

30 October 2019

KEFI Minerals plc

(“KEFI” or the “Company”)

Q3 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 July 2019 to 30 September 2019 (“Q3”), together with more recent developments where appropriate.

Any material events have been reported in separate announcements, which are referred to below along with appropriate updates.

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

Overall Status

As announced on 29 October 2019:

- KEFI confirms the receipt by TKGM of all the Government permits and independent consultants reports required for closing the Project equity financing and triggering the development of the Project. The only outstanding matter now is for the Ethiopian Government to resolve certain internal administrative matters.
- KEFI has also received re-confirmation from its partners, and TKGM from its contractors, of their respective commitments to proceed as soon as the Government has resolved its internal administrative arrangements in a manner which does not impede other shareholders’ protections.
- The Company understands that meetings are taking place daily within the Ethiopian Government to resolve these internal matters which pertain to how it manages its shareholding in TKGM – a high-profile public-private partnership in a new industrial sector for the country. As previously reported by the Company, the budget for the Project investment has already been approved by the Ethiopian Parliament and the associated infrastructure work for which it pays has already commenced. TKGM has the potential to be the largest single export-generator for Ethiopia.
- The Minister for Mines and Petroleum of the Federal Democratic Republic of Ethiopia, Dr Samuel Urkato, has confirmed to KEFI that the Government is keen to proceed with the Project and has authorised the Company to report to its shareholders that: *“The Tulu Kapi project remains of the highest priority for the Government at all levels and that there is just one outstanding administrative matter, internal to the Government, which will be resolved shortly, so that the development may commence.”*

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 announced on 6 June 2019.
- All local Government approvals have been received for starting development.

Project Financing Activities:

- The finance plan is clear and its execution is subject to the compliance procedures for each party in the relevant jurisdiction.
- As reported in the 2018 Annual Report, published in June 2019, the overall US\$242 million funding plan for Tulu Kapi is summarised in the tables below, which excludes the past investment of c. US\$60 million to the end of 2018 and also excludes the c. US\$50 million of mining equipment to be supplied by the mining contractor,

Funding Requirements	US\$ millions
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 (excluding pre-2019 investment US\$60 million)	<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

- As reported on 29 October 2019 KEFI has also received re-confirmation from its partners, and TKGM from its contractors, of their respective commitments to proceed as soon as the Government has resolved its internal administrative arrangements in a manner which does not impede other shareholders' protections.
- The mandated US\$160 million bond financing awaits the triggering by TKGM 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. This remains the plan and bank project finance interest has returned to Ethiopia and to the Project after the country's transformational improvements since early 2018, serving to further mitigate project financing risk for TKGM.

Tulu Kapi Project development preparations:

- Project development planning remains focused on production start-up in mid-2021.
- 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 security measures at site and surrounding district before commencement of resettlement activities. These security measures have been carried out and more recent regional unrest had no effect on the site and district.

Saudi Arabia

- Field work commenced during Q3 at the Hawiah Exploration Licence, within the Wadi Bidah Mineral District, by the KEFI-operated joint venture, G&M, as announced on 21 June 2019.
- As announced on 23 October 2019, the first drill hole followed geophysical and other surveys from the surface and intercepted a 15.8 metre interval (true width estimated at 8 metres) of massive sulphide at a vertical depth of 125 metres. Assay results are pending for this hole and will be reported in due course.
- The massive sulphide interval dominantly contained pyrite and chalcopyrite (a principal ore for copper), and minor bornite, with associated alteration and lithology consistent with that of a Volcanic Massive Sulphide ("VMS") system.

- This initial intersection confirms that VMS mineralisation is the source of the previously reported 5.5km long geophysical anomaly and that the mineralisation is copper bearing.
- The ongoing 2,500 metre diamond-drilling programme is designed to test this geological model and the geometry of both the near surface oxide gold mineralisation and massive sulphide copper target at depth.

Corporate

New Non-Executive Director

- As announced on 22 August 2019, Mr Richard Robinson has been appointed as a Non-Executive Director of the Company. Mr Robinson has been involved for over 40 years in the international gold, platinum, base metal and coal industries. He spent over 20 years at Gold Fields of South Africa Ltd ("GFSA") where he had executive responsibility for gold operations, gold exploration, international operations, the base metals and coal operations, and all the group commercial activities.

Restructuring of Working Capital Convertible Loan Facility:

- As announced on 5 August 2019, the Company's working capital loan facility was restructured (the "New Loan Facility") to provide greater flexibility to the Company by removing the existing security charges over assets and extending the loan maturity dates.
- As at 28 October 2019 a total of:
 - £1.75 million has been drawn under the New Loan Facility with £0.5 million remaining to be drawn in the facility and £1.6 million remaining to be drawn under the previous Loan Facility; and
 - £1.19 million of the New Loan Facility has been repaid by issuing 156,400,505 KEFI shares and no amounts are owed under the previous Loan Facility.

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.

Ongoing Corporate Costs:

Once TKGM can stand on its own financially, 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 the first lease-payment: and
- Likewise, gold in ore stockpiles can also build up further, 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 \$1,500/oz and applying an 8% discount rate, is £167 million (US\$212 million) at start of construction and £239 million (US\$303 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 £108 million (US\$137 million) at US\$1,500/oz at start of production in 2021 i.e. within the range of 6 to 17 times the current market capitalisation of the Company of c.£6 million (US\$8 million); and
 - These figures ignore the underground deposit and exploration assets.

Major Milestones Targeted for 2019

The Tulu Kapi Gold Project, Ethiopia:

- Project equity closing of the first instalment US\$11.4 million (Ethiopian Birr equivalent);
- Community resettlement triggered;
- Tenders awarded for construction of off-site infrastructure for roads and power, financed by project equity;
- Start to update front end engineering and design for on-site infrastructure and commence procurement long-lead items;
- Start compliance procedures for Project infrastructure finance implementation phase; and
- Short-listing of contractors for bulk earthworks (part of on-site infrastructure), to be financed by Project equity.

Hawiah Exploration Project, Saudi Arabia:

- Complete scout drilling of a large copper-gold target.

Investor Webinar

The Company will host a live webinar at 2pm London time today, 30 October 2019, which can be accessed via:

<https://webcasting.brrmedia.co.uk/broadcast/5d91f4e3cbe3ca44a572e3f9>

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 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.

