

28 June 2019

**KEFI Minerals plc**  
("KEFI" or the "Company")

**AGM Statement**

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, announces that at today's Annual General Meeting ("AGM") Harry Anagnostaras-Adams, Executive Chairman, will make the following statement.

"Well we certainly live in interesting times. Last Saturday afternoon I was sitting in a calm atmosphere in Addis Ababa with our Ethiopian partners and on Sunday morning, I landed in London to read of the worldwide news of a foiled coup in one of Ethiopia's regions. And since then the team was on action stations to take precautionary measures and avoid damage to our project timetable.

Today we have a number of important updates to provide, for both the Tulu Kapi gold development project in Ethiopia and the Hawiah copper-gold exploration project in Saudi Arabia.

I will start with the Tulu Kapi Gold Development Project in Ethiopia:

Ethiopia is the highest growth African nation and is undergoing a wide-ranging and overwhelmingly positive transformation. Many of the positive reforms and actions have been widely reported internationally and they are indeed commendable. Frankly, it is an amazing feeling to play our small part in the progressive changes being seen in the country. However, the rapid pace of change has also caused some negative consequences; in these past few days we have seen incidents that have caused us to elevate precautionary security measures.

This morning we made an announcement reporting that, as a result of the heightened security concerns in Ethiopia this week, the Company has immediately taken a number of actions with the Ethiopian Government to tighten precautionary security measures at the Company's Tulu Kapi Gold Project (the "Project") and to ensure the local community and administration's preparedness for community resettlement.

These actions include Government authorities expanding their community engagement teams and have arranged for the deployment of additional armed security to the Project site as a precautionary and pre-emptive measure. We also reported that the overall Project development plan has been re-sequenced after consultations with principal construction contractor Lycopodium to keep the start of production date at mid-2021, whilst giving more time for the first phase of community resettlement.

The mining industry is publicly highlighted by the Government as its first priority for addressing the country's large trade imbalance. Our Project is not only the first mover in the sector but will likely rank as the single largest export generator in Ethiopia, at approximately US\$200 million per annum. And we have good prospects for growth based on a strong position in a very prospective part of the Arabian Nubian Shield which has already yielded some world-class discoveries.

KEFI is the operating partner of the Tulu Kapi Gold Mines joint venture development company in which the Company's beneficial interest is planned to be 45%. The other 55% is owned by the Company's long-standing partner, the Ethiopian Government and its newly committed partner ANS Mining S.C. Each party funds its share of the work programme on a pro rata basis. KEFI also owns 80% of the exploration company KEFI Minerals (Ethiopia) Limited.

It is fortuitous that project development coincides with an improving gold price. Every 10% lift of gold price above our assumed base case US\$1,300/oz, adds approximately 50% to project net cash flows and NPV. TKG M base case NPV at today's gold price of approximately \$1,400/oz and 8% discount rate, is £130 million (US\$165 million) at start of construction and £196 million (US\$249 million) at start of production.

The NPV of KEFI's planned 45% beneficial interest ranges between a low of £41 million (US\$52 million) at

US\$1,300/oz at start of construction this year and a high of £88 million (US\$112 million) at US\$1,400/oz at start of production in 2021 ie 4 to 9 times the current market capitalization of the Company These figures ignore the underground deposit and exploration assets.

As regards the Tulu Kapi project funding, I report as follows:

- Our Government-sector partner has not only approved its budget allocations for its US\$20 million (Ethiopian Birr-equivalent) project equity investment but has mobilized the roads and power authorities in the Tulu Kapi area to deliver electricity and improve the roads to Tulu Kapi and its surrounding community;
- Our private-sector ANS Mining has assembled its shareholder syndicate for its full US\$38 million (Ethiopian Birr-equivalent) project equity investment. However, as regards its disbursement of funds into the project, it has last night formally advised us that this can occur after independent reviews confirm that the community, local government authorities and security arrangements are ready for the first phase of the resettlement activities. Whilst they were preparing to subscribe now, they feel it prudent in the circumstances be quite firm on the need for community and authorities to ensure they are ready. In the circumstances of the country's heightened tensions over this past week we consider this a reasonable and prudent approach and we will all work to ensure that it makes no difference to the time line to production.

The mandated infrastructure finance proposal awaits KEFI/TKGM to trigger its implementation processes. These start with satisfying the compliance procedures including our lodgment of funds for the implementation costs.

- It remains that we will fund the early part of development with project equity and only trigger full finance close when necessary to fund the larger second part of the development program.

The plan is clear, the consortium of parties all know their role and eagerly await our trigger of each step ahead. Our firm and quick responses to last week's security alert are to ensure that Tulu Kapi starts-up as exemplary first mover in Ethiopia.

