

10 July 2019

KEFI Minerals plc
(“KEFI” or the “Company”)
Q2 2019 Operational Update

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Federal Democratic Republic of Ethiopia and the Kingdom of Saudi Arabia, is pleased to provide its quarterly operational update.

This update encompasses the activities of KEFI Minerals (Ethiopia) Ltd (“KME”) and Tulu Kapi Gold Mines Share Company (“TKGM”) in Ethiopia, and Gold & Minerals Ltd (“G&M”) in Saudi Arabia for the period from 1 April 2019 to 30 June 2019, together with more recent developments where appropriate.

Any material events have been reported in separate announcements, which are referred to below, in the Company’s recently published 2018 Annual Report and also as presented at the Annual General Meeting (“AGM”) held in London on 28 June 2019. The AGM presentation is available on the Company’s website at <https://www.kefi-minerals.com/news/presentations>.

Tulu Kapi Gold Project in Ethiopia (the “Project”)

Government:

- Since the Prime Ministerial go-ahead for the Project, as announced on 5 March 2019, the final federal policy consent was received from the Ethiopian central bank, as reported in the announcement of 6 June 2019.

Project Financing Activities:

- The total planned Project finding package, as reported in the 2018 Annual Report, is as follows:
 - The Project consortium now includes KEFI, the Government of Ethiopia, the project contractors Lycopodium and Ausdrill, ANS Mining Share Company Limited (“ANS Mining”), and the proposed infrastructure financiers. The finance plan is clear and its execution is subject to the compliance procedures for each party in the relevant jurisdiction.
 - Excluding the past investment of c. US\$55-US\$60 million to the end of 2018 and also excluding the c. US\$50 million mining equipment to be supplied by the mining contractor, the overall US\$242 million funding plan for Tulu Kapi is summarised in the tables below:

Funding Requirements	US\$ millions
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On-site Infrastructure	106.3
Mining	28.6
Off-site Infrastructure	20.0
Owner's Costs (community, working capital, management, spares, contingency,	54.5
Interest during grace and other finance effects	<u>32.8</u>
Aggregate Funding Requirements	242.2

Sources of Funds	US\$ millions
TKGM Project Equity	
- Government	20.0
- ANS Mining	38.0
- KEFI	<u>10.0</u>
Sub-Total	68.0
Working Capital Facility	14.2
Infrastructure Finance	<u>160.0</u>
Aggregate of Funding Sources	242.2

- Further detail on the TKGM Project equity is as follows:
 - The KEFI Project equity contribution has either already been spent or is planned to be sourced from existing working capital facilities or refunds to KEFI on closing of full Project development funding;
 - Ethiopian Government Project equity of US\$20 million (Ethiopian Birr equivalent), has started being deployed for off-site infrastructure in the Tulu Kapi district, as set out in the announcement of 24 June 2019; and
 - Ethiopian private sector partner ANS Mining equity of US\$38 million (Ethiopian Birr equivalent):
 - Injection of the first equity instalment of US\$11.4 million (Ethiopian Birr equivalent) will be made upon satisfaction of certain conditions as detailed in the announcements of 8 April 2019 and 28 June 2019;
 - Several recent security incidents were reported on 28 June 2019, including some elsewhere in the country and also a minor robbery and fire at Tulu Kapi which led to the theft of some exploration equipment

and damaged some drill core. Whilst the Tulu Kapi incident caused minor financial loss and no loss of data, it necessitated the activation of strong measures and checks at site before commencement of resettlement activities along with the commissioning of an updated independent security report prior to the equity closing and then the triggering of community resettlement; and

- The updated independent security report has been arranged to be provided in August 2019 following on from the authorities' rapid and firm response to KEFI's requests for extra security protection and extra local administrative capacity before resettlement starts. KEFI remains confident that the evaluation will not have changed from similar previous independent assessments and that the Project equity closings can complete this quarter and the overall Project timeline will remain unaffected.
- The mandated US\$160 million bond financing awaits the triggering of the balance of its compliance procedures and their associated costs, with full Project finance to close after initial development work has been funded with Project equity.

