

24 January 2024

**KEFI Gold and Copper plc**

("KEFI" or the "Company")

**Q4 2023 Quarterly Operational Update**

***Ethiopia - Tulu Kapi Gold progressing towards launch***

***Saudi Arabia – Jibal Qutman Gold development scenarios being reviewed, Hawiah - development studies progress, regional exploration progress***

KEFI (AIM: KEFI), the gold and copper exploration and development company, has focused on the Arabian-Nubian Shield since 2008, assembling a pipeline of projects in the Kingdom of Saudi Arabia and in the Federal Democratic Republic of Ethiopia, with the most advanced being the shovel-ready, high-grade Tulu Kapi Gold Project ("Tulu Kapi") in Ethiopia which is being prepared for its launch.

We are pleased to provide this operational update covering the three months to 31 December 2023 and more recent developments. This update encompasses the activities of the Company, as well as wholly owned KEFI Minerals (Ethiopia) Ltd ("KME"), majority-owned Tulu Kapi Gold Mines Share Company ("TKGM") in Ethiopia, and minority-owned Gold & Minerals Ltd ("GMCO") in Saudi Arabia.

**ETHIOPIA**

***Tulu Kapi Gold Project (currently 95%-owned but planned to reduce to c.70% at finance closing)***

The three critical conditions precedent for project financing and launch, all requiring government regulatory confirmations, were achieved by October 2023:

- Central bank exemptions from exchange and capital controls, announced in October 2023;
- Government security protection for strategic mining projects, announced earlier in 2023; and
- Finance Ministry approval of country membership for AFC, announced earlier in 2023

Conditional final Credit Committee approval by the lead lender has been granted, as announced on 10 January 2024, following the Ethiopian Government's commitment to reinforce security protection as requested at stakeholder workshops in early December 2023.

Detailed definitive agreements for the project financing are in near-final form with contractors, equity investors and government agencies. Those for the lenders have also been drafted, but await credit committee approval by the co-lender before finalisation.

Independent confirmation was received of compliance with international banking standards with regard to:

- updated technical due diligence; and
- appropriate preparations to date as regards security

As previously reported (see Q3 2023 Operational Update announced on 31 October 2023), to facilitate equity investor analyses (as compared with the lender-dominated analyses regularly reported in respect of the open-pit), the financial projections were updated to reflect the Company's business plan:

- Development of the underground deposit so that it begins to contribute to production as from Production Year 3;
- Processing of the low-grade stockpiles at end of mine life;

- Equity analysts' consensus long-term gold prices (as per Standard and Poor's) now at US\$1,862/oz;
- Lifting the process rate by 20% to c. 2.4Mtpa; and
- The intention to refinance the debt package with conventional corporate finance during the third year of production, at which point the more expensive components of start-up finance would be repaid.

The summary metrics are tabulated below and will be further refined during construction at Tulu Kapi alongside in-fill grade control drilling for the open pit and some deep-drilling of the underground resource, the last drill-hole in which was 90m at c.3 grammes per tonne gold.

	Gold Price US\$1,862/oz	Gold Price US\$2,020/oz
<b>NPV, IRR &amp; Valuation</b>		
Leveraged IRR @ construction start	36%	43%
Leveraged NPV8% @ construction start	US\$288.6m	US\$377.4m
Leveraged NPV8% @ production start	US\$480.4m	US\$588.0m
EBITDA (average of first three production years)	US\$166.8m	US\$192.3m
Enterprise valuation @ 3.5x EBITDA	US\$583.6m	US\$673.1m
<b>Cash Cost Metrics</b>		
AISC (US\$/oz)	US\$908	US\$919
AIC (US\$/oz)	US\$1,138	US\$1,149
Breakeven cost (inc everything e.g. debt repayment, taxes etc) – US\$/oz	US\$1,239	US\$1,282
<b>Cash Balances &amp; Inventory</b>		
Cash built up in TK over life of mine	US\$667.9m	US\$812.4m
Cash at bank in TKGGM at end of year three	US\$72.4m	US\$94.8m
US\$ gold content of ore on hand at end of production year three	US\$51.4m	US\$55.7m

Footnote: These metrics reflect initial modest contribution from the underground mine, based on current indicated resources. As the orebody remains open, the finalised plans will in due course reflect a higher expected contribution from the underground mine. In addition, we exclude herein the possibility of any contribution from the satellite prospects that require follow-up exploration.

