ALIGN
RESEARCH

Kazera Global Investments

4th October 2022

Revenues from the SA diamond operation soon to be eclipsed by HMS and tantalum/lithium projects following major US$7.5m investment for 49% of lithium SPV

Kazera is an Africa focused mining investor with a large high-grade tantalum project in Namibia. Full scale mine production will soon commence in earnest with a fully funded plant upgrade to increase volumes and achieve commerciality ahead of an expansion into lithium. A transformative deal in June 2020 took Kazera into diamonds and heavy mineral sands (HMS) with imminent HMS revenues now anticipated

Blue-sky potential of tantalum and lithium mine now to be unlocked

Kazera is rapidly set to become a lithium producer - a “hot” area in the battery metals space whilst commercial tantalum production is now commencing. Very recently, Hebei Xinjian agreed to invest US$7.5m in cash, equipment & services to gain a 49% share of the lithium sales. Such funds will pay for the upgrading of the plant to swiftly improve tantalum production, paving the way for lithium production to begin in early 2023.

First production from 72,000tpa high-grade HMS project within months

The Mining Permit for the HMS has now been granted. Initially, unprocessed material will be sold, **but the company is in discussions with a number of partners to build a separation plant, allowing KZG’s production to be sold at a price uplift of circa 500%**.

REE project with an “in the ground” valuation of US$3.3bn back in 2011

Kazera has recently spread its wings once again with the intended acquisition of a 71% interest in an REE project in Kenya pending licence approval. Over the last 70 years this has seen the discovery of several large carbonatite bodies with residual REE enrichment.

Risked conservative NPV suggests upside of close to more than 500%

Our conservative valuation shows the huge potential which we see in the stock at present. We update coverage of Kazera with a target price of 4.55p and reiterated **Conviction Buy** stance.

Table: Financial overview. Source: Company accounts & Align Research

Year to end June	2021A	2022E	2023E	2024E
Revenue (£’000s)	55	230	4,930	13,130
PTP (£’000s)	(1,164)	(640)	2,500	7,570
EPS (p)	(0.17)	(0.08)	0.22	0.54

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

CONVICTION BUY
Price target – 4.55p

Key data

EPIC	KZG
Share price	0.825p
52 week high/low	0.70p/1.575p
Listing	LSE
Shares in issue	937.16m
Market Cap	£7.73m
Sector	Mining

12 month share price chart

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IMPORTANT: Kazera is a research client of Align Research. Align Research’s director is the largest direct & indirect shareholder in Kazera Global Investments. For full disclaimer & risk warning information please refer to the last page of this document.

Business overview

Kazera Global Investments Operations

Kazera Global is an investment company with a policy of investing in early stage assets and developing them to cash flow and resource realization. The company's current interests span diamonds, heavy mineral sands (HMS), tantalum, lithium and REEs.

• **Diamonds** – The Deep Blue Minerals (60% interest) producing diamond mine within the Alexkor diamond fields on the Northern Cape coast. Tectonic Gold (TTAU) holds a residual 10% interest and 30% is held by Black Economic Empowerment Partners as required by South African law.

• **Heavy Mineral Sands** – The company has a 60% stake in Whale Head Minerals, a heavy mineral sands (HMS) opportunity, also within the Alexkor diamond fields on the Northern Cape coast, **with the initial licence area having a NAV in excess of £150 million.**

• **Tantalum** – The Tantalite Valley Tantalum Mine (TVM) in southeastern Namibia. The mining licence covers an area of 452.7 hectares and is valid until 2026, with the mine centred on one of the highest grades of tantalum ore in the industry. The project lies 700km south of the capital Windhoek and just north of the Orange River, which marks the border with South Africa.

• **Lithium** – Kazera's 100%-owned subsidiary, African Tantalum (Aftan), has entered into a contract with Hebei Xinjian Construction (Xinjian) of China. Xinjian will be investing US$7.5 million to acquire 49% of a new SPV to be formed by Aftan which will have the sole rights to market the lithium produced at TVM. Lithium production is scheduled to commence in early 2023

• **Rare Earth Elements** – The company is expected to close the acquisition of a 71% interest in Great Lakes Graphite (PTY) Ltd which owns 100% of three exploration licences covering the Homa Bay and Buru Hill REE project in Kenya upon in country licen approval. Surface mineralisation presents highly favourable conditions for economic recovery with the prospect of a JORC Compliant Resource and Scoping Study expected within six months. This will be followed by a work programme to progress the licences to a Definitive Feasibility study for a cost of up to US$2.5 million, funded entirely from Kazera's future cash flows.

Untouched heavy mineral sands potential at Alexander Bay, South Africa. Source: Company

Background

Kazera Global Investments was previously known as Kennedy Ventures and invested in a portfolio of listed companies. The most meaningful investment that the company made was in African Tantalum (Pty) Limited (Aftan), a company which had an interest in the Tantalite Valley Mine (TVM) in Namibia. A 75% interest in Aftan was acquired in 2014 for R12 million (£0.66 million) of which R4 million (£0.22 million) was paid in shares at 4.9p per share.

March 2018 saw the company adopt a new investing policy that more accurately reflected the overall business plan and gave management the necessary flexibility to pursue opportunities as they arose in the African mining and resources sectors. At that stage, the company's name was changed to Kazera Global Investments. **In June 2019, Kazera was able to report a maiden JORC (2012) compliant Mineral Resource Estimate (MRE) over the Homestead and Purple Haze deposits at TVM of a combined total Indicated and Inferred tantalite and lithium Mineral Resource of 324.6kt, with further resource upside expected to be identified.**

This news was followed by Kazera announcing in December 2019 a maiden JORC-compliant MRE for the White City Deposit of 297,600t, in-line with the company's pre-exploration programme expectations. In 2020, there was a Phase 2 drilling programme of 2,000m aimed at delineating further mineralisation and materially adding to the resource. **This was along with adding resources at the White City, Homestead and Purple Haze projects, as well as testing potential mineralised zones at Signaalberg.**

In June 2020, the board announced a move into diamonds and HMS with the acquisition of a 90% interest in both Deep Blue Minerals (DBM) and a 90% interest in Whale Head Minerals (WHM). The acquisition cost was £600,000, funded by issuing the vendor, Richard Jennings (a director of Align Research), with 120 million shares at a price of 0.5p. At the same time £750,000 was raised at 0.5p with £156,000 in fee shares. Simultaneously, Dennis Edmonds was appointed to the Board with the specific mandate of focusing on the diamond and HMS projects and bringing these into production. In October 2021, he took over as CEO, and brought a new focus to bringing the tantalum operation into production. After allocation of the statutory 30% to local Black Empowerment partners, the Company retains a 64% interest in Deep Blue and a 60% interest in Whale Head Minerals.

The company took control of 100% of Aftan in June 2020. The company will now utilise boreholes to provide water and all future equipment will be specifically chosen to reduce water consumption. Kazera was accordingly able to announce the signing of an exclusive tantalum off-take agreement. In a significant milestone, in June 2022 Kazera reported that the first commercially significant shipment of 1,000 kg of concentrate was planned to be shipped to the company's off-taker in China.

