold and Copper

Similar potential exists in the upper levels of the deposit, where the gossan portion of the mineralised zone is challenging to drill by virtue of the weathering patterns and the numerous cavity zones encountered. However, the French geological survey, Bureau de Recherches Géologique et Minières (BRGM), drilled VMS gossans elsewhere in the 120km long Wadi Bidah Mineral belt in the 1980s, which resulted in the delineation of a resource of 1.2Mt at a grade of 6.4g/t, containing 254koz gold, and management confirms that this oxidised portion of the deposit, which has demonstrated high levels of gold mineralisation, will be further investigated at some point.

Based on published literature, KEFI management believes that the Hawiah deposit is analogous to (albeit already bigger than) the Al Masane polymetallic VMS mine, which was the first mine in Saudi Arabia to export copper and zinc concentrates and has reported resources of 7.5Mt at grades of 0.94% copper, 4.9% zinc, 1.06g/t gold and 38.13g/t silver, and a similar metal composition within similar structural and geological settings to Hawiah. Note that the discovery of the stockwork zone that fed the structure now being drilled at Hawiah could also represent a potentially much larger bulk-mineable target analogous to the Jabal Sayid mine operated by Barrick (to the north of Hawiah – see Exhibit 2).

Of particular note, however, is the upgrade of a substantial portion of the resource into the higher confidence indicated category, which now accounts for 85% of the total (cf 44% previously).

Hawiah PEA and PFS

The resource reported by KEFI in Exhibit 11 is the equivalent of 36.2Mt at a grade of 1.83% copper equivalent (cf 1.68% CuE previously) or 1.82g/t gold equivalent, such that each tonne of ore contains an estimated US$170 worth of combined metals at spot prices (see Exhibit 13) cf US$167 previously.

On 22 September 2020, KEFI announced the results of a PEA at Hawiah. The PEA was conducted by the KEFI planning team, supported by internationally recognised specialists, including SRK, and included technical analysis, high-level assessments and trade-off studies to establish the likely key components of the mine's potential development. Among other things, these included:

- Underground mining using long-hole open stoping, using rib and sill pillars for support.
- Processing via two-stage flotation to produce separate copper and zinc concentrates, with a cyanide leach circuit to allow for the production of gold doré from the zinc concentrate and tailings stream.
- Tailings storage and required infrastructure.

The full details of the results of KEFI's PEA may be found in its announcement. For a fuller explanation regarding Edison's approach to calculating a value for this project and its assumptions in doing so, see Edison's report Rose gold, published on 30 September 2020.

On 28 June 2023, KEFI further advanced the development of Hawiah by publishing the results of a PFS. Relative to the earlier PEA, the PFS envisaged the initial open-pit mining being complemented by underground mining at an assumed aggregate rate of 2Mtpa, rising to 3Mtpa over 10 years. The principal financial conclusions of the PFS were:

- Pre-production capital expenditure of US$295m (cf US$222m in the PEA).
- Life of mine revenue of US$2.7bn and operating cash flow of US$1.1bn (based on spot metals prices as at 30 April 2023).
- A project $NPV_{8\%}$ of US$301m (cf US$96m in the PEA).
- A post-tax IRR of 75% (cf 22% in the PEA).

While the Hawiah PFS announcement provided many of the inputs and outputs of its financial model, the details of the financial model itself were not made available to the public. In deriving a valuation for Hawiah therefore, Edison has judiciously adapted its PEA model to include the PFS inputs as well as its own updated pricing assumptions, which are contrasted with KEFI's below:

Exhibit 13: Comparison of KEFI and Edison assumptions regarding Hawiah cf spot prices

	KEFI assumption	Edison assumption	Current spot price
Metals prices			
Copper price (US$/t)	8,554	*10,000	9,343
Zinc price (US$/t)	2,646	*2,646	2,810
Gold price (US$/oz)	1,989	*1,794	2,917
Silver price (US$/oz)	25.00	*25.00	32.31

Source: KEFI Gold and Copper, Edison Investment Research. Note: *Long-term real prices.

Within this context, the updated financial outcomes generated by Edison from its model compare with those generated by KEFI as shown in Exhibit 14, below. In addition, we have also shown equivalent outcomes in the event that the current spot prices of the metals produced (see Exhibit 13) prevail over the entire course of the Hawiah mine life in real terms. Finally, we also provide an analysis demonstrating the potential effect of the increase in Hawiah's mineral resource estimate on mine life and the uplift in value resulting therefrom. In its PFS, KEFI envisaged mining at a rate of 2.0Mt increasing to 3.0Mt per annum for 10 years, which ultimately exploited 87% of the combined Hawiah and Al Godeyer resource at the time of the study.

Applying this percentage to the updated combined Hawiah and Al Godeyer resource of 38.2Mt would imply a mineable inventory of 33.2Mt or approximately 12.3 years of mining (cf 10 years in the study). This extended mining scenario is considered in the column marked 'Edison +2yrs' in the table below.

Exhibit 14: KEFI versus Edison Hawiah financial model outcomes

Scenario	1	2	3	4	5
Model	KEFI	Edison	Edison	Edison	Edison + 2yrs
Assumptions	KEFI	KEFI	Edison	*Spot	Edison
Ore processed (Mt)	26.5	26.6	26.6	26.6	32.3
Life of mine (years).	10	10	10	10	12
Life of mine net revenue (US$m)	2,696	2,334	2,511	2,850	3,045
Life of mine operating costs (US$m)	1,149	1,186	1,186	1,186	1,438
Pre-production capex (US$m)	295	295	295	295	295
Sustaining capex (US$m)	339	297	297	297	368
Life of mine operating cash flow (US$m)	1,208	1,037	1,179	1,449	1,418
Total net free cash flow after royalties and tax but pre-debt (US$m)	689	445	586	857	755
Post-tax NPV (US$m)	**301	**198	241	403	298
15% KEFI share of post-tax NPV (US$m)	45	30	36	60	45
Ditto (US cents per share, undiluted)	0.56	0.37	0.45	0.76	0.56
Ditto (pence per share, undiluted)***	0.44	0.29	0.36	0.60	0.44

Source: Edison Investment Research, KEFI Gold and Copper. Note: *See Exhibit 12; **NPV calculation conducted at an 8% discount rate; otherwise, all other NPVs conducted at a 10% discount rate; ***US$1.2870/£ forex used.

Several features of these outcomes are noteworthy:

- The discount of the NPV generated by Edison using KEFI's assumptions (Scenario 2 in Exhibit 14, above) relative to Scenario 1 implies that Edison's model is relatively conservative.
- Nevertheless, the fact that the NPV in Scenario 3 approximates that of Scenario 1 demonstrates a dovetailing of the two valuations into the range US$241–301m, or 0.36–0.45p per KEFI share (ie amounting to no less than 70% of KEFI's share price, excluding any contribution from Tulu Kapi) for its interest in the project.
- Scenario 4 indicates that KEFI's share in the value of Hawiah alone could more than cover its share price at current metals prices (excluding its interest in Tulu Kapi).
- Finally, Scenario 5 demonstrates the gearing of Hawiah's financial returns to exploration success, with a 25.8% increase in the combined Hawiah and Al Godeyer resource resulting in a 23.7% like-for-like increase in NPV relative to Scenario 3.

Owing to the tabular and continuous nature of the mineralisation, KEFI anticipates that Hawiah can be advanced to a development decision quickly and at relatively low cost. In addition, it expects that 75% of the project funding could be eligible for preferential debt finance via Saudi Arabian incentivisation schemes, thereby increasing the project's (leveraged) post-tax internal rate of return further.

Next steps at Hawiah

Following completion of the PFS and successful subsequent drilling, KEFI is in the process of completing a bankable feasibility study (BFS), focusing on the oxides on the now doubled strike length, which has been granted under the exploration licence. At the same time, GMCO is optimising the metallurgical recovery process design on the deeper sulphides. Note that the option to develop the copper and zinc concentrator after the start of mining and gold processing operations on the oxides holds out the possibility of a reduced pre-production capex estimate in future.