## **SAUDI ARABIA (25% owned GMCO joint venture)**

### ***Jibal Qutman Gold and Hawiah Copper-Gold Development Projects***

These two discoveries are undergoing Feasibility Studies for development, targeting commitments in 2024 and 2026 respectively.

Progress continued during Q4 2023:

- Drilling programmes (drilling to date is 81,000m at Jibal Qutman and 101,000m at Hawiah ), to date focused primarily on establishing and upgrading Mineral Resource and declaring maiden Ore Reserves. Today the GMCO board is focused on selection of the preferred development plans.
- A comprehensive exploration update (previous update was announced 6 September 2023) is being assembled for publication shortly;

- Metallurgical testing for selection of preferred process flowsheet;
- Geotechnical and hydrological drilling programmes for mine planning;
- Initial mine planning;
- Environmental and social responsibility plans for permitting;
- Trenching programme over the planned locations for infrastructure to ensure no mineralisation;
- Evaluation water source alternatives;
- Electricity cost optimisation studies;
- Costings of capex and opex; and
- Completion of the initial accommodation and works compound at site.

## **KEFI GROUP**

### ***Group Development Plan***

- The planned KEFI project development sequencing remains as follows:
  - We have triggered the staged launch of the Tulu Kapi open-pit development in Ethiopia for build-up to full construction during H1-2024, starting commissioning eighteen months later and full production mid-2026;  
Then
  - H2-2024 launch Jibal Qutman open-pit development in Saudi Arabia based on 2023/24 reserves and resources and targeting first production 2026;  
Then
  - 2026 launch of the Hawiah development in Saudi Arabia for first production to follow that in Tulu Kapi and Jibal Qutman;  
And then
  - Launch of underground mine development at Tulu Kapi.

### ***Group Metrics***

Aggregate Mineral Resources across all three projects are 4.7 million ounces of gold-equivalent in-situ, of which KEFI's beneficial interest is 2.0 million ounces.

Aggregate annual production from the three advanced projects is currently projected at 340,000 ounces of gold-equivalent, of which 149,000 ounces is KEFI's beneficial interest, over an initial seven-year period.

The Tulu Kapi open pit is already bankable with a 1 million ounce Ore Reserve. Combined with the first preliminary planned 250,000 ounce minable resource contribution from the underground mine. Tulu Kapi open pit is planned to produce c.144,000 ounces gold per annum at start-up throughput rate. By lifting process-plant throughput by 20% to 2.4 million tonnes per annum and feeding in the underground and low-grade stockpiles, production would be c.165,000 ounces gold per annum at an All-In-Sustaining Costs of c.US\$908 per ounce, assuming a gold price of US\$1,862/oz. At those same prices, this provides Net Operating Cash Flow of US\$141 million per annum (100% basis) for the first seven full years of production.

### ***Group Working Capital***

The Company working capital requirements are currently being met through:

- ARTAR funding KEFI's GMCO joint venture contributions whilst we optimise plans for our first development at Jibal Qutman by mid 2024. We currently owe c. £3.5 million to ARTAR and intend to settle the amount owing in due course rather than be further diluted in the GMCO Joint Venture.
- Unsecured advances being provided by a UK-based lender, for general working capital, as implemented regularly in recent years. As of December 31, 2023, the advanced amount stood at £1.5 million.

### **Group Exploration Project Pipeline**

#### ***Ethiopia Project Pipeline***

Regional exploration: subsidiary KME lodged applications for exploration licences over other areas in Ethiopia prospective for gold, base metals and lithium.

In addition, we have commenced administrative proceedings in respect of our long-standing proximal Exploration Licences ("ELs") surrounding the Tulu Kapi Project Mining Licence area, in order to continue exploration programmes and community development which have always complemented the Tulu Kapi project. During an overhaul of the title-regulatory system in 2022, these ELs were over-pegged by a Hong Kong shell company owned by a British Virgin Islands shell company. We are confident that this situation can be resolved satisfactorily.

#### ***Saudi Project Pipeline***

Following the expansion of GMCO's exploration portfolio covering four project areas of more than 1,000km<sup>2</sup>, regional exploration teams have mobilised to the new ELs. As was the case at Jibal Qutman and Hawiah, many of these ELs have abundant evidence of historical workings and surface expression of mineralisation.

#### ***Corporate Presentation***

KEFI will be presenting at 121 Mining Investment Cape Town, South Africa, on 5 February 2024. The presentation to be delivered is available on the Company's website: <https://www.kefi-goldandcopper.com>.

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

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

### **Enquiries**

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