Tulu Kapi Project development preparations:

- Project development planning has remained focused on production start-up mid-2021.

Saudi Arabia

- Field work has commenced at the Hawiah Exploration Licence, within the Wadi Bidah Mineral District, by the KEFI-operated joint venture, Gold & Minerals Limited, as announced on 21 June 2019.

Corporate

Secured Convertible Working Capital Facility:

- £4 million working capital loan facility (convertible at 2p), has been drawn as to £900,000 of which £450,000 has been already repaid in KEFI shares at 2p;
- The financier agreed to share security with Ethiopian project partner ANS Mining as regards their first equity instalment of US\$11.4 million (Ethiopian Birr equivalent); and
- The facility's maturity date was extended to May 2020 to provide additional flexibility.

Unsecured Working Capital Advances:

- The Company has a long-standing arrangement with certain shareholders (unrelated parties) to provide unsecured advances from time to time and this has only been utilised as to minor amounts.

Shareholder Authorities:

- KEFI Shareholders passed resolutions at its AGM on 28 June 2019 granting authority to the Directors to issue shares under the Secured Convertible Working Capital Facility, to satisfy amounts owed to any third party service providers and also place of up to 10% of the existing share capital. The nominal value of KEFI shares was also reduced to 0.1p per share; and
- The revision to the nominal value and the granting of authorities to the Directors are intended to provide the greatest flexibility to the Directors to help manage the process of full closing of the US\$242 million Tulu Kapi Project financing in the future, rather than for any immediate equity raise.

Ongoing Corporate Costs:

Once TKGM can stand on its own financing-wise, KEFI-borne direct costs are expected to contract back to c. £1 million per annum, excluding exploration.

Tulu Kapi Project Economics:

- The Project economics have improved as a result of the higher gold price outlook:
 - Financing refinements:
 - The latest Project finance plans provide for equity-funding of the first six of a twenty-four-month programme. The important consequence of this is that cash can build up before first lease-payment i.e. cash can build to a projected c. US\$80 million from a projected c. US\$40 million (per the base case assumed gold price of US\$1,300/oz); and
 - Likewise, gold in ore stockpiles are also projected to increase, providing further “margin of safety”.
 - TKGM projected economic statistics have improved markedly with the increased gold price, as announced on 8 April 2019:
 - TKGM’s NPV at today’s gold price of approximately \$1,400/oz and applying an 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 i.e. within the range of 6 to 12 times the current market capitalization of the Company; and
 - These figures ignore the underground deposit and exploration assets.

Major Milestones Targeted for 2019

The Tulu Kapi Gold Project, Ethiopia:

- Update of the independent assessment of security and readiness of community and local administration, to ensure compliance with local laws and World Bank IFC Standards;
- Project equity closing of first instalment US\$11.4 million (Ethiopian Birr equivalent);
- Community resettlement triggered and subsequently completed;
- Construction contracts commenced for off-site infrastructure for roads and power and subsequent mobilisation to field for construction, financed by project equity;
- Start updating front end engineering and design for on-site infrastructure;
- Start and completion of compliance procedures for Project infrastructure finance implementation;
- Mobilisation of contractors for bulk earthworks, financed by project equity

Hawiah Exploration Project, Saudi Arabia:

- Completion of satellite multi-spectral and ground geophysical surveys, followed by scout drilling of a large copper-gold target.

Investor Webinar

The Company will host a live webinar in August 2019 and details will be provided in due course.

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.

Enquiries

KEFI Minerals plc

Harry Anagnostaras-Adams (Managing Director)

+357 99457843

John Leach (Finance Director)

+357 99208130

SP Angel Corporate Finance LLP (Nominated Adviser and Joint Broker) +44 20 3470 0470

Jeff Keating, Soltan Tagiev

Brandon Hill Capital Ltd (Joint Broker) +44 20 7936 5200

Oliver Stansfield, Jonathan Evans

SVS Securities Plc (Joint Broker) +44 (0) 203 700 0078

Tom Curran / Ben Tadd

IFC Advisory Ltd (Financial PR and IR) +44 20 3934 6630

Tim Metcalfe, Heather Armstrong

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.