Al Godeyer

KEFI's associate, GMCO, was awarded the Al Godeyer licence in December 2021 and exploration commenced in early 2022. Drilling under gossan quickly confirmed similar copper-gold mineralisation to the Hawiah VMS deposit. A maiden mineral resource estimate for Al Godeyer was announced in April 2023 of 1.35Mt at 0.6% copper, 0.54% zinc, 1.4g/t gold and 6.6g/t silver and this was similarly updated in KEFI's announcement of 18 February. Notable features of the upgrade are 1) the material increase in copper grade and 2) the fact that 94% of the total resource now exists within the indicated category:

Exhibit 15: Al Godeyer* updated mineral resource estimate

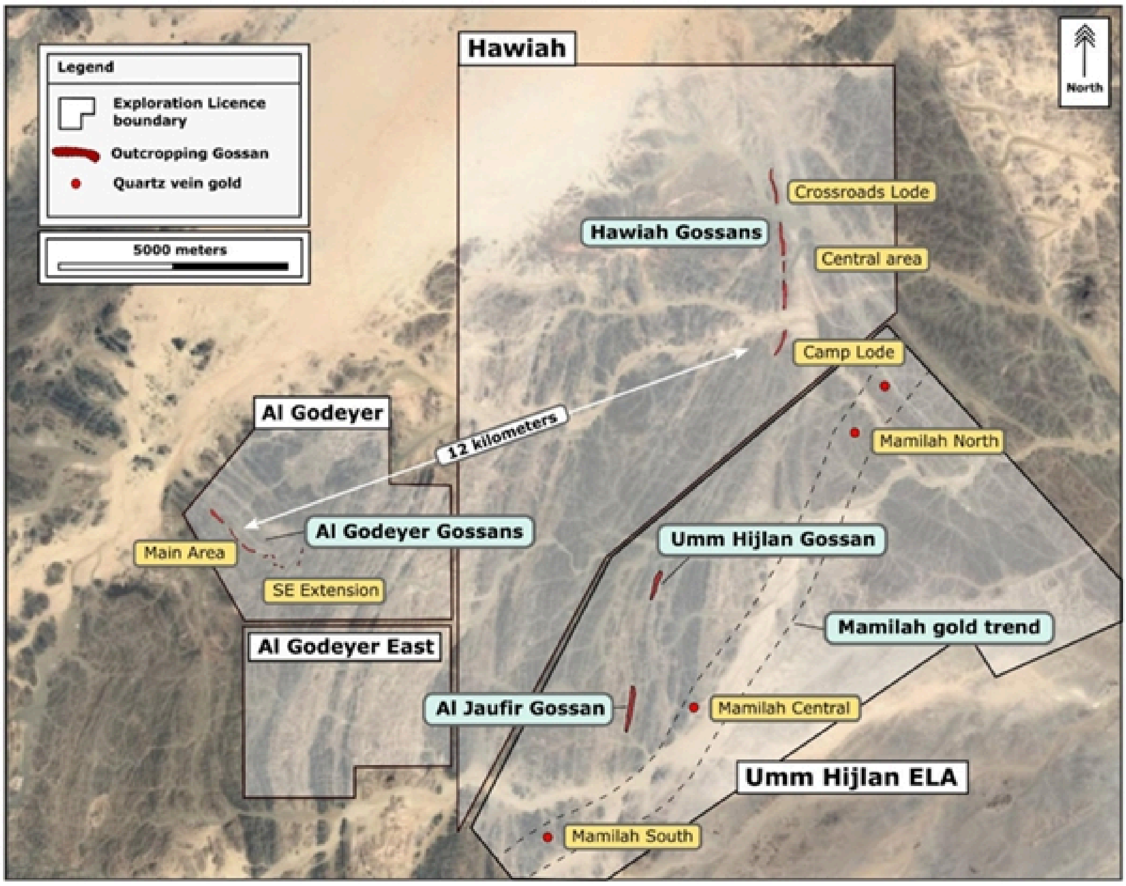
Material type	Category	Tonnage	Cu	Zn	Au	Ag	Cu	Zn	Au	Ag
		(kt)	(%)	(%)	(g/t)	(g/t)	(kt)	(kt)	(koz)	(oz)
Updated										
Indicated	Oxide	280	0.00	0.00	1.48	1.38	0.0	0.0	13,400	12,900
	Transition	220	0.70	0.22	0.91	6.88	1.6	0.5	6,500	49,300
	Fresh	1,380	1.12	0.65	1.19	8.28	15.4	8.9	52,700	366,400
	Sub-total	**1,880**	**0.90**	**0.50**	**1.20**	**7.07**	**17.0**	**9.4**	**72,600**	**428,200**
Inferred	Oxide	0	0.00	0.00	0.00	0.00	0.0	0.0	0	0
	Transition	0	0.00	0.00	0.00	0.00	0.0	0.0	0	0
	Fresh	120	1.36	1.10	1.42	12.17	1.6	1.3	5,300	45,300
	Sub-total	**120**	**1.36**	**1.10**	**1.42**	**12.17**	**1.6**	**1.3**	**5,300**	**45,300**
Total	Oxide	280	0.00	0.00	1.49	1.43	0.0	0.0	13,400	12,900
	Transition	220	0.73	0.23	0.92	6.97	1.6	0.5	6,500	49,300
	Fresh	1,500	1.13	0.68	1.20	8.54	17.0	10.2	58,000	411,701
	Total	**2,000**	**0.93**	**0.52**	**1.21**	**7.37**	**18.5**	**10.6**	**77,900**	**473,800**
Previous										
Total	**Total**	**1,350**	**0.60**	**0.54**	**1.40**	**6.60**	**8**	**7**	**60,400**	**286,600**
Change (%)		48.1	53.8	(3.7)	(13.6)	11.6	127.9	48.1	29.0	65.3

Source: Edison Investment Research, KEFI Gold and Copper.
Note: *KEFI 15% beneficial interest; reported in accordance with the Australasian Code for the Reporting of Exploration Targets, Mineral Resources and Ore Reserves, The JORC Code, 2012 Edition. Effective date: 9 December 2024.

Drilling at Al Godeyer spans over 1,250m of strike length at a drill spacing of approximately 50m or less for indicated classification and 100m or less for inferred classification. The additional resource tonnage delineated at Al Godeyer was largely driven by further drilling extending the resource. In-fill drilling allowed better definition of the central high-grade zone in the core of the deposit. The increase in the overall copper grade was also a consequence of high-grade copper intersections in the fresh zone coupled with an increase in the ratio of fresh to oxide ore (for which copper is not reported). The deposit nevertheless remains open at depth below 200m and along strike to the south-east.

Located only 12km from the proposed Hawiah processing plant, Al Godeyer remains a high-priority exploration project as a potential satellite ore source for the Hawiah processing plant.

Exhibit 16: Al Godeyer location with respect to Hawiah



Source: KEFI Gold and Copper, G&M

Umm Hijlan

On 16 January, KEFI announced that GMCO had been awarded the Umm Hijlan Exploration Licence (EL), located directly south of the Hawiah EL. While not commonly, publicly known, GMCO has long coveted this EL as a key target, given its proven extension of the southern strike continuation of the main Hawiah VMS system. The licence was secured following a competitive bidding process in an environment in which a number of mining majors have been actively engaged.

In essence, the Umm Hijlan EL consolidates a 210km^2 strategic licence area for GMCO and offers the prospect of increasing the strike length of the mineralised structure at Hawiah from 5km to 9km and adding significantly to its resource and economic potential. It also presents the opportunity to explore large nearby mineralised intrusions, which feature a distinct style of later-stage, gold-rich mineralisation. Hawiah already ranks in the largest 10% of VMS deposits globally and the extension into Umm Al Hijlan is expected to elevate its rank further. Geological mapping carried out by both BRGM and the GMCO exploration team has identified several prospective areas including the Umm Hijlan and Al Jaufir gossans, which can be traced over a discontinuous strike of 4km. These start to outcrop 5km south along strike from the Hawiah gossan and encapsulate historical drilling and trenching results that intersected high-grade gold mineralisation within the oxide domain of the Umm Hijlan deposit, including:

- 8m at 13.9g/t Au (trench),
- 7.3m at 11.1g/t Au from 14.7m (drill hole CO-08), and
- 5.6m at 18.8g/t Au from 18.9m (drill hole CO-05).

