

**23 October 2020**

**KEFI Gold and Copper plc**

**(“KEFI” or the “Company”)**

**Q3 2020 Operational Update**

KEFI (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 July 2020 to 30 September 2020 (“Q3”), together with more recent developments where appropriate.

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

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

*“I am delighted our Tulu Kapi funding consortium has recently been finalised and the overall Project timetable of targeting production start-up in Q4 2022 has been maintained.*

*“The improved gold price outlook and our negotiations over the past few months have switched KEFI’s focus from owning 45% of a 140,000 oz p.a. operation to potentially owning c.65% of 190,000 oz p.a. operation, essentially doubling KEFI’s beneficial interest in Tulu Kapi in terms of net production per annum.*

*“I’m also delighted that the maiden Mineral Resource and Preliminary Economic Assessment (“PEA”) for our Hawiah Project in Saudi Arabia were both delivered during the quarter. The positive Hawiah PEA demonstrates how far this project has advanced after only seven months of initial drilling.”*

***Ethiopia – Funding consortium for the Tulu Kapi Gold Project finalised***

On 22 October 2020, KEFI announced that it had assembled the full funding consortium and set the conditional terms for the development funding package of c.US\$221 million for the Company’s flagship Tulu Kapi Gold Project (the “Project” or “Tulu Kapi”).

The Project finance structure now comprises KEFI’s Government Partners (both the Federal Government of Ethiopia and the Regional Government of Oromia), leading African banks as Mandated Senior Project Lenders (Eastern and Southern African Trade and Development Bank and Africa Finance Corporation), African-experienced preferred principal contractors and strong African specialist investors into KEFI Group companies.

The recent additions to the consortium are two African specialist investors:

- the Ethiopian division of global industrial company (“Local Investor”), which is listed on the London Stock Exchange with a market capitalisation exceeding £1 billion; and
- One of the world's leading commodity trading companies (“Mining Financier”).

Both organisations have extensive experience in Africa. The terms sheets are complementary to and consistent with the plans already approved by the board of TKGM and the Ethiopian regulatory authorities.

As KEFI has succeeded in sourcing the Mining Financier to conditionally provide offtake-linked financing, the Company and its Government Partners will be able to retain a higher beneficial ownership of the Project. For KEFI, this is now expected to be c.65%, compared with the previously envisaged 45% ownership. This approach is expected to materially increase the value of the Project to both the Company and its Government Partners.

Total Tulu Kapi funding requirements remain at US\$221 million, compared with US\$242 reported in the 2018 Annual Report. For further information on the Tulu Kapi consortium and components of the funding package were detailed in the Company's announcement on 22 October 2020.

Over recent months, KEFI has successfully focused on:

- a) minimising the COVID-19 impacts on the Project schedule;
- b) responding to the higher gold price by bringing forward the planning for underground mining; and
- c) sourcing development capital at the subsidiary level, substantially increasing the beneficial ownership in the Project for both KEFI and our Government Partners.

More specifically:

- a) COVID-19 impacts have required continual refinement of operational policies, procedures, schedules and activities;
- b) because of the improved gold price outlook, we are revising the planning assumption of US\$1,098/oz gold for determination of Project Ore Reserves and also looking to bring forward the timing of underground development once open pit production has settled down. In this context, it is now reasonable to assume a lift, during the first three years of the open pit, of combined production to an average of 190,000 oz pa; and
- c) The inhouse NPV projections for the Project are presented below, highlighting the impact of increased ownership to c. 65%.

Tulu Kapi Gold Project	Assumed Long-Term Gold Price		
	US\$1,400/oz	US\$1,700/oz	US\$2,000/oz
<b>NPV's for 100% of Project reported at KEFI 2020 AGM</b>			
US\$ Millions	236	422	607
GBP Millions	189	337	485
<b>NPV's for 45% of Project reported at KEFI 2020 AGM</b>			
US\$ Millions	105	190	273
GBP Millions	85	152	218
<b>NPV's for 100% of Project updated for Funding Structure</b>			
US\$ Millions	238	406	573
GBP Millions	181	310	438
<b>NPV's for 65% of Project updated for Funding Structure</b>			
US\$ Millions	154	264	373
GBP Millions	118	201	284

*Note: The Project NPV's include production from the open pit and underground mines and are derived using an 8% discount rate. The NPVs are internally derived using independently created financial models of net cash flows after tax and debt service, based on the Definitive Feasibility Study (DFS) for open pit and Preliminary Economic Assessment (PEA) for underground mining.*

The above table indicates an NPV equating to a KEFI share price of 11p at a 65% interest and a US\$1,700/oz gold price, excluding any other KEFI assets, notably the deposits discovered Saudi Arabia, the Hawiah copper-gold-zinc-silver and Jibal Qutman gold deposits.

