

28 July 2020

KEFI Minerals plc

(“KEFI” or the “Company”)

Q2 2020 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 latest 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 2020 to 30 June 2020 (“Q2”), together with more recent developments where appropriate.

Any material events have already been reported in separate announcements, which are referred to below.

Key business targets preserved despite COVID-19 restrictions

KEFI remains focused on achieving the key targets set out in February 2020. These are to:

- allow major site activities to start for the Company’s Tulu Kapi Gold Project (the “Project” or “Tulu Kapi”) in Ethiopia from October 2020; and
- to deliver a maiden Mineral Resource for the Hawiah Project in Saudi Arabia, scheduled for August 2020.

Harry Anagnostaras-Adams, Executive Chairman of KEFI, commented:

“We are very fortunate that the strengthening gold price continues to highlight the strong investment case for Tulu Kapi to both investors and the Ethiopian Government. The Directors and various industry experts consider the outlook for the gold price to continue to be positive, as interest rates remain near zero and COVID-19 responses increase government debt to unprecedented levels.

“Tulu Kapi is the first modern mine development in Ethiopia for decades and we could not ask for a more committed community and Government. This Project is a national priority and will be the largest single export generator for Africa’s highest growth country.

“Given the robust economics of the Project we have received significant interest to potentially provide the outstanding asset level equity and other forms of duly subordinated investment.

“Our discussions are progressing with Ethiopian investors and international specialist mining financiers, with the aim of securing the required Project equity ahead of closing the full financing package in October 2020.

“We are also encouraged by the recent approval by the Saudi Cabinet of a new mining investment law, which is a very positive development for our two other advanced projects - Hawiah (copper-gold) and Jibal Qutman (gold) projects in Saudi Arabia.

“We look forward to releasing the initial Hawiah Mineral Resource in August 2020 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.”

Ethiopia – Focus on development funding for the Tulu Kapi Gold Project

TKGM remains focused on the preparations and subsequent completion of the outlined finance milestones to ensure the closing of full Project funding in October 2020 and for gold production to commence in 2022, in line with recent guidance.

As previously reported, despite COVID-19, the implementation of the Project development activities has continued as planned. This includes long-lead activities such as:

- commencement of infrastructure for connection of roads and power, with the road now being built into new host lands for Tulu Kapi residents to be resettled; and
- process plant Front-End-Engineering-and-Design (“FEED”) was completed by principal contractors Lycopodium Limited (“Lycopodium”).

Earlier in the year, capital expenditure, operating and financing requirements were updated and incorporated into the final 2020 Tulu Kapi Plan. Total Project funding requirements are now US\$221 million, compared with US\$242 reported in the 2018 Annual Report.

Funding sources are planned to be approximately half as senior debt (US\$110 million) and half as Project level equity, which for these purposes includes any subordinated debt and offtake facilities (US\$111 million).

The 2020 Tulu Kapi Plan re-affirmed the Project’s gold production averaging 140,000 ounces per annum for 8 years from the planned open pit.

The spot gold price is currently more than US\$800/oz higher than our Ore Reserves assumption of US\$1,098/oz and US\$600/oz higher than our base case assumption of US\$1,300/oz used for financing plans.

As announced on 19 June 2010, the strong Project fundamentals are summarised below at different gold prices, based on the 2020 Tulu Kapi Plan for the open pit added to that of the PEA-based NPV of the underground project. NPV’s are based on after-debt and after-tax cash flows discounted at 8% from the viewpoint of KEFI shareholders as at today.

Tulu Kapi Gold Project	Assumed Long-Term Gold Price		
	US\$1,400/oz	US\$1,700/oz	US\$2,000/oz
IRR for Open Pit Only	29%	52%	70%
All-in Sustaining Costs (“AISC”) – USD/oz	856	877	898
All-in Costs (“AIC”) – USD/oz	1,066	1,087	1,108
Average EBITDA for 100% of Project (USD Millions)	79	111	148
NPV’s for 100% of Project			
USD Millions	236	422	607
GBP Millions	189	337	485
NPV’s for 45% of Project			
USD Millions	105	180	273
GBP Millions	85	152	218

The value-indicators set out above with ranges of £85-218 million exclude KEFI's two other advanced projects - Hawiah (copper-gold) and Jibal Qutman (gold) projects in Saudi Arabia and compare favourably with the Company's current market capitalisation of approximately £34 million.

These illustrative NPV's are shown for 100% of the Project and for KEFI's base case assumed 45% beneficial interest (being 80% of KME which is planned to own 56% of TKGM).

As announced on 1 July 2020, based on discussions and proposals received to date from Specialist Mining Financiers and Ethiopian investors, TKGM is now also seeking to potentially reduce the number of shares it issues to any third party by increasing the amount of funds raised by TKGM from the Specialist Mining Financiers in other acceptable forms, and by doing so increasing existing shareholders' ultimate beneficial interest in TKGM. If successful, this would have the effect of increasing KEFI's beneficial interest in TKGM above the planned base case level of 45%.

Saudi Arabia – Initial copper-gold-zinc-silver Resource imminent for Hawiah Project

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 Estimate ("MRE") is now expected to be finalised and 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. The wireframes constructed for the MRE currently indicate that the combined tonnage of the three defined massive sulphide lodes is likely to be in the region of 20 million tonnes before being constrained for preliminary design of the selected mining zones. The Hawiah deposit has only been drilled 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 we estimated average grade of c. 2% in-situ copper-equivalent for the expected mining zones.

A preliminary economic assessment ("PEA") is planned to be completed after the initial Mineral Resource is finalised.

Saudi Arabia - New mining law also positive for the Jibal Qutman Gold Project

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.

KEFI corporate requirements adjusted to reflect the current environment

During the quarter, KEFI reduced its short-term expenditure by:

- adjusting parts of the TKGM budget, whilst preserving key business targets;
- diluting from 38% to 34% of Saudi joint-venture company Gold and Minerals Limited ("G&M") by not contributing its pro rata share of expenses to G&M in H1 2020. Given the positive results seen to date from the current drilling programme, KEFI expects to fund its pro rata share going forward;
- a decision by the KEFI Board and senior executives not to draw any salaries whilst plans were reviewed and adjusted in light of the pandemic; and
- ongoing salary reductions by senior management of 25%, pending progress reviews.

KEFI encourages investment in Company's shares by the Board and Senior Management. They have, in aggregate, invested more into Company shares since KEFI took control of the Project in 2014 than they have, in aggregate, received as cash remuneration.

As announced on 11 May 2020, KEFI arranged an equity placing for £3.7 million (gross) to maintain Project preparations despite the challenges created by COVID-19, including the delays in Project-level equity funding from the Ethiopian private sector.

As announced on 20 July 2020, Mr Adam Taylor was appointed as a Non-executive Director of the Company following the recent investment in the Company by RAB Capital, an international investment company, which holds approximately 12% of the Company's issued share capital. RAB Capital is viewed as a long-term shareholder and has been granted a right to nominate a director to the Board of the Company for as long as RAB Capital's interest remains at 10% or above.

Investor Webinar

The Company will host a live webinar at 9am British Summer Time on Thursday 30 July 2020, which can be accessed via:

<https://webcasting.brrmedia.co.uk/broadcast/5f1e93dd864c395ee4bb2a3b>

Shareholders are encouraged to submit questions by emailing: questions@brrmedia.co.uk

The webinar will subsequently be available on the Company's website at:

<http://www.kefi-minerals.com/news/webcasts>.

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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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 34% 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.