Among other things, these intercepts indicate that there may be a near-surface, gold-rich zone amenable to open-pit mining similar to Hawiah.

The grant of the Umm Hijlan EL was considered a strategic achievement by GMCO, because it doubled the assessed strike length of the main Hawiah orebody. It also provides GMCO with the opportunity to explore a separate gold system related to an intrusive contact that was also identified by BRGM, which can be traced over a discontinuous strike of 10km. This Mamilah gold system outcrops at several locations in the form of lenses of mineralised quartz veins with thickness up to 20m and strike lengths of up to 200m. The main outcrop area was tested with shallow drilling by BRGM and included the following results:

- 3.6m at 6.0g/t Au from 18m (hole 17),
- 4m a 6.0g/t Au from 22m (hole 5), and
- 4m at 12.4 g/t Au from 21m (hole 7).

Planned exploration at Umm Hijlan now includes an ambitious programme to evaluate the Umm Hijlan and Al Jaufir gossans and to quickly define resources under these gossans and bring them to the confidence level of the Hawiah and Al Godeyer deposits for inclusion in mine planning. GMCO also plans to commence exploration over the Mamilah gold system as well as metallurgical, geotechnical and environmental programmes.

Jibal Qutman

On 26 February, KEFI announced an upgrade to its mineral resource estimate at Jibal Qutman to 902,000oz gold, of which indicated resources increased by 69%, such that they now represent 83% of the total. The upgrade followed the completion and interpretation of additional RC and diamond drilling, which now totals in excess of 95,000m.

A summary of the upgrade is as follows:

Exhibit 17: Jibal Qutman* updated mineral resource estimate

Material type	Category	Tonnage (kt)	Grade (g/t)	Contained gold (Moz)	KEFI interest (%)	Attributable gold (Moz)
Updated						
Oxide	Measured	0.00	0.00	0.000	15	0.000
	Indicated	12.30	0.76	0.301	15	0.045
	Inferred	1.00	0.52	0.016	15	0.002
	Sub-total	13.30	0.75	0.318	15	0.048
Sulphide	Measured	0.00	0.00	0.000	15	0.000
	Indicated	18.20	0.76	0.446	15	0.067
	Inferred	5.50	0.78	0.138	15	0.021
	Sub-total	23.70	0.77	0.585	15	0.088
Total	Measured	0.00	N/A	0.000	15	0.000
	Indicated	30.50	0.76	0.748	15	0.112
	Inferred	6.50	0.74	0.154	15	0.023
	Grand total	37.00	0.76	0.902	15	0.135
Previous total	Measured	0.00	0.00	0.000	15	0.000
	Indicated	18.00	0.86	0.498	15	0.070
	Inferred	10.40	0.70	0.234	15	0.040
	Total	28.40	0.80	0.722	15	0.110
Change (%)		**30.3**	**(5.2)**	**25.0**		

Source: Edison Investment Research, KEFI Gold and Copper.
Note: *KEFI 15% beneficial interest. Reported in accordance with the Australasian Code for the Reporting of Exploration Targets, Mineral Resources and Ore Reserves, The JORC Code, 2012 Edition. Totals may not add up owing to rounding.

The three Jibal Qutman exploration licences cover an area of over 270km^2, over a strike length of 35km in the highly prospective Nabitah-Tathlith Fault Zone. To date, exploration has focused on the 8km long section of the original Jibal Qutman exploration licence. Systematic exploration of the full 35km mineralised strike length has barely commenced but has already yielded a discovery at the Asfingia prospect, where initial drilling intersected near-surface gold over a 350m strike length with intercepts including:

- JQD_232: 13.9m (9.22m estimated true width) at 7.9 g/t gold from 53.6m (including 1.2m at 66.6 g/t gold)
- JQD_265: 25.5m (15.51m estimated true width) at 1.9 g/t gold from 86.0m (including 7.4m at 5.2 g/t gold)

Geochemical surface programmes are now underway to highlight additional blind targets masked by alluvial cover. This will be combined with the recently completed licence-wide drone magnetic survey, which has been used to assist in structural framework delineation to guide more advanced exploration work and further resource expansion.

In the meantime, metallurgical and other studies have provided the basis for Stage 1 of a multi-stage open-pit development at Jibal Qutman to commence during 2025 focused on the oxide ore and utilising carbon-in-leach (CIL) processing. For the purposes of our valuation, below, we have incorporated this into our models at a processing rate of 1.5Mtpa ore and a grade of 0.95g/t to produce c 35,000oz gold pa at a capital cost of US$39m and an operating cost of US$672/oz for eight years. These assumptions generate an NPV_{10} for Jibal Qutman of US$112.0m, which compares well with an implied NPV disclosed by KEFI of US$112m (from its presentation of September 2023) in which it calculated a value for its attributable interest in the project of US$28m for a 25% stake. KEFI's 15% share of this NPV would be US$16.8m, or 0.21c or 0.16p per KEFI share. Applying the same reserves to resources ratio to the upgraded mineral resource as the initial one (Exhibit 17) implies a potential additional two years of life for the project, in which case (all other things being equal) our valuation increases by 22.5%, from US$112.0m to US$137.2m, of which KEFI's 15% share would be US$20.6m, or 0.26c or 0.20p per KEFI share.

GMCO strategy

GMCO is at a pivotal point. Having two advanced projects and a large exploration portfolio, it is now focusing on the following approach:

- Maintaining momentum with the following immediate priorities:
  - Hawiah: expand indicated resources on oxide cap for CIL gold by fast-tracking drilling on the Umm Hijlan licence (granted in January 2025).
  - Continuing to prioritise upgrading the rest of the pipeline.
  - Publicly reporting that GMCO is bidding in tenders for large mineral belts.
- Jibal Qutman Stage 1 development in 2025 on the oxide cap, targeting c US$30–40m pa net cash flow to GMCO from open pit/CIL operations.
- Hawiah Stage 1, when ready, along similar lines to Jibal Qutman Stage 1.
- Jibal Qutman and Hawiah Stage 2 developments on sulphides.

Management's vision is to build on GMCO's position as Saudi Arabia's leading discoverer to becoming its leading private sector mining company. Even without further development, its existing pipeline of projects should see Stage 1 developments commencing imminently and over the next few years, followed immediately by Stage 2, with a target of transitioning from outlaying c US$20–30m pa on exploration and feasibility studies to being at least self-funding. Development funding is to be optimised with access to low-cost local development capital and innovative mezzanine of offtake-linked development finance. In the longer term, all strategic options will be considered on their merits within the context of their usefulness to GMCO achieving this mission, including joint ventures and IPOs as the projects develop and mature.

2023 Hawiah PFS

The 2023 PFS meets PEA, PFS and DFS requirements for separate areas of the study. The primary objective in this case was not to prepare for development (given the lack of indicated resources at the time), but instead to present a financial model to highlight priorities for further work. It was based on a 27Mt resource mined over 14 years at a rate of 2Mtpa.

Areas evident from the Hawiah PFS for follow-up and subsequent events

Based on the then 27Mt indicated and inferred resource and increasing the annual mining rate from 2Mtpa to 3Mtpa to compress 14 years of production into c 10 years resulted in an NPV of US$301m (see Exhibit 14) at then consensus metal price forecasts (this was set out in KEFI's RNS in 2023). Since then, GMCO has:

- increased indicated resources by 161% to 32Mt;

- been granted the Umm Hijlan Exploration Licence, doubling the assessed strike length of the main Hawiah orebody;
- established a viable open-pit/CIL project Stage 1 while continuing to expand total resources. Having secured the Umm Hijlan Exploration Licence, this goal appears achievable. While only now mobilising to Umm Hijlan, historical reconnaissance is extensive, and it is clear that both open pittable and underground resources are likely to expand; and
- worked to optimise metallurgical recoveries. This work is in progress. However, management's target is to improve on the Al Masane operation (on a similar but not identical orebody) by using Hawiah's scale to justify a more sophisticated process flow sheet. Within this context, GMCO is also researching Saudi demand for sulphuric acid and the economic case for duly processing pyrite. By prioritising the open pit/CIL on the oxides for Hawiah Stage 1, it would provide ample time to optimise the final development design of the process flow sheet, while simultaneously generating cash flow from the oxide cap.

