

16 July 2020

KEFI Minerals plc

("KEFI" or the "Company")

Positive Developments in Saudi Arabia

*Material increase in Maiden Hawiah Resource now expected*

*Saudi Arabia's Cabinet Approves New Mining Law*

#### Highlights

- Larger maiden resource of c. 20 million tonnes now expected in August 2020, an increase of 66% from the previous target of 12 million tonnes
- This is based on completion of the first 9 months drilling and subsequent analyses and interpretation, covering a strike of over 4km to a depth of up to 350m
- Hawiah remains open along strike and depth, where some higher grade intercepts have also been encountered, for further follow-up
- Expected average copper equivalent grade of c. 2% copper, representing c. 400,000 tonnes of contained metal, with an in situ value in excess of US\$2.5bn at current market prices
- Saudi Cabinet recently approved new mining investment law, which should help unlock value at KEFI's additional Saudi projects, including the Jibal Qutman Gold Project

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 an update on the Company's activities in Saudi Arabia. KEFI's operations in Saudi Arabia are conducted through its 34% owned joint venture company, Gold and Minerals Co. Limited ("G&M"), where KEFI is the operating partner.

#### Hawiah Maiden Resource

Following the completion of the first 12,000m diamond drilling programme at Hawiah in May 2020, the work required to estimate the initial Hawiah Mineral Resource is now well underway with the maiden resource expected to be published in August 2020.

Diamond drilling undertaken by G&M since September 2019 has consistently intersected copper-zinc-gold-silver mineralisation contained within massive sulphide, across more than 4 kilometres of strike length. This drilling has allowed for the definition of three distinct zones, or lodes, within this strike length of the massive sulphide structure, which are the focus of the maiden resource.

KEFI previously advised in February 2020, that the combined volumes of these three lodes in the sub-vertical structure drilled to date was likely to exceed 12 million tonnes. The wireframes constructed for the Mineral Resource Estimate ("MRE") now indicate that the combined tonnage of the massive sulphide lodes will likely be in the region of 20 million tonnes. The Hawiah deposit has only been tested to a vertical depth of 350m and remains open at depth and along strike. Increasing copper grades intersected in the deepest drill hole at the Camp Lode indicate an excellent opportunity to add additional high-grade copper-gold resources during the next phase of drilling.

Copper will contribute the majority of potential revenue at Hawiah, therefore it is useful to convert the copper-zinc-gold-silver grades into a copper-equivalent grade. At current metal prices and an estimated average grade of c. 2% insitu copper-equivalent, the Hawiah deposit is estimated to contain the equivalent in-situ value of approximately 400,000 tonnes of copper within the three delineated massive sulphide lodes.

Despite a number of challenges brought on by the COVID-19 pandemic, good progress has continued to be made on the block modelling and resource development, following what was a highly successful drilling campaign. The maiden Hawiah resource estimate is expected to be released in August 2020, following the lifting of certain COVID-19 related restrictions.

### **Saudi Arabia New Mining Law**

KEFI notes and welcomes the approval by the Saudi Arabian Cabinet in June 2020 of a new Mining Investment Law which is aimed at boosting the country's mining industry and is part of Saudi Arabia's plan to diversify its economy away from hydrocarbons. The Company also welcomes the expanded role of the Saudi Investment Development Fund specifically to support mining project finance.

This new regulatory impetus is expected to also help clarify the path forward to unlock value from KEFI's Saudi gold discovery at Jibal Qutman, which has been on hold awaiting Mining Licence tenure confirmation. An Internal Preliminary Economic Assessment in 2015 suggesting estimated operating costs of c. US\$600/oz and estimated capital expenditure of US\$30 million demonstrate that Jibal Qutman's Mineral Resources, totalling 733,000 ounces of near-surface gold, should be highly profitable in the current gold price environment.

**Harry Anagnostaras-Adams, Executive Chairman of KEFI, commented:** "KEFI and our G&M partner ARTAR look forward to participating in the development and expansion of the Saudi Arabian minerals sector, which the Saudi Government has made a national strategic priority. The recent approval by the Saudi Cabinet of the new mining investment law is a very positive development for our Hawiah (copper-gold) and Jibal Qutman (gold) projects in Saudi Arabia.

"The Hawiah deposit is shaping up to have similar mix of metals and to be a larger deposit than the nearby operating Al-Masane underground mine in southwest Saudi Arabia.