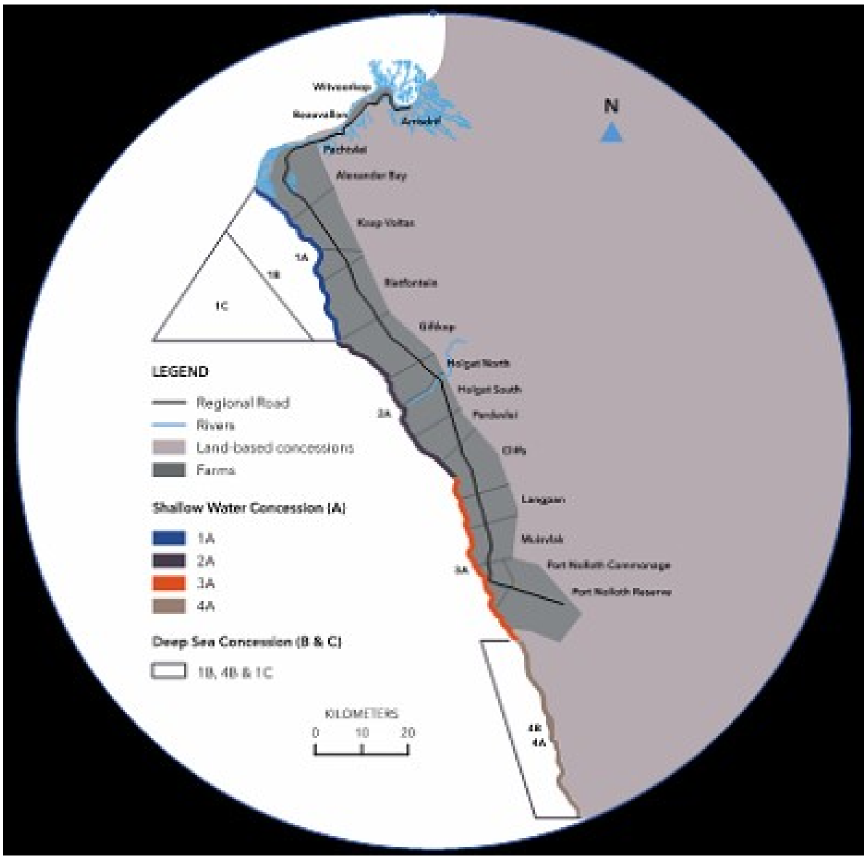
A number of third parties had taken an interest in the lithium potential at TVM. This resulted in Kazera's 100%-owned subsidiary, Aftan, entering into a contract with Hebei Xinjian Construction (Xinjian), which is a Namibia based company. This deal saw Xinjian planning to invest US$7.5 million (in cash, equipment and services) to gain 49% of the new SPV formed by Aftan, and which will have the sole rights to market the lithium produced at TVM. These funds are being used to develop a lithium processing facility as well as to substantially increase the production of tantalum.

Kazera announced further diversification in June 2022 into Rare Earth Elements. The move into REE will come with the acquisition of a Rare Earth Project in Kenya. This involves taking a 71% interest in Great Lakes Graphite (PTY) Ltd., a company which owns three exploration licences covering the Homa Bay and Buru Hill Rare Earth Elements projects.

Operations

DIAMONDS

Kazera acquired net 64% interest in Deep Blue Minerals (DBM) plus a net 60% stake in Whale Head Minerals (WHM) in 2020. This was bought from Tectonic Gold which had spent 18 months on the ground, built a local team, and tested the area extensively**. Kazera is the first company to target a coincident HMS mining permit and a diamond mining contract at Alexkor.** The company's team has plenty of experience of working at Alexkor.



Alexkor concessions. Source: Company

DBM has a diamond mining contract over specific sections in the Richtersveld region. The Pooling and Sharing Joint Venture (PSJV) allocates mining concessions for alluvial diamonds on the coast (beach concessions) and in the sea (marine concessions) between Port Nolloth and Alexander Bay. The 80km long diamond field lies between two historically prolific De Beers operations - to the north over the Orange River in Namibia by Namdeb (DeBeers Namibia) and to the south are De Beers' Kleinzee operations.

The PSJV mining area has been in operation since 1928 and more than 10 million carats of gem quality diamonds have been recovered over the last ninety years or so**. It is estimated that there are at least another 2 million carats left in the tenement.** The process is relatively simple on the beach where a Pan Plant separates the diamond gravels, with the diamond bearing fraction transported to Alexkor's final recovery plant. Going forward, now incorporating the Heavy Mineral Sands product, the team will be using similar technology as employed by Mineral Commodities (ASX:MRC) at its Tormin field which lies 200km south of DBM's operations.

Diamond production

Kazera's resource is well understood, with the CPR completed in April 2020 outlining an Inferred Mineral Resource of 208,000 carats at a grade of 6.0ct/100m³. This suggests something like US$60 million of top line revenue. Kazera has invested (post the acquisition) c.US$350,000 on excavators, trucks and all-terrain vehicles, as well as separation equipment.

Production began in October 2020. Inland diamonds require the removal of overburden beach sands to get to the diamondiferous gravels which are then roughly separated to get the 1-20mm size fraction which contains the diamonds. This is then trucked to Alexkor's on-site large central processing centre. Similar techniques are used to recover marine diamonds, but the overburden here will consist of a substantial percentage of HMS. Initially, this HMS will be stockpiled, awaiting the granting of the HMS licence.

Pan Plant on site on the company's concession at Alexkor. Source: Company

There has been long history of breakdowns and disappointments with the processing plant at Alexkor. In June 2022, a Pan Plant capable of processing up of 70 tons of gravel per hour was installed on site. The plant has the capacity to quickly deal with the gravels that the company has been unable to process. **Finally, it seems that the promised enviable cash flow now looks on the cards from this alluvial diamond operation**.

HEAVY MINERAL SANDS

Heavy mineral sands (HMS) are placer deposits that are normally formed in beach environments by concentration due to the specific gravity of the mineral grains. HMS represent a style of ore deposit which is an important source of ilmenite and garnet, with further zirconium, titanium, thorium, tungsten and rare-earth elements. Demand for titanium metals are strongly linked with global growth and urban living because it is a raw material found in a wide range of everyday products that are essential for the production of paints, pigments and plastics.

Mining HMS at Alexkor. Source: Company

Feasibility Study

Stellenbosch-based geological and CIS consultants CREO Design (Pty) Ltd performed a Feasibility Study in the format of a Technical Economic Evaluation of WHM's mining prospect at Walviskop in December 2020. **It was based on the then current resource of 3.11 million tons at a grade of 62.1% Total Heavy Minerals and 61.2% Valuable Heavy Minerals (dominated by garnet (30.29% of Run of Mine (ROM) and Ilmenite (27.54% of ROM) – some of the highest grades known globally.**

Zircon and rutile (0.92%) accounted for 1.2% and 0.92% of ROM respectively but were not included in this study due to negligible contribution and a high capital cost to separate. A mineral reserve was defined from the resource and a selective 5-year mining plan for Walviskop was developed based on using dredge mining and hydraulic conveying.

Financial metric	**Rand**	**US$[1]**
Operating cost/ton mined	54.7	3.91
Total cost/ton mined	128.23	9.20
Gross profit margin	96.04%	
Net profit margin (pre-tax)	93.47%	
Life of mine	4.2 years	
Total revenue/ton mined	1,365.79	97.56
Investment capital	30,766,295	2.197 million
IRR	2947%	
NPV@ 20%	**3,132,476,739**	**223.75 million**

Financial evaluation results. Source: CIS consultants CREO Design's Technical Economic Evaluation of WHM's mining prospect at Walviskop & Align Research[1]

Production

Initial production is planned at a rate of 1,000 tonnes per month (tpm), rapidly increasing to 10,000tpm . There will obviously be a lot of equipment shared across the diamond and HMS projects, but a gravity spiral concentrator plant will be required to separate HMS and that may cost up to US$150,000. The resultant HMS material will initially be sold to a processing company that will separate the material out into the constituent minerals**. This process adds a lot of value and the company has well-developed plans to work with a third party to develop the separation capacity in house, which could serve to dramatically improve profitabili**ty.

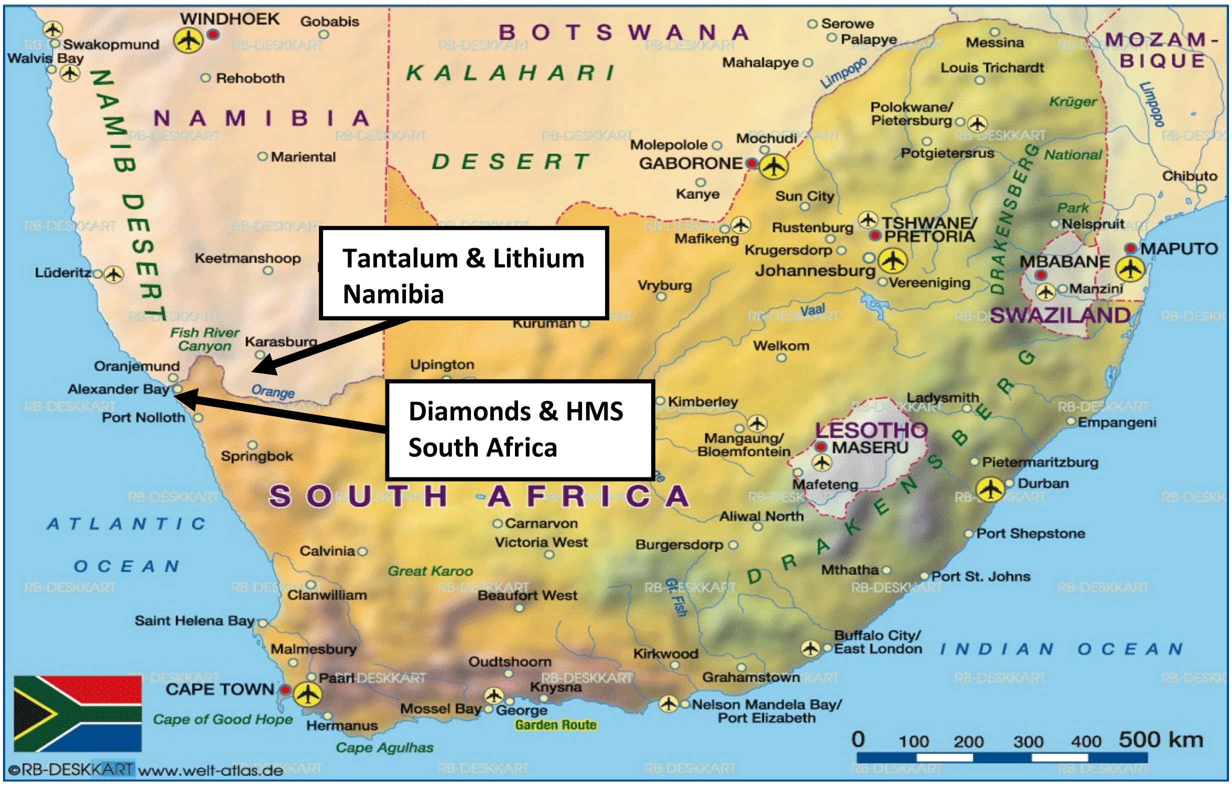
Natural replenishment

There may also be the potential for natural replenishment of beach sands. **Mining south of Kazera's licence application area is Mineral Commodities which has one of the highest-grade HMS operations in the world**. Interestingly enough, it has a unique deposit due to the process and speed of which mineral sands are replenished by the sea. **Since production started in 2014, Mineral Commodities has apparently mined over 9.7Mt so far which is vastly more than its original resource (2.7Mt) due to significant natural replenishment.**

HMS on the beach at Alexkor. Source: Alexkor

TANTALUM

The Tantalite Valley Tantalum Mine is located in south-eastern Namibia, close to the border with South Africa, with Kazera now having full ownership. The project lies 700km south of the capital Windhoek and just north of the Orange River which marks the border with South Africa. The mining licence covers an area of 452.7 hectares and is valid until 2026. **The mine has one of the highest grades of tantalum ore in the industry**.



Location of Kazera's operation in Namibia and South Africa. Source: www.welt-atlas.de

The mine lies in a remote area on the south western edge of the Kalahari Desert. This area is home to subsistence farmers. Access to the mine is 48km along a publicly maintained dirt road from the nearest town of Warmbad and the closest railing siding is 75km away in Karasburg. **Kazera now has a 100% interest in African Tantalite (Aftan), which has two wholly owned subsidiaries, Tantalite Valley Mine (TVM) and Tameka Shelf Company (which holds title and licences to Tantalite Valley).**

History

The Tantalite Valley tantalum deposits were first worked after World War II in the late-1940s. Initially, alluvial deposits were mined although the underlying pegmatite orebodies were identified at an early stage. The prospector who made these discoveries opened an underground mine by driving adits from the outcrop into a number of orebodies using manual mining methods. GEC acquired the property in 1982 as it was seeking to gain its own in-house supply of tantalum for electronic components. However, in 1985 it sold out to its local partners which went on to produce and sell only limited amounts of tantalum concentrate. In 2014, Kazera, under the name of Kennedy Ventures, acquired an initial 75% interest in Aftan for R12 million (£0.66 million) where R4 million (£0.22 million) was paid in shares at 4.9p per share. In June 2020 the Company acquired the balance of the shares in Aftan taking ownership to 100%.

Geology

The project lies within the Namaqua Metamorphic Complex, which is the western end of the Namaqua-Natal orogenic belt and which was formed at around the same time as the Rodina supercontinent was assembled. The Namaqua Metamorphic Complex is composed of metamorphosed gneisses which have subsequently been penetrated by magma which has created intrusive rocks.

The Tantalite Valley is so named due to the high-grade tantalite that occurs in various pegmatite ore bodies that outcrop in this mountainous area of southern Namibia. Tantalum minerals occur within carbonatite and alkaline rocks known as pegmatites, the most economically significant mineral being tantalite (Fe, Mn) Ta2O6 which is the primary source of the chemical element tantalum.

Aftan's Mining Licence (ML-77) spans an area which is mainly composed of a large 7.1km by 3.1km gabbro intrusion which outcrops from a large dome shaped mountain that rises 500m above the surrounding landscape. ML-77 covers an area which contains all mineralised pegmatites which occur at Tantalite Valley.

Ahead of Kazera's acquisition of a 75% stake in Aftan in 2014, extensive work, including diamond and reverse circulation drilling, pitting and trenching as well as metallurgical test work, had been undertaken on the Tantalite Valley pegmatites. **All this work indicated an in-situ pegmatite tonnage in excess of 2Mt.** However, past logistical problems and pricing constraints meant that hardly any commercial mining had really taken place.

Early production

Kazera has been investing in the project since 2015 with approaching £7m of hard cash having been spent – much of this been focused on exploration and proving up the resource. The tantalum ore is mined by drilling and blasting, with the run of mine moved by a load-haul-dump vehicle (LHD) to the gravitational processing plant. Run of mine production was previously put through a jaw crusher and a vertical autogenous crusher with the tantalite mineral being concentrated using jigs, shaking tables and spirals. As far as processing is concerned, tantalite, which is a fairly heavy metal, has been found to be successfully concentrated using such gravity methods.

Processing plant at the Tantalite Valley Tantalum Mine Source: Company

Production briefly began in 2017 but during the ramp up it transpired that the processing plant needed more water and so processing was stopped and production curtailed. The company toyed with the idea of bringing water from the Orange River which lies 17km away, but subsequently determined a more affordable and clever solution to get the mine back into production**. The company has implemented systems to reuse almost 95% of the water needed and has accessed all the water necessary from boreholes on the mine. It has also secured the use of a borehole from a neighbouring farm as a backup.**

Resources

A core drilling programme was designed by mineral resource consultants over multiple areas across this vast licence area, consisting of multiple mountain ranges, to establish a JORC resource. Core drilling and bulk sampling have been able to demonstrate significant life of mine. December 2017 saw drilling commence on two exploration programmes in the Homestead and Purple Haze locations in order to evaluate further resource potential around the mine, which has also shown potential for lithium. Previous operators have conducted limited prospecting for lithium in the form of lepidolite, but spodumene mineralisation is also known to be present**. All this exploration work has resulted in all-important JORC resources being determined for Homestead, Purple Haze and White City.**

Category	**Domain**	**Tonnes (thousands)**	**Ta_2O_5 ppm**	**Ta_2O_5 kg (thousands)**	**Li_2O ppm**
Indicated	Mining area	73.8	365	26.2	6,900
Inferred	Mining area	16.2	361	5.9	10,800
	Remaining area	109.1	139	15.2	800
Total Inferred		125.3	168	21.1	4,700
Total		**199.1**	**237**	**47.3**	**5,400**

MRE is reported as 100% of the Mineral resource for the project, depleted by the extent of mining workings and estimated at a mining cut of 4m or a threshold of 80 ppm Ta.