Jibal Qutman

While Hawiah is the bigger project, Jibal Qutman is the simpler and shorter-term one. The mineral resource estimate published in March 2025 increased its indicated resource by 69% to 30Mt, but is nevertheless in respect of only c 7km of strike length out of an assessed total in excess of 30km.

The DFS on Stage 1 development is focusing on open pit/CIL on the oxides and will be ready for review in draft form around the end of March this year, based on c 10Mt oxide ore and ore sorting followed by CIL to produce 30–40koz gold pa for a free cash flow of c US$30–40m pa from potentially as early as next year (KEFI illustrative numbers only).

Regional exploration

GMCO's pipeline of projects will be fully explained to the short-listed parties, as will the joint venture with a major for strategic exploration belts outside its current holdings.

Saudi assets' funding requirement

KEFI's partner in Saudi Arabia, which funds 85% of all equity requirements at its Saudi operating company, GMCO, is the Al Rashid family (a Fortune 100 family), with which KEFI has agreed a broadly similar funding approach to that at Tulu Kapi. At the same time, the Saudi sovereign wealth fund's Saudi Investment Development Fund has publicly stated its priority to provide up to 75% project debt for new mine developments. Accordingly, KEFI's equity share of the development requirements for Hawiah and Jibal Qutman should be just 3.75% (15% of 25%) of combined capital expenditure of both of US$334m (US$295m plus US$39m) – that is, just c US$13m. This would be reduced if indeed GMCO stages the development of Hawiah by focusing on the now expanded opportunity for an oxide-CIL Stage 1 project in light of the expanded access to oxide gold-bearing ore with the grant of the Umm Hijlan licence along strike of the already drilled Hawiah ore body. Within this context, Edison's estimate of the wider group's funding requirement over the next five years is shown in the table below for the development of all three of its projects:

Exhibit 18: KEFI group funding requirement and financing assumptions, by project (US$m)

Project	Jibal Qutman	Hawiah	Total
Assumed KEFI equity interest (%)	**15**	**15**	
Start year	**2025**	**2026**	
Funding requirement	39	295	334
Less senior debt	29	221	250
Equity risk capital requirement	**10**	**74**	**84**
G&M share subscriptions at project level	9	63	72
KEFI project level capital liability	**1**	**11**	**13**

Source: KEFI Gold and Copper, Edison Investment Research. Note: Totals may not add up owing to rounding.

For the purposes of our valuation (below), Edison has assumed that KEFI will maintain its 15% interest in GMCO until such time that we become aware of the terms of any sale of its interest. In the absence of further information, we assume that its aggregate equity contribution of US$13m will be funded via debt rather than equity financing.

Valuation

Company valuation based on project NPVs

On 3–4 February 2025, KEFI calculated an updated project value for Tulu Kapi of c US$159m at construction start at a long-term gold price of US$1,800/oz, of which KEFI's c 80% share would be US$127m, or £99m. The equivalent valuation for Hawiah is taken from Exhibit 14, above. For Jibal Qutman, we have taken KEFI's most recently published attributable value of US$28m (dated September 2023) and adjusted for KEFI's updated interest in GMCO of 15% (cf 25% previously). These translate into valuations per currently outstanding KEFI share as shown in Exhibit 19, below:

Exhibit 19: KEFI project-based valuations (US cents and pence per KEFI share)

Asset	Tulu Kapi	Hawiah	Jibal Qutman	Total
Stage of development	BFS	PFS	Internal PEA	
Gold price (US$/oz)	1,800	1,989	1,850	
NPV_8 (attributable)				
US dollars (millions)	127	45	17	189
Pounds sterling (millions)	99	35	13	147
US cents per share	1.59	0.56	0.21	2.37
Pence per share	1.24	0.44	0.16	1.84

Source: KEFI Gold and Copper presentation, Edison Investment Research (per share data).

Post-funding, these risk-adjusted NPVs may be expected to jump materially. Pre-production, they should be expected to jump materially again.

Company valuation including corporate functions

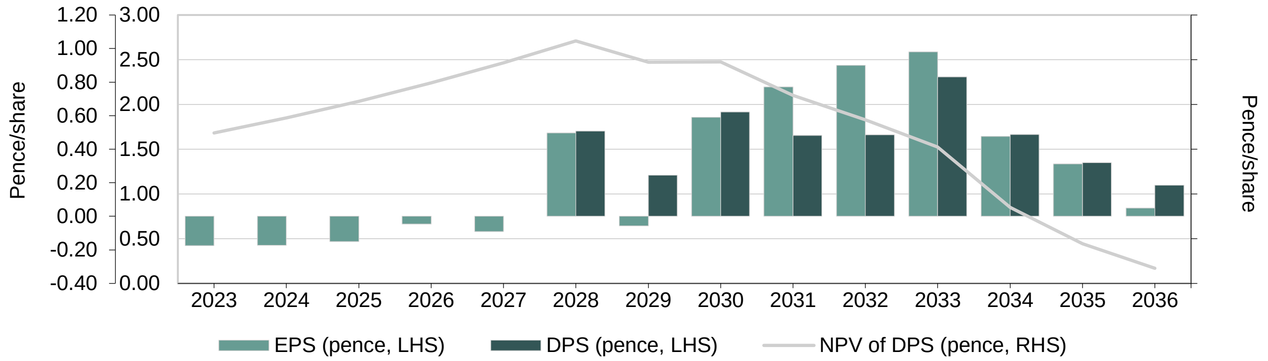
Edison's valuation of single asset mining companies at pre-production stage is typically based on the value of dividends that a shareholder could expect to earn from their investment if they were to hold their shares from the moment of purchase through the point at which dividends become payable until the end of the life of the mine, discounted to present value. Discretionary exploration investment is ordinarily excluded from the financial forecasts when this method is used, as it is presumed to be at least value adding. In practice therefore, the dividends in question are 'maximum potential dividends' (subject to assumptions about precious metals prices and the discount rate being 'correct'). However, the resulting net present value should be considered as a conservative valuation since it omits the optionality of blue-sky exploration success during the operation of the mine. This method was typically used to value South African mines, such as Driefontein, Kloof, Vaal Reefs, Beatrix and Western Deep Levels etc (albeit with different accounting practices), prior to 1995 when the South African mining house system of mine financing and development began to change.

Compared with the alternative discounted cash flow (DCF) method of analysis, it more purely reflects the returns that an equity shareholder may expect to receive. Hence, it is possible to calculate an IRR pertaining to an investment in a company's equity at any particular price and any particular point in time, rather than calculating an IRR for a project as a whole (which typically aggregates debt and equity returns and is therefore independent of a company's share price). In its application it can also be made to naturally accommodate future equity dilution in calculating returns to shareholders. Being based on only one unit of measurement (forecast future dividends), its manipulation to estimate a value (and hence share price) at some point is also relatively simple in comparison with a DCF valuation, which typically requires three inputs (namely, forecast future cash flows, net debt/cash and minority ownership). In theory though, the difference between the result of a discounted dividend valuation and that of a DCF valuation should not be large. Both are provided below.

In the context of our valuation of KEFI, it is worth noting that the company's financing arrangements will leave it with zero debt at the parent company level, with group subsidiaries directly servicing any senior and/or mezzanine debt. As a result, dividends to KEFI shareholders from FY28 should be possible. For these purposes, we have assumed KEFI will distribute 60% of group cash flow in FY26–32, of which 80% (less a 10% Ethiopian dividend withholding tax) will be attributable to KEFI shareholders. To this end, KEFI has secured a special exemption from exchange controls from Ethiopia and has agreed a London clearing account controlled by its TKGM operating subsidiary (note: there are no exchange controls in Saudi Arabia).