### **Hawiah Copper-Gold-Zinc Exploration Project in Saudi Arabia**

In Saudi Arabia, KEFI is the operating partner of the Gold & Minerals Limited joint venture company in which the Company's shareholding is 40%. The other 60% is owned by the Company's long-standing partner, Saudi conglomerate ARTAR. Each party funds its share of the work programme on a pro rata basis.

Like Ethiopia, Saudi Arabia is overhauling its regulatory regime to encourage the mining sector.

We have lodged a mining licence application for our gold discovery at Jibal Qutman but our priority today is to drill test the large gold-copper target at Hawiah is located in Saudi Arabia's Wadi Bidah Mineral District which is a 120-kilometre-long copper-gold-zinc volcanogenic massive sulphide ("VMS") belt where over 24 VMS occurrences were defined by the US Geological Survey and French Geological Survey over many years of research. Our joint venture holds a dominant position on this ground.

This exploration programme started in the field just recently and marks the resumption of exploration at Hawiah after two years, following the resolution of local access issues, regulatory overhauls and subsequent licence renewal.

We are pleased that exploration is progressing again at Hawiah in Saudi Arabia and is planned to culminate in drilling this exciting prospect in Q3 2019.

Hawiah has all the hallmarks of a significant copper-gold-zinc VMS deposit, which are typically quite

valuable.

Our targeted exploration programme has been steadily working towards drilling Hawiah and our team is confident that the odds of making a significant discovery are relatively high. We look forward to providing further updates as this exploration programme progresses alongside our flagship Tulu Kapi Gold Project in Ethiopia.

## **Corporate**

KEFI has worked hard to put together its project funding packages on a basis that emphasises the objectives of partnering with pre-eminent local co-investors and leading specialist contractors. Debt -style funding is only introduced at the latter stages of development. This approach has allowed KEFI to assemble a first-class portfolio of projects and one would have thought to also minimise equity dilution at the parent-company level. But the extreme weakness of our stock market sector combined with the delays experienced in our selected frontier markets for modern mining have certainly stretched our Company and cost us long-standing shareholders dearly in terms of dilution over the years. The good news for old and new shareholders is that the upside for them from here is even greater.

We have a very small team of Directors and managers around whom we will build the full operating team. We are also well supported by a number of specialist advisers also selected for their pre-eminence in start-ups of this nature.

We are extremely grateful for the patience and support of the community in Tulu Kapi, our partners ARTAR in Saudi Arabia, the Government and ANS Mining in Ethiopia, the contractors Ausdrill and Lycopodium, our hard-working small organisation of highly-experienced personnel and, of course, our extremely patient shareholders.

Lastly, I should not close without again recording the Company's deep gratitude to the contribution made by our late Chairman Mark Wellesley-Wood. May he rest in peace."

## **Abuse Regulation (MAR) Disclosure**

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

## **Enquiries**

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## **Notes to Editor**

### **KEFI Minerals plc**

KEFI is focused primarily on the advanced Tulu Kapi Gold Project development project in Ethiopia, along with its pipeline of other projects within the highly prospective Arabian-Nubian Shield. KEFI targets that production at Tulu Kapi generates cash flows for capital repayments, further exploration and expansion as warranted and, when appropriate, dividends to shareholders.

### **KEFI Minerals in Ethiopia**

Ethiopia is currently undergoing a remarkable transformation both politically and economically.

The Tulu Kapi gold project in western Ethiopia is being progressed towards development, following a grant of a Mining Licence in April 2015.

The Company has now refined contractual terms for project construction and operation. Estimates include open pit gold production of c. 140,000oz pa for a 7-year period. All-in Sustaining Costs (including operating, sustaining capital and closure but not including leasing and other financing charges) remain c. US\$800/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.1g/t gold, containing 1.1Moz.

All aspects of the Tulu Kapi (open pit) gold project have been reported in compliance with the JORC Code (2012) and subjected to reviews by appropriate independent experts.

A Preliminary Economic Assessment has been published that indicates the economic attractiveness of mining the underground deposit adjacent to the Tulu Kapi open pit, after the start-up of the open pit and after positive cash flows have begun to repay project debts. An area of over 1,000 square kilometres adjacent to Tulu Kapi has been reserved for exploration by KEFI upon commencement of development, with a view to adding satellite deposits to development and production plans.

### **KEFI Minerals in the Kingdom of Saudi Arabia**

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, ARTAR, to explore for gold and associated metals in the Arabian-Nubian Shield. KEFI has a 40% interest in G&M and is the operating partner.

ARTAR, on behalf of G&M, holds over 20 EL applications. ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area.

The Kingdom of Saudi Arabia has announced policies to encourage minerals exploration and development, and KEFI Minerals supports this priority by serving as the technical partner within G&M. ARTAR also serves this government policy as the major partner in G&M, which is one of the early movers in the modern resurgence of the Kingdom's minerals sector.