Homestead MRE 25 June 2019. Source: MSA Group report

Category	**Tonnes (thousands)**	**Ta_2O_5 ppm**		**Ta_2O_5 kg (thousands)**	**Li20 ppm**
	Purple Haze Pegmatite Tantalum MRE 29 November 2019				
Indicated	18.9	966		18.2	7,100
Inferred	90.7	491		44.5	8,700
Total	**109.6**	**572**		**62.7**	**8,400**
	Purple Haze Pegmatite Lithium MRE outside the Tantalite Mineral Resource as at 29 November 2019				
Indicated	9.7	37		0.4	8,100
Inferred	53.6	31		1.7	9,200
Total	**63.2**	**32**		**2.0**	**9,031**
	JORC compliant maiden MRE at White City Deposit as reported 29 November 2019				
Inferred	297.6	105		31.2	-

MRE is reported as 100% of the Mineral resource for the project, depleted by the extent of mining workings and estimated at a mining cut of 4m or a threshold of 80 ppm Ta.

Purple Haze Pegmatite Tantalum MRE (29 November 2019), Purple Haze Pegmatite Lithium MRE outside the Tantalite Mineral Resource (29 November 2019) and JORC compliant maiden MRE at White City Deposit. Source: MSA Group.

Operational progress

In August 2020, the company provided investors with an update on operations at TVM. At that stage, Kazera had completed the drilling portion of its Phase ll exploration program**. A preliminary study of these cores continued to identify presence of lithium and tantalite mineralisation within the intermediate zone of pegmatite at Purple Haze, Snake, Homestead and Signaalberg**.

Both the lateral and depth extent of the mineralisation host pegmatite remain open-ended. At the same time, completion of testing on channel samples to demonstrate the grade of established resources is ongoing at White City. Based on these positive Phase II results, and a further 70% of the licence being untested (which does include White City where there were mechanical issues), Kazera is now exploring options for a Phase III exploration program which would test completely virgin ground.

Kazera was also able to announce the successful negotiation of an off-take agreement in September 2021 for the sale of all its tantalum production to a Chinese player. This deal is with Jiujiang Jinxin Nonferrous Metals Co Ltd and is for an initial three-year period to the end of 2024. Jinxin will be purchasing all the tantalum concentrate produced by Kazera at a fixed price that is competitive in terms of those paid globally by end-users of tantalum. A test sample assay was approved by the customer and airfreighted to China for factory testing. On top of that, Jinxin has expressed an interest in developing Kazera's lithium deposit.

Jinxin is seen to specialise in various product lines related to tantalum, niobium and their derived products, which include High-purity Tantalum Pentoxide, High-purity Niobium Pentoxide, Common Grade Tantalum Pentoxide, Common Grade Niobium Pentoxide and K2TaF7 (Ksalt). Jinxin's products are sold throughout China as well as to America, Japan, Korea and in countries in Europe.

LITHIUM

In June 2022, Kazera was able to announce a transformational deal concerning the lithium potential at TVM. Wholly owned subsidiary, Aftan, has entered into a contract with Namibia based Hebei Xinjian Construction (Xinjian). Xinjian will be investing to acquire 49% of the new SPV to be formed by Aftan, which will have the sole rights to market the lithium produced at TVM by Aftan. It is worth pointing out here that Xinjian will not own any of the mine or the lithium mineralisation/orebody and that Kazera remains in control of the lithium.

This is a non-dilutive investment of US$7.5 million in cash (minimum US$2.5 million), machinery and services. This is enough to cover the costs of the processing plant upgrades required to increase production from the Tantalite Valley Mine and the construction of a lithium processing facility. Tantalum production is expected to substantially increase from Q4 2022 onwards, with lithium production scheduled to commence in Q1 2023.

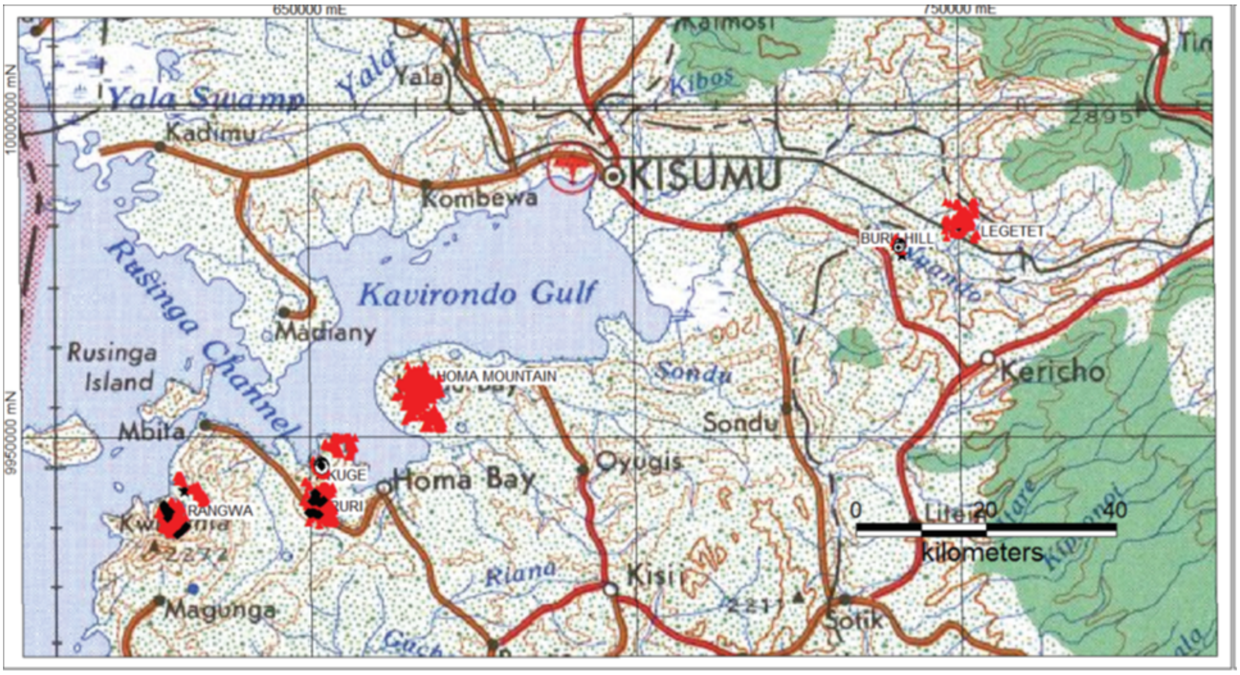
Expansion opportunities

December 2020 brought news that Kazera had entered into a Memorandum of Understanding (MoU) with Manschaft Mining and Energy, a company which holds four EPLs in the central and northwestern sections of Namibia. **This MoU looks as though it could pave the way to the company partnering with Manschaft to exploit the mineral potential of each of these EPLs.**

These licence areas include more tantalite and lithium plus the potential for tin and niobium along with gold and copper projects in the well-known Kalahari Copper Belt. Plus, there is also a cobalt, copper and iron EPL on the Kaoko Copper Belt. Importantly, all these projects seem to have infrastructure nearby and some have been the site of current or past mining activity.

RARE EARTH ELEMENTS

Kazera is in the process of acquiring a 71% interest in Great Lakes Graphite (PTY) Ltd which owns 100% of three exploration licenses covering the Homa Bay and Buru Hill REE project in Kenya. The project is located in the Homa Bay Area in west Kenya on the eastern coast part of Lake Victoria. Areas which have received the most exploration attention seem to be Buru Hill and Kuge-Lwala. Here, exploration work over the last 70 years has seen the discovery of several large carbonatite bodies with residual REE enrichment.



Homa Bay and Buru Hill REE project in Kenya. Source: Terra Search report 2011

There are two initial exploration targets. Target No 1 is the Buru Hills PL305 license, which the company reckons had a previous JORC compliant exploration target of 27Mt @1.89% grade for 510Kt Total Rare Earth elements (TREOs). Target No 2 is the Kuge area, PL303 licence, which has demonstrated extensive zones of elevated Light Rare Earth Elements within drilling along a strike length of 500m.

Surface mineralisation presents highly favourable conditions for economic recovery with the prospect of a JORC Compliant Resource and Scoping Study expected within six months. This will be followed by planned, low-impact work programme to progress licences to the granting of a Definitive Feasibility study for a cost of up to US$2.5 million, funded entirely via Kazera's future cash flows.

Detailed historical data and analysis shows estimates of around 65,000t of Ce, 52,000t of Lanthanum and 18,000t of Nd from an assumed low recovery rate of 50% of just the top 50m layer of the resource alone. Acquisition terms are £750,000 in paper in three tranches. The first tranche of £250,000 is at 1.5p per share, locked in for one year. The second tranche of £250,000 is due at completion of the DFS, at the lower of 2.5p per share or the 10 days VWAP, also locked in for one year. The third tranche of £250,000 is due on initial ore production at the lower of 2.5p per share or the 10 days VWAP with no share lock in.

As part of this transaction, Kazera is going to grant an option to Caracal Investments to acquire 20% of Great Lakes Graphite Pty Ltd for the sum of US$1 million, with 18 months until expiry. On exercising this option, the shareholding of Great Lakes Graphite would be 51% Kazera, 20% Caracal Investments and 29% current shareholders. **Exercising this option would mean that KZG gets its 51% stake for effectively $1.5m of spend and £750k of stock vests at a material premium to the current lowly share price.**

Over the years, a number of explorers have sought to determine ore reserves for these deposits that form the Great Lakes Graphite Project. **Terra Search concluded that the Buru Hill area was the most advanced, with systematic drilling across the prospect providing a non-JORC Inferred resource of between 14 and 24Mt at 1.7-1.8% Ce+La+Nd, with a then (2011) conservative in the ground valuation (IGV) of the order of US$S3.3 billion.**

Strategy for growth

Kazera is in the midst of being transformed into a diversified resources investment company where its fortunes will no longer be dependent on a single asset in a single jurisdiction where a shortage of water stymied production. From now on, we anticipate the market to sit up and take notice on many fronts. Investors are currently witnessing the logical progression of diamonds, then tantalum, followed by HMS and lithium all going into production. This offers the prospect of material profit generation commencing in 2022 and the additional major value creation potential from REEs.

The company is now well-positioned to start generating decent cash flow from both the diamonds and the tantalum projects. There is the prospect of these cash flows however being eclipsed quite rapidly by that from with HMS where production is expected to commence within 6 months of the upholding of the decision to grant the initial permit which happily transpired in late-July 2022.

The HMS project represents enormous potential as the diamonds are contained in HMS material. The work programme is being funded by early cash flows from diamond production. **Based on a 6,000tpm operation, there are estimated gross revenues of US$360,000 per month and probably around US$180,000/month net to WHM**, with plans to increase production levels dramatically within the first 12 months of operation.

The process of separating the HMS material out into the constituent minerals adds a lot of value. Kazera has already an agreement in principle with a third-party international group to build a processing plant on site under a potential Build Own Operate (BOO) structure which could greatly improve the profitability of this operation as WHM would be able to benefit from some of the processing upside**.** Land for the plant has already been identified at Port Nolloth and the partner plans to invest roughly US$20 million to build a 20,000tpa pilot plant at no cost to WHM. This looks likely to see the company receive up to 600% more per tonne for its HMS than the unseparated price (US$130/t). **All of this suggests the potential for WHM to be realistically seeing annual revenues in excess of US$10 million within a couple of years now that the licence has been granted.** There will be testing of economics and processing ahead of building a far larger plant, which would be able to process more of WHM's production.

The tantalum project has demonstrated small scale production of tantalite concentrate for the global tantalum market, where its partners/buyers are large global companies involved in manufacturing. These buyers need tantalum with good provenance, which Kazera's production from Namibia will provide. **Plus, there is the potential for lithium which Kazera almost gets for nothing as the tantalite mineralisation contains lithium, as well as the lithium ore containing tantalite**. At the same time, impressive lithium grades at Purple Haze also come with good levels of tantalum. **Demand for lithium is rising dramatically for use as a battery metal. The World Bank has forecast in the past that demand for lithium, cobalt and graphite could climb by 400-500% by 2050 in a scenario where global warming is limited to a 2°C rise.**

We have never had any doubts about the quality of the asset, which is a demonstrably high-grade tantalum project in Namibia. Already, the mining licence has been granted at TVM and a lithium extension has been applied for. There is a plant, mine and ore reserves in place. The multi-year offtake deal is with a large Chinese manufacturer, which has plans to develop two more super plants. Underground mining can be costly, but through the drilling programme the team has realised that they do not have to go underground as there are sufficient resources available for open pit mining. So, mine production is being restarted based on lower cost surface mining.

Using a portion of the $7.5m investment, the mine will now be upgraded and brought back into production using borehole water and improved water retention techniques which will result in decent cash flows being generated within months. The US$7.5 million investment will allow the company to rebuild a state-of-the-art plant with the ability to process over 10x more tantalum per month with reduced water and power.

It is important to realise that currently the company will extract lithium as part of its tantalum mining process. To separate out the lithium a further process will need to be added to the current production facility. It is anticipated that this will be completed during Q4 2022, with first lithium sales expected in Q1 2023. Initially, lithium will come from the reprocessing of tailings – as the mineralisation that has been mined over the years consists of tantalum and lithium.

The plant itself at TVM has never had any proper funds thrown at it with the majority going into exploration. Over the years, it has just been a case of firefighting – fixing things that were broken with no money to make any improvements. So, it does seem that finally the team will be able to create the sort of processing facility for tantalum and lithium that in the past they could only dare to dream about. Certainly, the minimum US$2.5 million in cash will provide the funds to run the expanded TVM operation until it is properly commercially up and running. In one fell swoop, TVM will no longer be a drain on the company's resources.

Recent news has convincingly demonstrated that rapid progress is being made right across each and every one of Kazera's operations – and now there is the added excitement of the REE play to come as well. The increasing global demand for electronics, batteries, and clean energy is rapidly accelerating the demand for REEs. Carbonatites are among the world's richest sources of REEs and there are promising deposits in the US, Brazil, East Africa, Western Australia, and China. The untapped potential of these unique igneous rocks is set to play a crucial role in the future of REE mining.

Kazera's REE play includes the Buru area, which is open at depth. There is also some potential on the flanks of the main hill, with high REE concentrations within the amphibolites gneisses in the area. The project spans some 346km², with most of the work to date undertaken at Buru Hills over a 13km² area – so lots more potential here. Buru Hill looks to have a favourable REE content as apart from Lynas's Mt Weald in WA with 5.4% TREO, most quoted REE companies are sporting MRE with TREO grades less than 2.15% of Peak's Ngualla Project in Tanzania. **Although no one really spells it out, it does seem that the mineralisation at Buru Hill is open at depth and along strike. Crucially, it is not all about carbonatite as the surrounding gneiss also has REE which might be at a lower grade but Terra Search still believes that this material has economic potential.**

The mineralisation at Buru Hill is near surface which lends itself to open pit mining, with good accessibility and nearby infrastructure making for enviable logistics. An Inferred JORC resource looks within easy grasp, with tremendous potential for resource expansion not only at Buru Hill but also at other sites in this project.

Going forward there ought to be plenty of news on increasing production of tantalum and lithium. Plus, there should also be rapidly rising diamond production now that the impressive 17 foot-wide Pan Plant is in place. In addition, we expect to see progress on the Buru Hills REE play which will be funded with revenue from tantalum, lithium and diamonds. **In our view, over the coming months the activity on the ground in the various projects, along with the newsflow, ought to begin to convince the market of the obvious value disconnect that presently exists in the stock. Imminently cash flow positive AIM mining minnows, with material growth prospects in "safe" jurisdictions and with investor interest at a material premium, are rare beasts.**

Financials & Current Trading

Kazera's results over the last few years mainly reflect the cost of getting the diamond operation into production, along with the costs of making improvements to the plant at TVM, together with exploration expenditure incurred in Namibia plus administration expenses.

12 months ending 30 June £ '000s	**2017**	**2018**	**2019**	**2020**	**2021**
Revenue	-	-	-	-	55
Pre-tax profit (loss)	(1,098)	(2,538)	(1,340)	(1,020)	(1,164)
Net profit/(loss)	(1,098)	(2,538)	(1,340)	(1,570)	(1,057)

Kazera's five-year trading history. Source: Company accounts

2021 results

Financial results for the twelve months ended 30th June 2021 saw the company making noteworthy operational progress across the diamond project in South Africa as well as TVM. In the 12-month period revenue was £0.055 million with an equal cost of sales resulting in a nil gross profit. After £0.111 million of pre-production expenses and £1.053 million of administrative costs the operating loss and pre-tax loss came out at £1.164 million. With no tax payable the loss for the year was £1.164 million and the total comprehensive loss for the year was £1.057 million. The loss per share came out at 0.17p.

2021 interim results

The six months to 31st December 2021 covered a period when there was significant operational progress at both the company's diamond project in South Africa and the TVM. Revenue for the period rose to £0.1 million with a nil gross profit. The operating loss, loss before tax and loss for the period all came out at £0.61 million, with a loss per share of 0.08p.

Recent developments

June 2022 saw the announcement of the potential acquisition of a Rare Earth Project in Kenya. The company reported the signing of Binding Heads of Terms for the proposed acquisition of a 71% interest in Great Lakes Graphite (PTY) Ltd., a company which owns 100% of 3 exploration licenses covering the Homa Bay and Buru Hill Rare Earth Elements projects in Kenya.

In July 2022, the company announced the export of tantalum, the Pan Plant installation, a transformational deal on the lithium at TVM and good news on the HMS permit. Kazera was able to announce that it was ready to export its first commercial delivery of tantalum to its Chinese partner from TVM. Separately, the company was also able to inform the market that it had completed the installation of a Pan Plant at the Alexander Bay diamond mine, thereby removing reliance on external parties to process diamonds.

All the announcements in July 2022 looked to be topped by news that Kazera had signed an agreement to secure an investment of US$7.5 million in return for a 49% stake in the company's marketing, sales and export subsidiary for all lithium production from its 100%-owned TVM. That was until the company reported a favorable decision on the Walviskop Mining permit which finally gives the green light on the HMS operation.

Risks

Geological risks

There are a series of risk factors concerning the amount of understanding of the geology of the project areas, the mineralisation being targeted and the distribution and grade of tantalum, lithium, diamonds, HMS and REEs.

Political risk

There are minimal political risks involved in companies operating in Namibia, with a higher risk in South Africa and Kenya.

Metal price risks

Tantalum is a small industry which has historically been susceptible to rapid changes in the balance between supply and demand, resulting in volatile price movements. Over a 15-year period, the tantalum price has swung between US$11 and US$483 per pound and so the company has metal price risks to deal with. This will be dealt with by its experienced board and understanding of the end user needs, especially its ability to stabilise pricing to global end users through offtake agreements.

Exchange rate risks

The company's accounts are in pounds, with tantalum being priced in US dollars and local costs in Namibian dollars, South African ran and Kenyan shilling. Fluctuations in the value of the pound against US dollars, Namibian dollars, South African rand and Kenyan shilling may have an effect on the valuation that Kazera is awarded by the UK stock market.

Future funds

The market for raising funds for small cap resources companies has not been easy over recent years. Although sentiment has improved since the spread of the COVID-19 pandemic, recently the stock market seems to have become more risk averse and has turned its back somewhat on small cap resources stocks. This has meant that some recent fund raisings in the resources sector have seen share prices being undermined by incoming investors demanding substantial discounts to provide the necessary capital.

Board

Gerard Kisbey-Green – Non-Executive Chairman

Gerard is a qualified Mining Engineer, has over 36 years' experience in the mining and related financial industry. He has worked on mines in a diversity of commodities and geographies both as an engineer and as a banker. Gerard has also held the position of CEO for a number of private and listed mining and exploration companies in addition to holding numerous non-executive board positions. He has 17 years of resource banking experience including a period in equity analysis as well as a corporate financier for major banks in Johannesburg and London including JPMorgan, Investec, and Standard Bank.

Dennis Edmonds – Chief Executive Officer

Dennis is currently Chairman of Pathfinder Minerals PLC and a Non-Executive Director of Tectonic Gold. He is a qualified lawyer in both South Africa and the UK and has a wealth of experience in board level positions in various listed companies.

Odilon Ilunga – Executive Director

Odilon is a Metallurgist Civil Engineer from the University of Lubumbashi in the Democratic Republic of Congo since 1999, with a Master's Degree in Metallurgical Engineering from the University the Witswatersrand. Since 2009 he has been in charge of Mineral Processing at the Department of Mining and Metallurgical Engineering, Faculty of Engineering and Information Technology of the University of Namibia.

Geoff Eyre – Non-Executive Director

Geoff is an experienced finance professional with more than 17 years of experience holding senior positions with companies in the mining industry including producing assets, exploration and development stage companies and private equity investment funds. Most recently, Geoff was the CFO of Adriatic Metals plc (ASX:ADT, LSE:ADT1) during which time Adriatic secured a financing package for the construction of its polymetallic mine in Bosnia & Herzegovina comprising US$102 million of equity and US$142.5 million project finance facility with Orion Mine Finance.

Forecasts

We update our coverage of Kazera with forecasts for the financial years ending 30th June 2022 to 2024. For 2022, expected revenue comes from the alluvial diamond operation which during the period had suffered from a catalogue of setbacks, although the company continued mining and stockpiling diamond bearing gravels. At this stage, it is assumed that the company receives 90% of revenues in DBM, as during the early years the BEE partner will be paying off acquisition costs for their stakes in the diamond project. Cost of sales are estimated to match revenue, resulting in nil gross profit. Pre-production costs, largely at the tantalum project, are expected to total £0.23 million, with administration & GE expenses in SA & Namibia forecast to be £0.400 million giving a pre-tax loss of £0.64 million. With no tax payable, the loss for the year is also £0.64 million. The loss per share comes out at 0.08p.

Year End 30 June (£'000s)	FY2021a	FY 2022e	FY 2023e	FY 2024e
Revenue	55	230	4,930	13,130
Cost of sales	(55)	(230)	(1,830)	(3,660)
Gross profit/(loss)	-	-	3,100	9,470
Pre-production expenses	(111)	(140)	(200)	(1,500)
Administration expenses	(1,053)	(400)	(400)	(400)
Share based payments	-	(100)		
Other operating income	-	-	-	-
Operating profit/(loss) before tax	(1,164)	(640)	2,500	7,570
Taxation	-	-	-	-
Profit/(loss) for the year	(1,164)	(640)	2,500	7,570
Profit/(loss) attributable to owners of the Company	(1,146)	(620)	2,270	5,500
Profit/(loss) attributable to non-controlling interests	(18)	(20)	320	2,070
	(1,164)	(640)	2,500	7,570
Basic and diluted earnings/(loss) per share (pence)	(0.17)	(0.08)	0.23	0.54
Weighted average number of shares	686,324,120	779,222,141	971,794,590	1,021,682,992
Total shares plus options and warrants	801,267,653	1,052,198,243	1,065,564,910	1,065,564,910

Source: Company/Align Research

The year ending 30th June 2023 sees activities shift up a gear in South Africa at the diamond operations, with the expectation that the HMS project will commence operations and commercial tantalum production will be achieved at TVM.