Based on our unchanged long-term gold price assumptions (albeit updated to reflect real 2025 money), we calculate that all three of its projects are capable of generating a combined free cash flow to KEFI of c £88.2m per year for six years, from 2028 to 2033 (inclusive). This, in turn, will allow average (maximum potential) dividends of 0.52p/share for the period FY28–34 to be paid to shareholders (after deduction of a presumed 20% minority interest) and implies a valuation for KEFI of 2.03p/share when discounted back to FY25 at Edison's customary rate of 10% per annum (cf 1.88p/share previously). This valuation then rises to a peak of 2.70p/share on the cusp of KEFI's (assumed) maiden dividend in FY28, as shown below:

Exhibit 20: Edison estimate of life of mine KEFI EPS and maximum potential DPS (pence/share), FY23-36e



Source: Edison Investment Research.

Our estimate of KEFI's peak earnings of 0.98p/share in FY33 will put it on a P/E ratio of just 1.5x in that year (relative to its valuation in the same year) or 0.5x its current share price. In the meantime, we estimate that an investment in KEFI shares on 1 January 2025 at a price of 0.516p will generate an IRR for investors of 34.7% over the next 12 years to 2036 in sterling terms.

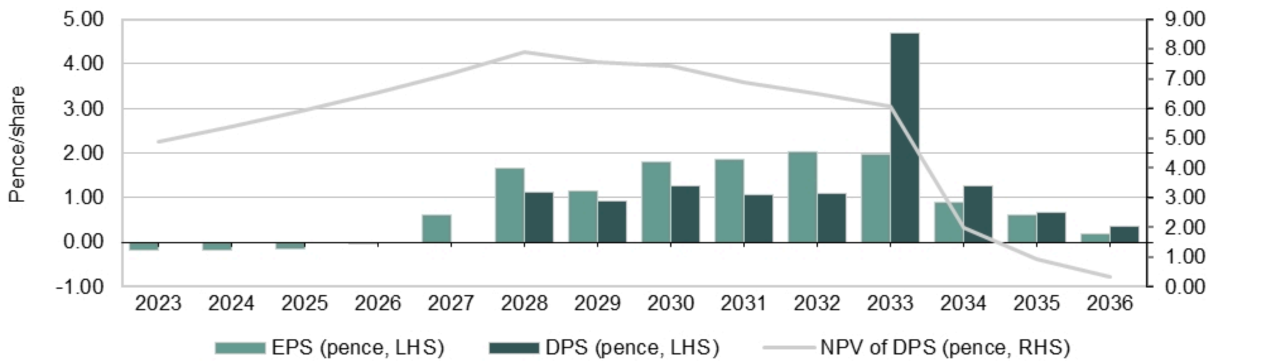
Note that our equivalent DCF valuation of KEFI (including forecast FY24 year-end net debt) is 1.87p/share – conducted at a similar 10% discount rate – which is within 10% of our discounted dividend valuation of 2.03p/share. This is as expected, given that the discount rate applied to a DCF valuation should be lower than that for a discounted dividend valuation, given that the former's cash flows relate to combined debt and equity financing, whereas the latter's relate to equity financing only and the cost of debt should ordinarily be at a discount to that of equity.

Sensitivities

Our 'base case' discounted dividend flow valuation of 2.03p is inherently dependent on our gold price assumptions, cash costs and the discount rate.

Quantitatively, KEFI's most significant valuation sensitivity is towards the gold price. Whereas our valuation is 2.03p at Edison's long-term gold price of US$1,794/oz, it almost trebles to 5.93p/share at currently prevailing metals prices. Moreover, this 5.93p/share valuation itself rises to a peak of 7.90p/share in FY28, as shown in the graph below (directly comparable to Exhibit 20, above):

Exhibit 21: KEFI life of mine EPS and maximum potential DPS (pence/share) at spot metals prices, FY23-36e



Source: Edison Investment Research.

In this case, we estimate that an investment in KEFI shares on 1 January 2025 at a price of 0.516p would generate an IRR for investors of 58.2% over the next 12 years to 2036 in sterling terms. Note that the dividend spike in FY33 in Exhibit 21, above, is a direct consequence of management's stated policy of paying out just 60% of cash flow in dividends up to that point in time, thus building up a cash balance, which is then released in FY33 when total distributable funds are paid out (NB this also has the unintended consequence of depressing the valuation of the shares).

Considered together, our 'base case' valuation of 2.03p is sensitive to the gold price and costs as follows:

Exhibit 22: Discounted dividend valuation sensitivity to gold prices and costs

Valuation (pence per share)		Gold price				
		-20%	-10%	Base case	10%	20%
	20%	-ve	0.55	1.24	1.91	2.56
	10%	0.22	0.95	1.63	2.30	2.94
Cash costs	Base case	0.63	1.35	**2.03**	2.69	3.32
	-10%	1.04	1.75	2.42	3.07	3.70
	-20%	1.44	2.14	2.81	3.45	4.08

Source: Edison Investment Research.

Relative to the discount rate, our valuation is sensitive to the following extent:

Exhibit 23: Discounted dividend valuation sensitivity to discount rate (pence/share)

Discount rate (%)	0%	5%	10%	15%	20%	25%	30%
Valuation (pence)	4.15	2.86	**2.03**	1.48	1.10	0.84	0.65

Source: Edison Investment Research. Note: Valuation date 1 January 2025.

Finally, if we analyse KEFI with a contribution from Tulu Kapi only and with the contributions from Jibal Qutman and Hawiah removed, then our discounted dividend valuation reduces to 1.62p/share – being a reduction of 0.41p/share relative to our 'base case' valuation, or £32.7m (or US$42.1m) in aggregate. As such, any sale of its 15% stake in GMCO above a consideration of US$42.7m may be considered value adding to our valuation of KEFI, while any sale below this level may be considered value destroying.

Financials

As is typical for exploration companies, KEFI has funded its pre-development activities with regular equity raisings. It had £2.0m in net debt on its balance sheet as at 30 June 2024 (cf £1.9m as at 31 December 2023), after £5.9m in operating and investing cash outflows before working capital and after having raised £2.3m (net) in equity over the prior six months. In H2, we estimate that it raised a net £8.8m in equity, followed by a further £4.9m in early FY25.

We do not anticipate any further equity issues at parent company level in the near future. Companies on the verge of closing large project financings often have small working capital facilities offered to them as bridging finance support. If this is applied to KEFI and as long as it is neither large nor dilutive, any impact on our valuations will be immaterial because of KEFI's now solidifying non-dilutive plans for project financing the development capital. The government will then subscribe its US$20m in equity investment at the project level for a 20% (total) minority interest in Tulu Kapi and regional and sector investors a further US$60m in preference shares (treated as debt in the analysis above in the absence of known terms) ahead of final debt funding of US$240m (as per Exhibit 9). On this basis, we forecast a maximum net debt funding requirement overall for the group of £209.8m or US$270.0m in FY27. Obviously, debt financing of this order of magnitude is not without risk for a group with a small equity base and a project that is based in Ethiopia. However, we believe that this risk is mitigated by the fact that the term sheet regarding the terms of KEFI's bank loan is already reported to have been signed and is subject now only to credit approval formalisation by the co-lenders (credit approval from both banks having already been advised, to our understanding). As such, this form of funding is considered to be more easily compatible with the project's consortium than a number of other alternatives. Hence, KEFI is expecting the signing of definitive agreements in H125 and drawdowns/disbursement of equity to commence shortly thereafter followed by the committed debt to be drawn down and disbursed as and when required.