"We look forward to releasing the initial Hawiah Mineral Resource in August and thus providing further confirmation that our valuable Hawiah deposit has the scale and grades for a potential long-life, profitable mine. At current copper prices, it is notable that the in-situ value of Hawiah is already likely to be more than US\$2.5 billion."

### **Q2 2020 Operational Update**

The Company will issue its regular quarterly operational update, covering Q2 2020, before the end of July. The Company will also conduct its quarterly shareholder webinar on 30 July 2020, the details of which will be announced closer to the time.

### **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

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## Competent Person Statement

The information in this announcement that relates to exploration results is based on information compiled by Mr Tomos Bryan and Mr Jeffrey Rayner, respectively Exploration Manager G&M and Exploration Adviser to KEFI, Mr Bryan is a member of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and Mr Rayner is a Member of the Australian Institute of Geoscientists (“AIG”). Mr Bryan and Mr Rayner are geologists with sufficient relevant experience for Company reporting to qualify as a Competent Person as defined in the JORC Code 2012. Mr Bryan and Mr Rayner consent to the inclusion in this report of the matters based on this information in the form and context in which it appears.

## Background - Hawiah

Hawiah is located within the Wadi Bidah Mineral District (“WBMD”) in the southwest of the Arabian Shield. The WBMD is a 120-kilometre-long belt which hosts over 24 Volcanic Massive Sulphide (“VMS”) known occurrences and historic workings for copper and gold.

G&M commenced drilling at Hawiah in September 2019 and quickly confirmed that large-scale VMS style of mineralisation underlies the gossanous ridgeline at its Hawiah licence.

Three distinct copper-zinc-gold-silver massive sulphide lodes have been consistently intercepted in drilling over more than 4 kilometres of strike length, with metre intercepts of up to 5% copper equivalent.

G&M has appointed an Independent Competent Person to assist in the estimation of a maiden Mineral Resource Estimate (“MRE”) and Preliminary Economic Assessment (“PEA”). These studies will facilitate the planning of exploration and potential development activities at Hawiah.

A total of 69 diamond drill holes in the first phase drill programme have identified three lodes with the following preliminary parameters, all zones remain open at depth:

- The ‘Camp Lode’: 1.2 kilometres long has an average width of 7 metres and a widest intersection of 20 metres at a depth of 90 metres. The lode has been drilled to 300 metres depth, where an intercept of 7.5 metres true width of massive sulphide remains open for resource expansion;

- The 'Crossroads Lodes': 1 kilometre long, with an average width of 5 metres and a widest intersection of 8 metres true width. This lode has been explored to a maximum vertical depth of only 170 metres where 7 metres of massive sulphide was intersected; and
- The 'Crossroads Extension Lode': 0.8 kilometres long, with an average width of 5 metres and a widest intersection of 12 metres true width. This lode has been explored to a maximum vertical depth of 350 metres where 9 metres of massive sulphide was intersected, open at depth.

*NB – strike lengths are given along surface at a constant Reduced Level (RL).*

Drilling spans over 4 kilometres of strike length at a drill spacing on the Camp and Crossroads Lodes at approximately 150 x 150 metres. Only a few short scout holes have been drilled into the Central Area.

Assay results have been impacted by COVID 19 travel and operation restrictions, however weighted averages of assay results indicate the following approximate grades within these lodes:

- Camp Lode: Copper 1.27%; Zinc 0.9%; Gold 0.5g/t and Silver 9.4g/t over an average true width of 7 metres, approximately 2.12% copper-equivalent at current spot prices;
- Crossroads Lode: Copper 1.0%; Zinc 0.9%; Gold 0.6g/t and Silver 11.3g/t over an average true width of 5m; approximately 2.01% copper-equivalent at current spot prices; and
- Crossroads Extension: Copper 0.6%; Zinc 0.9%; Gold 0.73 g/t and silver 10.48g/t over an average width of 5m; approximately 1.7% copper-equivalent at current spot prices.

The combined volume of these lodes in the sub-vertical structure is considered likely to exceed the 12 million tonnes reported on 27 February 2020 and is now expected to reach 20 million tonnes during Block Model resource estimation.

For the purposes of indicating the potential relative importance for KEFI shareholders, at an assumed approximate grade of 2.0% copper-equivalent, which initial assay results support, the February in-situ metal content of a 12 million tonne resource at current metal prices would approximate the in-situ metal content of the one million ounce Ore Reserve in the planned open-pit mine at KEFI's Tulu Kapi Gold Project in Ethiopia.

Exploration potential remains significant at depth below all areas. The down-dip continuation of Camp Lode is of particular interest with the deepest two holes, HWD\_005 returning 1.27% Copper over a true width of 9 metres and HWD\_059 returning 1.55% Copper over a true width of 8.7 metres.

Drilling has also extended the gold-mineralised oxide zone from surface trench results:

- Surface trenches reported encouraging gold grades in 2015 before the field programme was suspended at that time for since-resolved security and regulatory obstacles; and
- Initial shallow oxide drilling has returned an average grade of 1.7g/t gold across 7 drill holes to an average vertical depth of 35m.

A Preliminary Economic Assessment is planned to be completed shortly after the initial Mineral Resource Estimate is finalised.

VMS deposits are major sources of copper-lead-zinc-gold-silver ore bodies. Examples of large VMS deposits in the Arabian-Nubian Shield include:

- Eritrea - Bisha (Nevsun/Zijin) and Asmara (Sichuan Road and Bridge Mining Investment Development) deposits;
- Sudan - Hassaii (Ariab) deposits; and
- Saudi Arabia - Jabal Sayid (Barrick and Ma'aden) and Al Masane (Al Kobra Mining) deposits.

The Hawiah EL and surrounding under-explored WBMD are considered to be very prospective for copper-gold VMS deposits.

### **Background – Jibal Qutman**

The Jibal Qutman Exploration Licence (“EL”) was granted in July 2012. KEFI advanced this project from grassroots exploration to a Preliminary Economic Assessment stage in 2015. Jibal Qutman is located in the central southern region of the Arabian Shield and covers an area of 99 square kilometres. The EL covers an important part of the prospective Nabitah-Tathlith Fault Zone, a 300 kilometre-long structure with over 40 gold occurrences and ancient gold mines documented by the United States Geological Survey and French Geological Survey in the 1970’s to 1990’s.

Drilling undertaken by G&M identified gold resources in six areas at Jibal Qutman; Main Zone, West Zone, South Zone, 3K Hill, 4K Hill and Red Hill. Given the established regional prospectivity for shallow oxide gold deposits, EL applications have been prepared for four additional areas near Jibal Qutman. These applications are pending the overhaul of mining and exploration regulations and also the review by the Defence Ministry of activities in that area.

Upon proceeding at Jibal Qutman, G&M will initially focus on further testing the feasibility of developing a small heap-leach operation to self-fund G&M’s exploration activities in Saudi Arabia.

The current Mineral Resource Estimate for Jibal Qutman totals 28.4 million tonnes at 0.80g/t gold, containing 733,045 ounces.

The oxide gold mineralisation contained in the above Mineral Resource is estimated to total 11.1 million tonnes at 0.80g/t gold, containing 287,000 ounces.

Metallurgical test work has confirmed that Jibal Qutman oxide mineralisation is amenable to heap leach (“HL”) processing. Accordingly, the Company is focusing on initially producing gold via an open cut HL operation. The HL approach has the advantages of speeding up the potential development timetable and lowering capital requirements.

Key outcomes from an internal Preliminary Economic Assessment for Jibal Qutman in May 2015 were:

- 1.5Mtpa HL operation;
- Gold production c.140,000 ounces over an initial mine life of four to five years;

- Oxide open-pit optimisation studies show a potential mineable resource of 6.6 million tonnes at 0.95g/t gold, for c.200,000 contained ounces;
- Waste:ore ratio of c. 2:1;
- Average gold recovery of +70%;
- Cash operating cost of US\$600/ounce; and
- Capital expenditure of US\$30 million.

Combined with the potential for development loans up to 75% of capex requirements, it may be possible for KEFI to fund its share of the equity portion for less than US\$5 million.

Following on-site meetings with regulators, the Mining Licence Application for the Jibal Qutman HL gold development was lodged with the Saudi Government in March 2017.

## **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 Gold & Minerals Limited ("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 37.5%% interest in G&M and is the operating partner.

ARTAR, on behalf of G&M, holds over 16 Exploration Licence (EL) applications pending the introduction of the new Mining Law. 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.