During this period, it is assumed that production will be augmented by the new block associated with the HMS operation. We expect that diamond sales will reach c.US$50,000 a month net consistently after all costs, including the 40% payable to Alexkor. The HMS operation is assumed to commence by the end of November 2022 with initial production target of 1,000t per month at US$130/t with the costs of production and transportation estimated to be US$74/t along with a total of 4.5% of royalty payments. A magnetic separator looks as though it is planned to be introduced in calendar year 2023, which will result in gross profits increasing from US$50-75/t to US$350/t for processed material, with only a marginal increase in costs. It is assumed that the company receives 60% of all revenues from the HMS project.

Also in 2022/23, it is expected that a portion of the US$7.5 million investment is used to rebuild a state-of-the-art plant at Tantalite Valley, capable of processing both tantalum and lithium. The tantalum processing portion of the plant is expected to be operational by the end of calendar 2022, with a target of consistently processing raw material of 10,000 tons per month which would generate a monthly sales value of US$750,000. The lithium is anticipated to come into production in March 2023 and here the target is to consistently achieve monthly sales for Aftan of over US$1 million. We have been guided to assume operating costs for the total operation of US$100,000 per month. Revenue in 2023 is expected to climb to £4.93 million which after a £1.83 million cost of sales would result in a gross profit of £3.10 million. We expect an operating profit and pre-tax profit of £2.50 million. No tax is assumed to be paid due to accumulated losses over the years. A profit attributable to non-controlling interests of £0.32 million leaves £2.18 million attributable to the company. On this basis the EPS comes out at 0.22p.

The 12 months to 30th June 2024 is the year when we expect everything to start clicking into place, resulting in a big increase in profitability. This is largely due to a full 12 month contribution from both the HMS operations where production volumes are expected to increase targeting 6,000t per month. Also, a full 12-month contribution with improving performance from the lithium production, along with an improving performance for the diamond operation. The company's revenue over the year ending 30th June 2024 is expected to be £13.13 million, with a £3.66 million cost of sales resulting in a gross profit of £9.470 million. After administration expenses of £0.40 million and pre-production expenses of £1.5 million ref the REE project in Kenya, the pre-tax profit comes out at £7.57 million. Once again no tax is assumed to be paid due to accumulated losses resulting in a profit for the year of £7.57 million. Profit attributable to non-controlling interests is estimated to be £2.07 million, which results in a £5.50 million profit attributable to the company. The EPS is determined to be 0.54p.

Valuation

In seeking to place a valuation and determine a target price for the stock, we have used a SOTP estimate. To determine a valuation for Kazera and a target which makes sense in the current market, we have developed a series of financial models for a number of the operations moving forward. These are based on details provided in company announcements, presentations and discussions with management.

Diamonds

We sought to value the company's interest in DBM. The Inferred MRE in the CPR outlines 208,000 carats at a grade of 6.0ct/100m³, which has been used to determine the level of annual production over a mine life of 10 years. Alexkor contracts run for 5 years and seem to be permanently renewable. In fact, DBM seems to be a bit of a poster boy for Alexkor as despite having less equipment than the other contractors on the site it produces more diamonds and also has superior Health and Safety practices. As we previously suggested, plateau production at a rate of 450 carats of inland diamonds per month (recovered) has been assumed. The indicative sales prices for the average grade and size of stone from the concession areas is US$250 per carat, giving an initial diamond resource of in excess of $60 million of top line revenue. However, the new blocks that Kazera has access to through the HMS operation are expected to give rise to greater production of higher value beach diamonds. As such, we have assumed an additional 300 carats a month of production at a US$600/carat selling price.

At this initial level of production, operating costs are assumed at US$29,000 per month. Alexkor charges contractors a royalty of 20% for inland diamonds and 30% for marine diamonds and this covers screening, sorting, preparation and sale of diamonds. DBM plans to focus more on the marine diamonds as the by-product is HMS and we have used a composite royalty figure with this in mind. A South African tax rate of 28% was applied. The after-tax cash flow was discounted at 12%, a figure we chose to use as it would ensure that our valuation remained conservative - such a discount rate serves to risk the project significantly more than rates of 10%, 8% or even 5% which are commonly used.

Kazera gained an initial 90% interest in DBM but this was reduced by a 30% stake being acquired by Black Economic Empowerment (BEE) partners. An acquisition price for the BEE partners' stake was determined and then paid by its share of the project's profits – this has been accommodated within the model. On this basis it is assumed that Kazera gains 90% of the cash flow during the early years. **The NPV attributable to Kazera was calculated to be US$6.03 million, a figure which has been carried through to our SOTP parts table.**

Heavy Mineral Sands

Walviskop - A further financial model has been developed to value the new HMS project. Once granted, the HMS licence is expected to produce 6,000tpm rapidly as the HMS has been put on one side from the mining of the marine gravels. A pre-production capital expenditure of US$150,000 is used for the gravity spiral separator which is assumed to be funded by early cash flows from diamond production. **The grade employed has been a conservative 40% HMS, although there have been reports of recent assaying at around the 80% level.** We assumed that there are minimal operating costs as the sands are largely already processed to remove the diamond gravel and only need only go through the spiral plant.

We have used a flat HMS price of US$130/t (delivered to Port Nolloth) and in the early days it is assumed that all HMS is sold unseparated at that price. Initially, run of mine production is expected to rapidly build up to 10,000t per month. Assuming an HMS grade of 50%, this would be run of mine production is to be fed into a spiral separator resulting in 6,000t per month of HMS**. At US$130/t, WHM is expected to make a profit of US$74/t when production gets up to 6,000t of HMS per month and to generate a profit of US$444,000 per month**.

The move to separating the HMS production into the various mineral products is obviously a top priority. In this regard, there does seem to be a number of options becoming available to the company. We have chosen to model a 20,000tpa pilot processing plant which is planned to be established at Port Nolloth, we have been advised that such a plant will take 18 months to build. **So, we have assumed that this plant comes on stream in early 2024 and that WHM will have use of the full capacity**. Processed HMS is expected to sell for around US$1,500/t and WHM and its associates would receive 40% of this price (the owner of the plant retaining a 60% share). This suggests US$600/t, but taking into account costs of transport, plant costs and wishing to remain conservative we have used a figure of US$350/t. Further, we have assumed that the strategy might be to reduce production at that time to 20,000tpa (1,666t/month) with the remaining material being stockpiled for the larger capacity plant of 12,000t per month.

Cash flows determined from our analysis were once again discounted at 12% to determine the NPV, and that which is attributable to Kazera which has a 60% stake in WHM. **The project NPV was determined to be US$20.78 million where US$12.46 million was attributable to Kazera.**

We believe that our treatment is extremely conservative. The Feasibility Study by CREO Design was able to determine an NPV(20) of US$223.75 million for Walviskop alone. Furthermore, there is a direct comparable with Mineral Commodities which has an Enterprise Value of around £31 million for their HMS side in SA.

Perdevlei - WHM is also in the process of applying for a Prospecting Right over an adjacent beach at Perdevlei. This has an intrinsic value as putting in such an application excludes others from applying. Perdevlei apparently bears all the hallmarks of having similar characteristics to Walviskop - but is reckoned to be 34 times larger.

To place a sensible valuation on this interest, we have made some bold assumptions here and multiplied the NPV attributable to Kazera for Walviskop (US$12.46 million) by 34 which gives US$423.87 million. With so many unknowns at this stage concerning grade, geology, permitting and timing of production we have chosen to heavily risk this figure by an arbitrary 97.5% which gives a figure of US$10.60 million. **Our stance on the HMS means that we will have plenty of opportunities to review and potentially re-rate this exciting opportunity. Added together, the valuation for Walviskop and Perdevlei came out at US$23.06 million to be used in our SOTP table**

Tantalum & Lithium

The first tantalum delivery looks like it will be 1,000kg of concentrate in size and shipped by air, containing 250kg of tantalum. At US$70 per pound this would be worth US$38,000. The recently announced non-dilutive investment of US$7.5 million in cash, machinery and services looks to be sufficient to cover the costs of the processing plant upgrades required to increase production from the TVM and the construction of a lithium processing facility.