On the asset side of KEFI's balance sheet, we note that the debt:equity ratio of development spending is approximately 93.75% in the form of debt (US$300m debt-funded out of US$320m capex if the preference shares are considered as debt) or 75% if they are considered as equity. In addition, we understand that KEFI is considering whether its write-off of nearly all historical expenditure remains appropriate in the light of project development – ie it is possible that its balance sheet may change significantly as project development gets underway. Notably, the TKGM balance sheet is projected to reflect approximately US$200m of shareholders' funds subscribed alongside debt facilities that peak at US$240m for assets of c US$400m when historical, pre-development spending is also included. This equates to a balance sheet leverage (debt/[debt+equity]) ratio in the order of 60%. Therefore, given Tulu Kapi's NPV, management considers that there are ample grounds for a revaluation of the project at the parent company level.

Exhibit 24: 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)	(1,556)	(14,130)
Profit Before Tax (norm)	**(2,806)**	**(3,395)**	**(3,295)**	**(4,556)**	**(8,122)**	**(15,148)**
Profit Before Tax (FRS 3)	**(2,632)**	**(3,442)**	**(3,563)**	**(2,933)**	**(7,229)**	**(15,148)**
Tax	0	0	0	0	0	0
Profit After Tax (norm)	**(2,806)**	**(3,395)**	**(3,295)**	**(4,556)**	**(8,122)**	**(15,148)**
Profit After Tax (FRS 3)	**(2,632)**	**(3,442)**	**(3,563)**	**(2,933)**	**(7,229)**	**(15,148)**
Minority interests	0	0	0	0	0	3,030
Net income (normalised)	**(3,894)**	**(4,877)**	**(6,087)**	**(9,519)**	**(12,600)**	**(12,118)**
Net income (FRS3)	**(2,632)**	**(3,442)**	**(3,563)**	**(2,933)**	**(7,229)**	**(12,118)**
Average Number of Shares Outstanding (m)	1,663	2,179	3,537	4,508	5,959	7,968
EPS - normalised (p)	(0.23)	(0.22)	(0.17)	(0.21)	(0.21)	(0.15)
EPS - normalised and fully diluted (p)	(0.22)	(0.21)	(0.13)	(0.17)	(0.18)	(0.13)
EPS - (IFRS) (p)	(0.16)	(0.16)	(0.10)	(0.07)	(0.12)	(0.15)
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00	0.00
Gross Margin (%)	-	-	-	-	-	-
EBITDA Margin (%)	-	-	-	-	-	-
Operating Margin (before GW and except.) (%)	-	-	-	-	-	-
BALANCE SHEET						
Fixed Assets	**24,545**	**28,424**	**31,481**	**34,816**	**38,798**	**130,980**
Intangible Assets	24,510	28,361	31,356	34,716	38,716	42,716
Tangible Assets	35	63	125	100	82	88,264
Investments	0	0	0	0	0	0
Current Assets	**1,817**	**685**	**683**	**720**	**2,052**	**2,052**
Stocks	0	0	0	0	0	0
Debtors	448	291	463	528	1,155	1,155
Cash	1,315	394	220	192	0	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**	**(4,844)**	**(93,240)**
Long term borrowings	0	0	0	0	(366)	(89,928)
Other long term liabilities	0	0	0	0	(4,478)	(3,312)
Net Assets	**23,237**	**22,318**	**26,982**	**26,116**	**25,546**	**30,832**
CASH FLOW						
Operating Cash Flow	**(2,092)**	**(329)**	**(2,634)**	**(861)**	**(8,557)**	**(2,500)**
Net Interest	(100)	(1,121)	(527)	(1,000)	(1,556)	(14,130)
Tax	0	0	0	0	0	0
Capex	(4,389)	(3,064)	(5,245)	(3,257)	(4,000)	(93,366)
Acquisitions/disposals	0	54	0	0	0	0
Financing	6,996	826	6,405	2,550	11,137	20,434
Dividends	0	0	0	0	0	0
Net Cash Flow	415	(3,634)	(2,001)	(2,568)	(2,976)	(89,562)
Opening net debt/(cash)	**814**	**(1,315)**	**841**	**960**	**1,921**	**4,897**
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**	**4,897**	**94,459**

Source: Company sources, Edison Investment Research.

Appendix - Ethiopia

Origins and antiquity

Some of the oldest evidence for anatomically modern humans has been found in Ethiopia, and it is now generally supposed that it was from Ethiopia that modern Homo sapiens first left Africa. Its ancient Ge'ez script (also known as Ethiopic) is one of the oldest alphabets still in use in the world.

Political history

After 44 years as emperor, the reign of Haile Selassie came to an end in 1974, amid general discontent among the middle classes regarding the condition of the country, food shortages, a series of border wars, the first oil shock and its attendant inflation and the politics of the Cold War. Power was seized by a communist military junta known as the

Derg, which was responsible for the period of the so-called Red Terror, in which as many as half a million Ethiopians were killed between 1976 and 1978. Simultaneous land reform resulted in all land in Ethiopia being appropriated by the state and then reallocated to peasant farmers in allotments not exceeding 25 acres (10ha). Compounded by worsening drought conditions in the early 1980s, the inefficiencies associated with this policy were a significant contributory factor in the famine that swept the country in 1984. The government's subsequent policy of transplanting as many as 600,000 people from the supposedly drought-prone north to the supposedly fertile south and west of the country did little to alleviate the situation. The Derg was ultimately defeated by another communist faction, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) in 1991 in a civil war that resulted in the flight of its then president, Mengistu, to Zimbabwe, where he sought asylum, and Eritrea's independence from Ethiopia in 1993. In 1994, a constitution was adopted that embedded a federal administrative structure for Ethiopia enshrining the principles of regionalism and ethnic autonomy and the devolution of power to regional states, which led to the country's first multiparty election. It also enshrined, for the first time, the constitutional principle of the national ownership of land. Three years later, a border dispute with Eritrea led to the Eritrean-Ethiopian War, which lasted until June 2000. On 15 May 2005, Ethiopia held a third multiparty election, which was won by the incumbent EPRDF. Though the Carter Centre approved the pre-election conditions, it expressed its dissatisfaction with post-election matters and the European Union accused the ruling party of vote rigging. After a period of post-election violence, opposition leaders were jailed. Amnesty International described them as 'prisoners of conscience' and they were subsequently released.

During the 2010 parliamentary election, it is believed that the EPRDF halted the counting of votes for a period of time. According to the Democracy Index published by the Economist Intelligence Unit (EIU) in late 2010, Ethiopia became an 'authoritarian regime' at this point (ranking 118 out of 167 countries) as a result of a crackdown on opposition activities, media and civil society ahead of the election. The EIU argues that this has made Ethiopia a de facto one-party state. However, the EPRDF claimed victory and remained in power for a further five years, despite charges of fraud and intimidation. The same pattern appeared to be repeated during the 2015 election. Following the official re-election of the EPRDF, which, with its allies, claimed 100% of the votes, the opposition parties initially formed coalitions with the EPRDF so as to join in the ruling party and the administration appointed by it. As grievance spilled over into discontent, however, a state of emergency was announced in October 2016 until August 2017. Then, in early 2018, the prime minister resigned to be replaced by the current incumbent, Abiy Ahmed, the first Oromo to hold the position, on a platform of economic liberalisation, strengthened democracy, fighting corruption and the normalisation of relations with Ethiopia's neighbours, especially Eritrea (for which he was awarded the Nobel Peace Prize in 2019).

Ironically, the improvement in relations with Eritrea created the conditions for long-dormant ethnic tensions in the rest of the country – particularly in Tigray (which had been instrumental in forming the EPRDF) – which flared into violence in November 2020. The delayed election of 2021 was won by Abiy's Prosperity Party (although polls were not conducted in either the Tigray, Somali or Harari provinces). However, fighting widened to other ethnic groups until a ceasefire was agreed in March 2022. It re-erupted in August, but was brought under control again by the Pretoria agreement signed on 2 November 2022, although federal troops also had to be despatched to quell clashes in Amhara, Oromo and Tigray in 2023.

In October 2024, Sahle-Work Zewde (an accomplished diplomat who had served as an ambassador for Ethiopia and had held several positions within the United Nations) stepped down from the largely ceremonial office of president, near the end of her six-year term, to be replaced by Taye Alske Selassie.