### **Saudi Arabia – positive PEA outcomes confirm strong potential of Hawiah Project**

KEFI's operations in Saudi Arabia are conducted through its 34% owned joint-venture company, G&M, where KEFI is the operating partner.

During the quarter, KEFI released the maiden Hawiah Mineral Resource Estimate ("MRE") totalling 19.3 million tonnes ("Mt") at 0.9% copper, 0.8% zinc, 0.6 g/t gold and 10.3g/t silver.

Mineral Resource Category	Material Type	Tonnes (Mt)	Grade				Metal Content			
			Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (kt)	Zn (kt)	Au (koz)	Ag (koz)
Inferred	Oxide, Open Pit	0.1	0.1	0.03	1.7	3.9	0.1	0.04	7	16
	Transition, Underground	2.0	1.1	0.8	0.7	12.0	21	16	45	763
	Fresh, Underground	17.2	0.9	0.8	0.5	10.1	147	141	297	5,595
	<b>Total</b>	<b>19.3</b>	<b>0.9</b>	<b>0.8</b>	<b>0.6</b>	<b>10.3</b>	<b>168</b>	<b>157</b>	<b>349</b>	<b>6,373</b>

For further information regarding the Hawiah MRE, see the KEFI announcement "Hawiah Maiden Resource" dated 19 August 2020.

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.

Following the completion of the MRE, KEFI released the key outcomes of the initial PEA for the Hawiah Project. This internal PEA is likely to be the first of several studies as we expand the resource and, in collaboration with our independent consultants, complete the work required for an Independent Preliminary Feasibility Study ("PFS") to support an initial mine development within a district which is considered to have world-class prospectivity.

The positive PEA included the following outcomes:

- confirms Hawiah is a high priority project, with a significant maiden resource of 19.3Mt at 1.9% copper equivalent in-situ (0.9% copper, 0.8% zinc, 0.6g/t gold, 10.3g/t silver), after only seven months of initial drilling;
- the maiden resource alone potentially supports a production rate of 2Mtpa for seven years for net operating cash flow of c.US\$70 million p.a. at current metal prices. After initial and sustaining capital expenditure of c.US\$222 million and c.US\$46 million respectively, this would indicate an estimated net cash surplus of over US\$200 million before financing costs and tax; and

- clear potential for expansion of resources with further drilling below the currently drilled depth of 350m of this structurally consistent tabular structure. A doubling of the resource with material of similar characteristics as the maiden resource would indicate an estimated net cash surplus of over US\$500 million before financing costs and tax.

For further information regarding the Hawiah PEA, see KEFI's announcement "Preliminary Economic Assessment Confirms Hawiah as a High Priority Project" dated 22 September 2020.

The Directors of KEFI-operated Saudi joint-venture company G&M have resolved to trigger the KEFI-recommended next stage of the Project, comprising the following:

- deeper drilling targeting with the goal of seeking to double the maiden resource during the next drilling phase;
- infill drilling to upgrade the resource to the indicated category so as to warrant mine planning and estimation of an Ore Reserve;
- staged studies and surveys required for completion of a PFS during 2021; and
- scout drill for a large stockwork zone or "feeder zone" to the massive sulphides which represents a separate and even larger-scale target.

A summary of the previously announced Hawiah drill results is contained in Appendix A.

#### **Investor Webinar**

The Company will host its live quarterly webinar at 2pm London time on Monday 26 October 2020 which will be accessed via:

<https://webcasting.brrmedia.co.uk/broadcast/5f914a85c4d0076f2b9449d3>

Shareholders are encouraged to submit questions by emailing: [questions@brrmedia.co.uk](mailto: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.

#### **Enquiries**

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## Appendix A

Previously announced Hawiah drill results:

Hole ID	Total Depth	From	To	Interval	True Width	Cu	Zn	Au	Ag	Cu.eq
	m	m	m	m	m	%	%	g/t	g/t	%
<b>Camp Lode</b>										
HWD_001	200.4	151.0	167.0	16.0	8.0	1.20	0.51	0.51	9.10	1.98
<b>HWD_003</b>	<b>60.3</b>	<b>38.7</b>	<b>47.0</b>	<b>8.8</b>	<b>6.0</b>	<b>4.40</b>	<b>1.50</b>	<b>0.65</b>	<b>15.60</b>	<b>5.76</b>
HWD_004	350.5	269.0	284.0	15.0	10.8	0.92	0.37	0.53	6.92	1.64
<b>HWD_005</b>	<b>389.6</b>	<b>358.6</b>	<b>371.0</b>	<b>12.4</b>	<b>9.0</b>	<b>1.27</b>	<b>1.12</b>	<b>0.66</b>	<b>14.13</b>	<b>2.48</b>
HWD_011	103.0	58.0	72.0	14.0	11.5	0.66	2.48	0.70	11.20	2.38
HWD_012	101.6	49.7	57.5	7.8	6.2	1.13	0.45	0.10	5.70	1.46
HWD_032	126.1	96.7	105.1	8.4	5.2	1.42	0.15	0.39	6.50	1.92
HWD_033	149.5	110.0	139.0	29.0	19.1	1.00	0.39	0.48	7.39	1.69
HWD_036	113.6	83.5	95.7	12.2	7.5	0.57	1.10	0.29	6.65	1.34
HWD_038	91.5	73.1	82.1	9.0	7.0	1.56	0.75	0.70	12.28	2.65
<b>HWD_059</b>	<b>350.5</b>	<b>321.3</b>	<b>335.9</b>	<b>14.6</b>	<b>8.7</b>	<b>1.55</b>	<b>1.03</b>	<b>0.36</b>	<b>11.80</b>	<b>2.42</b>
HWD_060	200.4	171.0	186.0	15.0	8.3	1.60	0.41	0.36	5.71	2.16
<b>Central Area</b>										
<b>HWD_006</b>	<b>40.0</b>	<b>14.2</b>	<b>19.9</b>	<b>5.7</b>	<b>4.0</b>	<b>0.06</b>	<b>0.09</b>	<b>3.09</b>	<b>5.70</b>	<b>3.06</b>
<b>HWD_008</b>	<b>44.6</b>	<b>12.2</b>	<b>16.1</b>	<b>3.9</b>	<b>3.0</b>	<b>0.18</b>	<b>0.25</b>	<b>3.90</b>	<b>5.9</b>	<b>4.00</b>
<b>Crossroads Lode</b>										
<b>HWD_018</b>	<b>106.1</b>	<b>73.0</b>	<b>85.7</b>	<b>12.7</b>	<b>8.0</b>	<b>2.77</b>	<b>0.14</b>	<b>0.83</b>	<b>13.62</b>	<b>3.77</b>
HWD_019	84.8	51.7	61.6	9.8	6.4	1.69	0.04	0.82	13.57	2.64
<b>HWD_022</b>	<b>47.4</b>	<b>23.4</b>	<b>31.3</b>	<b>8.0</b>	<b>7.0</b>	<b>0.02</b>	<b>0.01</b>	<b>3.80</b>	<b>58.50</b>	<b>4.31</b>
HWD_023	55.2	23.6	29.6	6.0	4.5	0.02	0.03	2.88	18.40	2.96
HWD_025	170.7	137.2	146.0	8.9	5.7	0.66	1.28	0.67	14.04	1.94
HWD_037	170.6	150.4	160.1	9.7	5.8	0.47	1.88	0.61	10.28	1.87
HWD_053	164.5	142.5	151.7	9.3	5.2	0.52	1.48	0.56	12.04	1.75
<b>Crossroads Extension</b>										
HWD_040	485.5	457.3	464.5	7.2	5.1	0.80	0.65	0.70	10.79	1.83
HWD_041	185.5	161.0	173.3	12.3	9.3	0.59	0.94	0.68	10.24	1.70
<b>HWD_042</b>	<b>167.5</b>	<b>134.1</b>	<b>153.4</b>	<b>19.3</b>	<b>13.5</b>	<b>0.66</b>	<b>0.82</b>	<b>0.66</b>	<b>12.79</b>	<b>1.74</b>
HWD_049	272.5	252.3	263.8	11.6	9.4	0.54	0.74	0.67	8.54	1.55
<b>HWD_061B</b>	<b>165.1</b>	<b>135.2</b>	<b>149.6</b>	<b>14.4</b>	<b>11.0</b>	<b>0.50</b>	<b>0.86</b>	<b>0.71</b>	<b>9.01</b>	<b>1.60</b>
HWD_062	92.5	65.0	77.2	12.2	8.4	0.38	0.84	0.68	7.80	1.43
HWD_063	317.5	288.0	299.6	11.6	8.2	0.49	1.03	0.68	7.80	1.61
HWD_064	272.5	244.0	255.3	11.3	8.7	0.85	1.34	0.63	13.93	2.11
<b>HWD_067</b>	<b>76.5</b>	<b>47.5</b>	<b>60.5</b>	<b>13.0</b>	<b>7.2</b>	<b>0.13</b>	<b>0.10</b>	<b>7.78</b>	<b>18.85</b>	<b>7.68</b>
<b>Copper equivalent figures based on US\$1,900/oz Au, US\$26/oz Ag, US\$6,700/t Cu and US\$2,500/t Zn</b>										

## **Notes to Editor**

### **KEFI Gold and Copper 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, together with assembling the full funding consortium and set the conditional terms for the development funding package of c.US\$221 million.

Estimates include gold production of c.190,000oz pa. 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.