Looking ahead, it seems as though the rebuilt state-of-the-art plant at Tantalite Valley will be capable of processing both tantalum and lithium. The tantalum processing portion of the plant is expected to be in operation by the end of 2022, with anticipated raw material of 14,000 tons per month being processed, with a sales value of US$750,000. Lithium is anticipated to come into production in March 2023 where the target looks to be to achieve sales for Aftan of over US$1 million per month. The operating costs of the total operation has been suggested to us to be approximately $100,000 per month.

Looking at the MREs for both Homestead and Purple Haze shows a substantially higher grade for Li2O than Ta2O3. With no guidance from management over the expectations here, in order to remain conservative and account for early recoveries, before the recovery system becomes perfected and the recoveries optimised, we have assumed that production of lithium concentrate is similar in scale to that of the tantalum concentrate.

We have valued the tantalum and lithium interests at the TVM by taking forecast earnings of US$3.63 million for a 12-month period once the lithium production has commenced (less 49% of lithium earnings which are attributable to JV partner Xinjian) and multiplying it by an undemanding 6 times multiple. This gives a figure of US$21.78 million.

Rare Earth Elements

There are some big valuations in the REE sector. A valuation matrix was developed based on the range of EV/t of TREOs from a number of quoted REE exploration and development companies which are advancing their projects through feasibility studies. There were seen to be large variations in value assigned to resources, which may be dependent on the type of deposit, the location, processing technology, management, the backers and PR effort.

Scenario	**Terra Search Top 50m non-JORC compliant**	**Terra Search All non-JORC compliant**	**Higher case**
Mt	14.7	23.5	30
TREO grade %	2.01	1.88	1.88
TREO Kt	295	442	564
DFS £million EV/t: £237 – 1,876	70 - 553	105 - 829	134 – 1,058
PFS £ million EV/t: £43-55	13 - 16	19 - 24	24 - 31
SCOPING STUDY (PEA) £ million EV/t: £33 - 791	10 - 233	15 - 350	19 - 446
JORC RESOURCE £ million EV/t: £431 - 633	127 - 187	191 - 280	243 - 357

Valuation matrix. Source: Align Research

Our valuation matrix looked at three different scenarios, two of which stemmed from the work of Terra Search (based on drilling results etc. from work by the Japan International Cooperation Agency in 1987-90). This determined a number of MREs and a third higher case which we have introduced. Looking at the lowest valuation in each of the Scoping Study, PFS and DFS stages shows valuations of £10 million, £13 million and £70 million. This highlights the increasing valuation awarded as the project successfully moves through feasibility studies – and this can be seen to be the worst case.

Being conservative, we take the base case valuation of £10 million at the Scoping Study Stage (PEA) based on the Terra Search Top 50m non-JORC compliant 14.7Mt at 2.01% TREO for 295KT TREO. The company has a 71% holding, which would suggest a £7.1 million valuation or US$7.6 million, which would represent a quite rapid uplift in the value of the company's US$750,000 investment. Until the licences have been awarded at Buru Hills however we have ascribed no value to our SOTP valuation to be ultra conservative.

Sum-of-the-parts valuation

Asset	**Valuation US$ million**
Diamonds	6.03
HMS	23.06
Tantalum and lithium	21.78
REE	Nil
Cash	0.96
Total	**US$51.83m**
FX rate of $1.11:£1GBP used	**£47.12m**
Per share (937,164,910)	**5..02p**
Fully diluted basis	
Proceeds from the conversion of outstanding warrants and options	£0.78m
Total	**£47.9m**
On a fully diluted basis (currently 1,052,198,243)	**4.55p**

Source: Align Research

All these numbers went into our SOTP table and the total valuation for the company came out at US$51.83 million or £47.12 million. This equates to 5.02p per share based on the current number of shares in issue (937,164,910). **On a fully diluted basis, where we assume the conversion of the warrants and options, this results in 1,052,198,243 shares being in existence. In this case, the valuation increases to £47.9 million, which would give a per share valuation of 4.55p, a figure which we have chosen as our target price.**

As an alternate valuation check, should Kazera achieve the numbers that the company has guided us towards in 2024 when the Tant, Li and HMS operations are all in full swing then an undemanding 10 times PE would equate to 5.4p and so corroborate the SOTP value.

Conclusion

In our view, Kazera looks at this point to be very neatly positioned on the cusp of greatness. **The board is seeking to run a company that makes money, in contrast to a traditional AIM company.** Very soon, Kazera looks set to be making money from three different projects, selling four different products, which will allow the team to begin to leverage on this success.

The board of Kazera has made a bold move into diamonds and HMS as a way of generating the cash flow and the interest to get its world class tantalum project into production**. The value of tantalum, which goes into many of the items that are important in life today, is significant.** Electronic equipment giants seem to have an insatiable demand for the metal and are seeking to tie up long term contracts to ensure a guaranteed supply, with Level I countries as their priority for the future. Added to this will now be lithium, which very neatly takes the company into the hot area of battery metals.

The strong news flow from the alluvial diamond mining in South Africa looks likely to be outshone by the commencement of the HMS operation - anticipated to be an obvious and material money spinner. At the same time, it clearly looks as through the TVM will be seeing rising tantalum production via the off-take agreement being notched up – helped by the substantial funds that are being invested at asset level by Xinjian to gain an interest in the lithium sales. These look set to begin in early calendar year 2023. This represents serious money which looks likely to take the project to the next level.

The board has learnt a lot through the well-planned drilling programme at the tantalum project. The more the team drill, the larger the potential for lithium seems to become. **It should be pointed out that this is a highly prospective area for lithium. Back in 2018, licences over 1,500km² adjacent to the Tantalum Valley were acquired by Walkabout Resources (ASX:WKT) where more than 600 pegmatite bodies have been identified together with more additional pegmatite swarms**. On this neighbouring property, structural control has led to the identification of Lithium-Caesium-Tantalum LCT-type enrichment pegmatites with grades as high as 1.6% Li2O5.

If all this was not enough, there is now the added excitement of the potential from the REE play in Kenya upon licence granting. It is envisaged that the cash flow from diamonds, HMS and TVM will be used to fund work here where a JORC resource does not look that distant. Plus, there is a well-developed plan to move the project smartly to the DFS level. There is plenty of scope to generate an increasing, substantially higher valuation by emulating the strategy and efforts of the more highly rated REE exploration companies as the project is pushed up the valuation curve.

Kazera may still trade at an unjustifiable discount in our view but we have demonstrated that even on an outright immensely conservative valuation basis, with material haircutting to already sensibly discounted NPVs, the company has assets that are worth substantially more by any yardstick. Subject to achieving the key milestones set out here, our highly conservative treatment of many of the underlying factors will be reduced going forward, with the commensurate see-through uplift to shareholders representing further multiples of the current market cap.

Accordingly, we update our coverage of Kazera with a Conviction Buy stance and a target price of 4.55p.

DISCLAIMER & RISK WARNING

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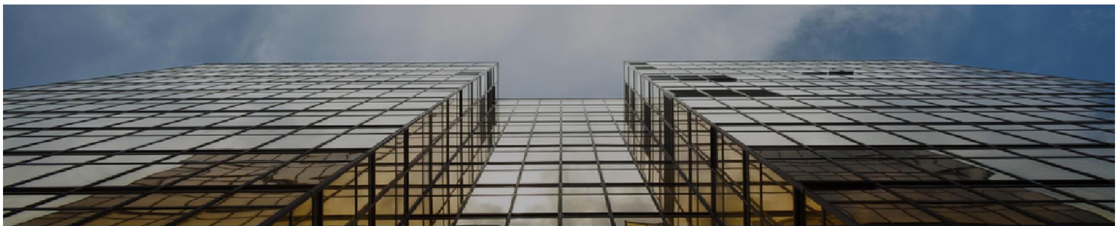

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