Constitution and political framework

Ethiopia is a federal parliamentary republic, in which executive power is exercised by the government and the prime minister is the head of government. Federal legislative power is vested in both the government and the two chambers of parliament. The judiciary is deemed independent of the executive and the legislature (although this has been questioned in practice by Freedom House, among others).

There are five levels of government, comprising the federal government overseeing ethnically based regional states, zones, districts (woreda) and neighbourhoods (kebele). Since 1996, the country has been divided into nine ethnically based and politically autonomous regional states (kililoch) and two chartered cities (Addis Ababa and Dire Dawa). The kililoch are subdivided into sixty-eight zones, and then further into 550 woredas and several special woredas.

The constitution assigns extensive power to regional states, which can establish their own government and democracy according to the federal government's constitution. Each region is governed by a regional council to which members are elected to represent the districts and the council has legislative and executive power to direct internal affairs of the regions.
Article 39 of the Ethiopian Constitution provides that each state has the right to secede from the federation.

International relations

Relations between the US and Ethiopia were formalised in 1903 and were generally friendly under the emperors. The relationship cooled markedly after the Ethiopian Revolution however, owing to the Derg's association with international communism and US criticism at the regime's human rights abuses. In July 1980, the US Ambassador to Ethiopia was recalled, while The International Security and Development Act of 1985 prohibited all US economic assistance to Ethiopia with the exception of humanitarian disaster and emergency relief. Later, the US rejected Ethiopia's request for military assistance in the Eritrean war of independence. Relations improved with the downfall of the Derg and diplomatic relations were restored to full ambassadorial level in 1992. Legislative restrictions on non-humanitarian assistance to Ethiopia were also lifted.

In the 21st century, Ethiopia has had a close regional relationship with the US and is a strategic partner in the Global War on Terrorism – a fact that has caused friction between Ethiopia, Eritrea and the US. For its part, the United States has been the largest single, international donor to Ethiopia, with annual aid typically in the order of US$0.5bn, directed towards reducing famine vulnerability, hunger and poverty. On 29 July 2015, Barack Obama became the first sitting US president to speak in front of the African Union in Addis Ababa. More recently however, relations were severely strained by the Tigray conflict, as well as US concerns over other conflicts, human rights violations and accountability. Consequently, Ethiopia remains ineligible for US trade benefits, which were suspended in late 2021 on human rights considerations. Nevertheless, it continued to be Ethiopia's largest humanitarian donor until last year, providing it with US$3bn in relief from 2021–23. Conversely, Ethiopia was the largest recipient of US assistance in sub-Saharan Africa and the fifth biggest in the world. US food assistance resumed in December 2023 and the US has also provided over US$335m in non-humanitarian aid for Ethiopia in 2023, of which the majority was for health programmes. Congress periodically reviews US policy toward Ethiopia, most recently in December 2023, and some members have expressed concern with governance, human rights, and humanitarian developments there in the form of statements, correspondence and/or legislation. Most recently, however, President Trump's executive order freezing USAid funding for 90 days has suspended multiple programmes in the country. Although USAid officials in the country are generally moving to secure exemptions for their work, it remains to be seen to what extent the situation will return to the status quo ante in future.

Regionally, tensions have risen with Eritrea, which was an ally of Abiy's government in the Tigray conflict, and with Somalia over the Ethiopian government's quest for sea access. Ethiopia's reported offer to recognise the self-declared republic of Somaliland in exchange for the lease of some coastline has prompted outrage from Somalia and could spur further conflict in the region. Meanwhile, friction persists with Egypt over Ethiopia's Grand Ethiopian Renaissance Dam (GERD) on the Nile.
Internationally, Ethiopia is one of the founding members of the UN, the G-77 Non-Aligned Movement (G-77) and the Organisation of African Unity (OAU). Addis Ababa also serves as the headquarters of the African Union.

Dam GERD

Surveyed between 1956 and 1964 and constructed between 2011 and 2023 at a cost of c US$5bn (c 7% of Ethiopia's GDP), the Grand Ethiopian Renaissance Dam's (GERD's) primary purpose is electricity production to relieve Ethiopia's acute energy shortage and to export electricity to neighbouring countries. Situated just inside the border with Sudan and with an installed capacity of 5.15GW, it is the largest operating hydroelectric power plant in Africa and among the 20 largest in the world. On 20 February 2022, the dam produced electricity for the first time. A second 375MW turbine was commissioned in August 2022 and a third and fourth 400MW turbines in August 2024 after the main reservoir had been filled to full capacity.

Of the total cost of c US$5bn, approximately US$1bn for turbines and electrical equipment was funded by the Exim Bank of China. Moreover, the construction of the dam has not been without controversy. Owing to a campaign by Egypt to maintain control of Nile water-sharing, Ethiopia was forced to finance the GERD via crowdsourcing, among other methods, and by persuading employees to subscribe a portion of their incomes towards its cost.

In September 2020, the United States suspended part of its economic assistance to Ethiopia owing to the lack of sufficient progress in negotiations with Sudan and Egypt over the construction of the dam and, on 24 October 2020, President Trump stated that, "it's a very dangerous situation because Egypt is not going to be able to live that way... And I said it and I say it loud and clear - they'll blow up that dam. And they have to do something." The Ethiopian prime minister responded that, "Ethiopia will not cave in to aggression of any kind," and that threats were "misguided, unproductive and clear violations of international law." Later, he warned that, that, "no force can stop Ethiopia from building a dam. If there is need to go to war, we could get millions readied." Owing to the threat of possible airstrikes on the dam, in recent years, the Ethiopian government has acquired several air defence systems from Russia, including the Pantsir-S1air defence system, and from Israel, including the SPYDER-MR medium-range air defence system, which have been installed at the dam.

Geography and climate

With an area of 1.1km^2 (0.4m square miles), Ethiopia is the 27th largest country in the world, comparable in size to Bolivia or South Africa, and the 14th most populous.

The Ethiopian Highlands cover most of the country and ensure that the climate is much cooler than would be expected, given Ethiopia’s latitude. As a result, there is also wide diversity in terms of vegetation, from large, fertile jungles in the west to desert and semidesert in the surrounding lowlands.

Most of the country's major cities (including Addis Ababa) are situated at elevations of c 2,000–2,500m, which ensures that it experiences a mild climate with fairly uniform year-round temperatures.

The predominant climate type is characterised as tropical monsoon, although there is wide topographic-induced variation.

Economy

Ethiopia had one of the world’s fastest growing economies for over two decades from 1995 to 2015, markedly reducing its poverty rate. According to the IMF, growth exceeded 10% from 2004 to 2009 and, in 2007 and 2008, it was Africa’s fastest growing non-oil dependent economy. By 2015, it had the largest economy in east and central Africa.

In absolute terms however, GDP per capita has remained one of the lowest in the world. Agricultural productivity is low and the country is still frequently beset by droughts, despite the fact that 14 major rivers rise in its highland plateau, including the Blue Nile. Notwithstanding its reputation as ‘the water tower of eastern Africa’, just 1.5% of its water resource is used for irrigation and, until recently, just 1% for electricity generation. In mid-2011, two consecutive missed rainy seasons precipitated the worst drought in east Africa for 60 years, causing inflation to reach 40% and fomenting high public sector wage increases (among other things).

The Ethiopian constitution defines the right to own land, which belongs to ‘the state and the people’. Citizens may lease land for up to 99 years, but are unable to mortgage or sell it. In an effort to ensure that it is directed to the most productive users, renting land for a maximum of 20 years is also allowed. However, the process by which land is distributed and administered is reported to be subject to widespread corruption.

