

11 June 2018

**KEFI Minerals plc**  
**(“KEFI” or the “Company”)**

**Tulu Kapi Gold Project (“Project”)**  
**US\$30 million Project Equity Investment**

KEFI Minerals (AIM: KEFI), the emerging gold producer, is pleased to report that it has reached agreement with an Ethiopian investment syndicate for the proposed acquisition of a 30% ownership interest in KEFI’s wholly-owned subsidiary KEFI Minerals (Ethiopia) Limited (“KME”) and holder of the Company’s interest in the Tulu Kapi Gold Mines Share Company Limited (“TKGM”). Under the proposed terms, which remain subject to final documentation and government approval, the syndicate will invest US\$30 million in local currency (Birr) equivalent of which US\$9 million will be invested in August 2018 and the balance upon closing of project finance.

This will mean that upon closing of project finance, the ownership of the Tulu Kapi Gold Project via TKGM would be circa 23% by the Ethiopian Government and 77% by KME. KME would be owned 70% by KEFI (equivalent of 54% of TKGM) and 30% by the Ethiopian investment syndicate (equivalent of 23% of TKGM).

At approximately US\$1 million per percentage point of ownership, the proposed equity pricing terms for the Ethiopian investment syndicate are broadly consistent with those entered into with the Ethiopian Government for its committed investment of local currency (Birr) equivalent of US\$20 million into TKGM, except that the Ethiopian Government is also entitled to a 5% free-carried interest in TKGM.

These terms are also broadly consistent with actual historical equity investment costs and with Project NPV’s (open pit only) at start of construction of US\$115 million and at start of production of US\$192 million respectively, ignoring the underground deposit and exploration prospects.

KEFI has now assembled the proposed full project funding consortium including contractors, equity and non-equity capital. For the Project to proceed, all stakeholders now rely on closing out the remaining Ethiopian Government processes and approvals, along with completion of due diligence and formal documentation.

The Ethiopian investment syndicate leaders have a record of successful investment in other local enterprises such as hotels and banks, two of the sectors which have grown significantly in the past decade, during which Ethiopia has been amongst the world’s top ten growth countries every year. Subject to the recent progress being maintained by all parties, it is proposed that financial settlement from the Ethiopian investment syndicate will take place in two stages, with the first 30% of their investment closing at the end of August 2018 and the remaining 70% immediately after full project funding is in place. The use of proceeds would be to fund project finance closing, community and development costs.

This project equity proposal reflects KEFI’s commitment to maximum feasible “Ethiopianisation” at every level of its activities in the country. The Federal Ethiopian and Regional Oromia Governments have publicly declared that mining is a top priority and Tulu Kapi is the most advanced modern

mining project in the Oromia region and in Ethiopia generally. The Project, which is designed to comply with national and international environmental and social standards (in particular Equator Principles and World Bank IFC Standards), will be directly employing and training over 1,000 people by the end of 2019 if all goes according to plan, and would generate significant indirect benefits to local and regional stakeholders for the long term, in addition to export revenues of approximately US\$200 million per annum.

In related developments last week, the Tulu Kapi local government community compensation committee commenced the process of allocating the proposed compensation payments to the individual households to be resettled. TKGM also re-affirmed its commitment to the livelihood restoration program for resettled households, its commitment to the community development program set out as part of its mining licence approvals and appointed its senior site services manager to oversee the Company's social performance team for community programs as part of the role.

**Harry Adams, Chairman of KEFI Minerals commented:**

"We are delighted to have agreed terms with the Ethiopian investment syndicate, which further strengthens our alignment with local stakeholders for our Tulu Kapi project. Their investment on roughly the same terms as the Ethiopian Government means that c.46% of the Project equity will now be held by the Ethiopian Government and local investors to complement the other benefits.

"KEFI's remaining c.54% beneficial interest in the Project, along the lines previously foreshadowed, gives the Company an implied valuation of US\$66 million based on these transaction metrics, whilst not including any value for the Tulu Kapi underground deposit or the exploration prospects in Ethiopia and Saudi Arabia, the largest countries within the highly prospective Arabian Nubian Shield where KEFI is focused.

"KEFI has now assembled the proposed full project funding consortium, including contractors, equity and non-equity capital and is expected to move towards full financial close later this year by closing out the remaining Ethiopian Government processes and approvals, along with completion of due diligence and formal documentation. The Company looks forward to updating shareholders on its progress over the coming months."

**Market 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.

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Further information can be viewed at [www.kefi-minerals.com](http://www.kefi-minerals.com)

## **Notes to Editor**

### **KEFI Minerals plc**

KEFI is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.93Moz (100% of Tulu Kapi's 1.72Moz and 40% of Jibal Qutman's 0.73Moz) gold Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI targets that production at these projects generates cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

### **KEFI Minerals in Ethiopia**

#### **Ethiopian Political Developments**

Ethiopia is currently undergoing a fast, smooth and remarkable transformation both politically and economically. Last week, the two month old government announced three major decisions. First, it lifted the three month old state of emergency. Secondly, it accepted the Algiers Agreement peace deal in a bid to end a 20 year stalemate with its neighbour Eritrea. Finally, the Government announced the liberalisation of the economy with the decision to privatise major state owned businesses including Ethiopian Airlines, Ethiopian Telecoms and the Ethiopian Electricity and Power companies.

#### **The Tulu Kapi Gold Project**

The 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 1,100 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, Abdul Rahman Saad Al Rashid & Sons Company Limited ("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.

To date, G&M has conducted preliminary regional reconnaissance and has had five exploration licences ("ELs") granted, including Jibal Qutman and the Hawiah EL that contains over 6km strike length of outcropping gossans developed on altered and mineralised rocks with all the hallmarks of a copper-gold-zinc VHMS deposit.

At Jibal Qutman, Mineral Resources are estimated to total 28.4Mt at 0.80g/t gold for 733,045 contained ounces. The shallow oxide portion of this resource is being evaluated as a low capital expenditure heap-leach mine development.

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.