It was the view of the EPRDF that maintaining state ownership in certain sectors of the Ethiopian economy was essential in ensuring that infrastructure and services were extended into rural Ethiopia, the cost of which would have been prohibitive for private enterprises. As such, it sought to transform the economy with major infrastructure and electrification projects to become a manufacturing hub and by leasing agricultural land to foreign investors. However, its agenda relied on foreign lending, which ultimately led to debt distress. Since then, Abiy’s pledge to open the largely state-controlled economy and state enterprises has attracted foreign investors. The government ended one of the world’s last telecom monopolies in 2021, for example, and it has also committed to deregulating the financial sector, issuing banking licences to foreign investors and establishing a functioning stock market. Nevertheless, the challenges of doing business there ‘remain daunting’, according to the US State Department’s 2023 Investment Climate Statement, not helped by the perception of intermittent unrest.

As such, Ethiopia was facing economic troubles, even before the effect of COVID-19, which the Tigrayan conflict only exacerbated, leading to infrastructure destruction, economic loss, deferred investment and the suspension of some financial support. Military spending reportedly quadrupled, rising to almost 15% of the budget, representing the second-largest expense after debt servicing. In the face of rampant inflation, a severe shortage of foreign currency and war reconstruction costs estimated at over US$20bn, Ethiopian officials are currently reported to be seeking to unlock frozen donor funding and US$3.5bn in budget support from the IMF, which says new lending is contingent on commitments from development partners and creditors, including China, on Ethiopia’s plan to restructure almost US$30bn in foreign debt. Ethiopia’s credit rating deteriorated in 2023, and it defaulted on its sovereign debt in December.

Nevertheless, the past six months has seen wide-ranging economic reforms and a significant jump in announcements of foreign direct investment now that Ethiopia’s currency has been floated. Consequently, multinationals have been able to repatriate previously trapped earnings and the IMF package has started to be released. Among initiatives recently announced are Allied Gold’s Kurmuk 260koz pa gold mine to the west of Tulu Kapi, the doubling of cement production by Dangote and the installation of a new bottling line by Coca-Cola.

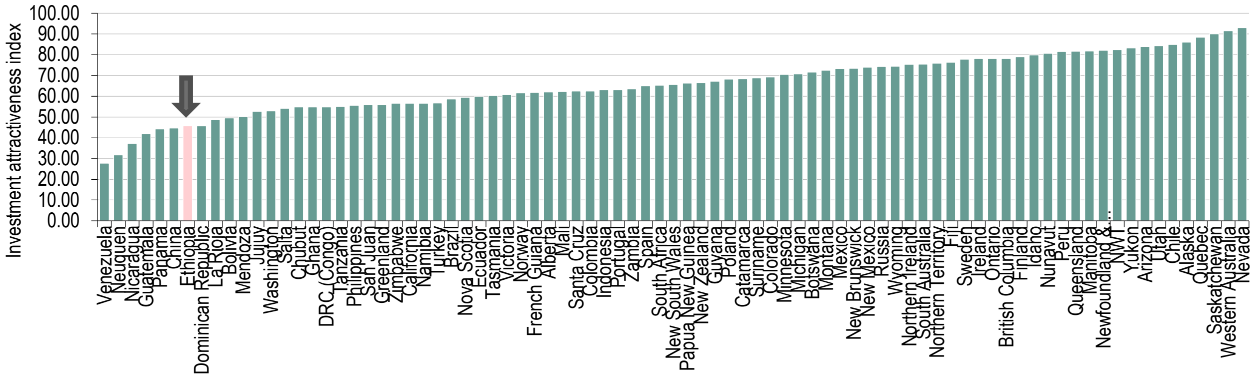
Mining environment

According to the USGS, annual gold production from Ethiopia has fallen from c 344koz pa in 2015 to c 112koz pa currently, mostly from artisanal sources. Despite its prominent position covering c 220,000km^2 of the ANS, Ethiopia has suffered from a historic lack of exploration and mining investment, with the result that the only operating mines in the country are Lega Dembi and Sakaro in the south of the country in the Adola Gold Belt and Akobo in the west. However, a number of other gold projects have reached advanced stages of exploration and are heading towards development, including Tulu Kapi, Dish and Jilaye (in western Ethiopia), Meli (in northern Ethiopia) and Allied Gold's Kurmuk project in Benishangul-Gumez.

The government is keen to reverse this historic under-investment, by liberalising the sector. As a result of recent reforms, mining in general is now Ethiopia's fastest growing economic sector, recording a 115% growth rate in 2021 and a 91% growth rate in 2020, which represented a fivefold increase in the sector's contribution to GDP and with export earnings from gold alone reaching US$672m in 2021, a 25-fold increase relative to 2019 (source: the Ethiopian Investment Commission). In total, more than 300 exploration licences are reported as being active. Typically, these are held by junior companies exploring for gold, but also include majors such as Newmont and Goldfields.

Internationally, Ethiopia ranked 77th out of 83 jurisdictions for mining investment attractiveness, according to the Fraser Institute survey in which it last featured (2018).

Exhibit 25: Fraser Institute index of attractiveness for mining investment (2018)



Source: Fraser Institute

People and population

The Kingdom of Aksum in present-day Ethiopia and Eritrea was one of the first Christian countries in the world, having officially adopted Christianity as the state religion in the 4th century (ie the same century as Rome's Emperor Constantine). In addition, the Ethiopian Empire was the only region of north Africa to survive the expansion of Islam as a Christian state before European colonisation. Today, approximately 67.3% of the population is Christian (of which the majority are Ethiopian Orthodox), while c 31.3% is Muslim (primarily Sunni).

In recent times, Ethiopia's population has grown from 18.4 million in 1950 to 87.9 million in 2014 and 132.1 million in 2024 and is forecast to rise to 225.0 million by 2050, with the result that it is the most populous landlocked country in the world, as well as the second most populous nation in Africa, after Nigeria. Its capital, Addis Ababa, has grown at an even faster rate, from a population of 392,000 in 1950 to an estimated 5.7 million today, making it the largest city in the world in a landlocked country.

Ethiopia is a multilingual nation with around 80 languages spoken, the two largest of which are the Oromo and Amhara. However, the lingua franca of business is English.

Contact details

23 Ezekia Papaioannou Street,
Office 21, 2nd Floor,
Nicosia.
Cyprus 1075
+357 22 25 61 61
KEFI-goldandcopper.com

Revenue by geography

N/A

Management team

Executive chairman: Harry Anagnostaras-Adams

Harry Anagnostaras-Adams qualified as a chartered accountant while working with PricewaterhouseCoopers and has an MBA from the Australian Graduate School of Management. He has overseen a number of business start-ups, both in the mining industry (eg KEFI and EMED Mining) and outside (eg Citicorp Capital Investors, Pilatus Capital and Cyprus-based Semarang Enterprises) in the capacity of chairman, deputy chairman or MD.

COO: Eddy Solbrandt

Eddy Solbrandt began his career in the mining industry in 1986 and has since worked in open cut and underground gold, coal and mineral sands mines in Australia, New Zealand, the US, Canada, Mexico, Indonesia, South Africa, Mozambique and Namibia among others. He is founder of an international management consultancy, GPR Dehler, and is adept at providing swift assessment, analysis and development of solutions and strategies for achieving strategic, operational and financial objectives.

Corporate development and technical studies: Robert Williams

Rob Williams began his career as an underground miner in 1978. In the subsequent 25 years he completed tertiary and postgraduate qualifications in mining engineering, business administration and finance, while working in every operational area and support function (in most cases at a leadership level) on a variety of mine sites from Bougainville (Rio - Copper) to Henty (Barrick - Gold) and some juniors in Australia and Europe. Since then, he has worked in studies and project management for BHP (Olympic Dam - Copper) and what has become Atalaya Mining (Rio Tinto Mine - Copper).

CFO: John Leach

John Leach has over 30 years' experience in senior executive positions in the mining industry internationally and is currently also the CFO of EMED Mining. He holds a BA (economics) degree and an MBA. He is a member of the Institute of Chartered Accountants (Australia), a member of the Canadian Institute of Chartered Accountants and a fellow of the Australian Institute of Directors.

Principal shareholders	%
Management and families	10
Lead broker and families	3
Middle East Investment Syndicate 1	3
Middle East Investment Syndicate 2	3
RAB	3
Premier Miton	3
Konwave Gold 2000	3

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 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.

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 sol icitation 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.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom