

**22 March 2023**

**KEFI Gold and Copper plc**

("KEFI" or the "Company")

**Quarterly Operational Update - Progress On All Fronts**

KEFI (AIM: KEFI), the gold and copper exploration and development company with a focus on the Arabian Nubian Shield and with projects in the Kingdom of Saudi Arabia since 2008 and the Federal Democratic Republic of Ethiopia since 2014, is pleased to provide its Q1 2023 Quarterly Operational Update.

**Highlights**

- Tulu Kapi Gold finance package of US\$390 million agreed in principle
- Working intensely with Government on few remaining security and administrative arrangements
- Significant progress in Saudi Arabia

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 ("GMCO") in Saudi Arabia, since release of the Q4 2022 Quarterly Update on 2 February 2023 and is being announced ahead of the end of the quarter to facilitate discussions at various events in Ethiopia and the Middle East in the coming days.

The Tulu Kapi Gold Project ("Tulu Kapi" or the "Project") is under TKGM (now planned to be 70-80% owned by KEFI). The Jibal Qutman Gold Project ("Jibal Qutman"), the Hawiah Copper-Gold Project ("Hawiah") and the other Saudi projects are under GMCO (now planned to be 25-30% owned by KEFI), depending on refinements to final financing refinements.

**ETHIOPIA**

As first mover for modern industrial-scale metal mining in Ethiopia, it has been our privilege to be consulted in respect of regulatory systems for mining and international financing. This has taken some years as has our need to traverse the widely-publicised security challenges in the country, which thankfully subsided last year. Having borne the costs and delays involved over the recent years, it is especially pleasing that we are now preparing to trigger full project development at KEFI's first development project, with few loose ends now expected to be imminently resolved with the Government.

We also await Government permission to follow up our other exploration discoveries in the Tulu Kapi district and, to that end, based on discussions with the Government have recently re-assembled our Ethiopian prospecting team for that and other initiatives.

**Tulu Kapi Gold Project**

This is KEFI's most advanced project. The Definitive Feasibility Study has been updated for contracted terms and pricing as well as for the outcome of a series of internal and independent reviews. The Project is at the project financing and construction stage and is launch-ready upon Government regulatory clearances and security installation.

Since release of the last Operational Update on 2 February 2023, the Tulu Kapi Gold Project financing has advanced as follows:

- The project finance banks have, as of last week, both been formally provided certain specific protections and benefits from the Government of Ethiopia, which had become conditions precedent for financing.

- The total Project finance package of US\$390 million (mining fleet US\$70 million provided by the mining contractor and US\$320 million provided by debt and equity financiers) is now conditionally in place within the syndicate.
- Drafting of the numerous definitive agreements is either complete or advancing well and all parties have indicated that they intend to proceed to seek formal final approvals on satisfaction of the conditions precedent in the hands of Government in respect of administrative matters and security.
- TKGM now has the intense attention of the Ethiopian Ministry of Mines, National Bank of Ethiopia and the other Ministries and agencies and expects to resolve all outstanding issues in the coming weeks, so that the syndicate can then proceed to seek all-party formal approvals including KEFI shareholder approval. Upon all approvals being formally confirmed, we can then proceed with drawdowns and Project launch so as to be in full production by mid-2025.

## **SAUDI ARABIA**

Despite making two significant discoveries in Saudi Arabia since entering the country in 2008, our progress has only progressed rapidly in the past 18 months as a result of Saudi Arabian Government regulatory overhauls. The country's prospectivity for further discovery is widely recognised and the international industry is mobilising at the invitation of the Government.

### **The Jibal Qutman Gold Project**

- We applied for a mining licence in 2015 on the basis of an assumed gold price of US\$1,200/oz, and the heap leach processing oxide ore containing c.200,000 oz within a 733,000 oz gold Resource. This was seen as a starter project pending the proving-up of a larger scale project warranting the higher capital investment for Carbon-in-Leach ("CIL") process
- As the current consensus long-term gold price of US\$1,650/oz is now significantly higher, the focus of the Jibal Qutman feasibility study has moved to the larger CIL-based project.
- Current activities on and around site are focused on the work required to complete a Definitive Feasibility Study ("DFS") to the standard required by our project finance lenders in Saudi Arabia. This work includes:
  - a 13,000 metre drilling programme (to be completed in April 2023) which is aimed at upgrading and expanding the current 733,000 oz Resource;
  - metallurgical, geotechnical and hydrological drilling programmes;
  - detailed mine plans;
  - metallurgical testwork;
  - finalising environmental and social responsibility plans and permitting;
  - a trenching programme over the planned locations for the processing plant and other infrastructure to ensure these areas do not contain mineralisation;
  - water source optimisation; and
  - detailed costings of capex and opex.
- We target to complete the DFS this year and, based on encouragement from regulators and development financiers, we expect minimal delay in closing finance within Saudi Arabia and starting development so that we can be in production around mid-2025.

The current 13,000 metre drilling programme focuses particularly on the South Zone, 3K Hill, 4K Hill and Red Hill areas shown on the plan in the appendix, which can be accessed via: [RNS to insert link].

The Red Hill deposit and nearby areas have particularly good potential to provide additional ounces from the current drilling programme.

### **Hawiah Copper-Gold Project**

This deposit is a 2019 discovery of KEFI and we have so far declared a Resource of 29.0 million tonnes (“Mt”) at 0.89% copper, 0.94% zinc, 0.67 g/t gold and 10.1 g/t silver, after 54,439 metres of drilling. We expect this Resource to increase as well as defining additional Resources at nearby prospects including Al Godeyer where we have already completed 4,176 metres of drilling and expect to report its Maiden Resource Estimate and detailed assay results in April.

We have already identified an apparently economic starter project in 11.1Mt of open pit Resource at 0.9% copper, 0.75% zinc, 0.81g/t gold and 10.3 g/t silver for contained metals of: 100kt copper, 83Kt zinc, 288Koz gold and 3,685Koz silver.

Current activities include the following:

- completing over the next 18 months the recently launched 56,000 metre drilling programme to establish Ore Reserves for mining by both open pit and underground techniques;
- optimising design of the process plant to maximise metallurgical recovery and perhaps produce copper cathode (finished copper product), water source optimisation and detailed costings of capex and opex; and
- the Pre-Feasibility Study is nearing completion for internal review. We target to secure finance and launch shortly after the start-ups at Tulu Kapi and Jibal Qutman.

## **Exploration Projects**

During the past 15 months we have been granted 14 new exploration licences, about three times what we were granted in the previous 13 years, including five new licences in January 2023. This demonstrates the seriousness of the country’s commitment to the development of the minerals sector.

We have formed regional exploration teams which have mobilised onto all projects for initial prospecting of what we now see as 4 project areas spread over the new licences. As was the case at Jibal Qutman and Hawiah, many of these licenses have abundant evidence of historical workings and surface expression of mineralisation.

## **CORPORATE**

Over 90% of development capital for all three advanced projects has already been conditionally arranged at the project or subsidiary level, subject to the final feasibility studies in Saudi Arabia confirming our expectations and to the various conditions precedent applicable to funds drawdown on all projects.

At today’s gold price and assuming an ownership level in TKGM of say 77%, the NPV to KEFI of just our Ethiopian project is estimated at US\$251 million or £207 million. Comparing this potential value indicator with current market capitalisation of c. £30 million highlights the enormous opportunity to add value for shareholders as we de-risk the Project.

KEFI’s beneficial interest in our Saudi projects, at various commodity price levels, presents an aggregate (preliminary estimate of) NPV similar to that of the Ethiopian project, serving to reinforce the scale of the value-adding opportunity.

Whilst the process of de-risking the projects in both countries has involved very time-consuming security and regulatory challenges, both countries have recently turned the corner and we make steady progress.

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

“The Company’s working environment has improved significantly in both Ethiopia and Saudi Arabia. Our teams are working intensely with the host governments to launch the first two of our three development projects. We start first with Tulu Kapi Gold in Ethiopia, then Jibal Qutman Gold in Saudi Arabia. KEFI’s

beneficial interest in their aggregate gold production from 2025 is estimated to be in the order of 140,000 oz.

“At the current gold price of c. US\$2,000/oz, KEFI’s beneficial interest in the estimated Net Operating Cash Flow from Tulu Kapi alone is estimated to be c. £75 million average per annum and in the NPV is estimated at £207 million , or respectively 1.8 pence and 5 pence per current KEFI share in issue.

“At Tulu Kapi in Ethiopia, the project finance is conditionally in place and, with the Government, we are ensuring that all security and administrative arrangements are also in place.

“At Jibal Qutman in Saudi Arabia, whilst we had originally defined a starter project at then-lower gold prices, we are completing a feasibility study on a larger project at today’s higher gold prices.”

## **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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## **Notes to Editor**

### **KEFI Gold and Copper PLC**

#### **Mission**

The mission of KEFI is to discover and acquire economic gold and copper mineralisation and follow through with cost-effective responsible exploration, mine development and production in compliance with local laws and international best practice.

Our geological region of focus is the Arabian-Nubian Shield, due to its outstanding prospectivity, especially for gold and copper.

Our activities provide a strong project pipeline covering the spectrum from our Tulu Kapi Gold Project at the funding stage in Ethiopia, to our Jibal Qutman Gold and Hawiah Copper-Gold Projects at the feasibility study stage in Saudi Arabia, and to walk-up drill targets in both countries.

Since incorporation 17 years ago, KEFI has invested some £80 million in these activities and today the Company sits with advanced projects that have project NPV's that are many multiples of the amount invested. KEFI has a leading position in the two countries that contain the majority of the Arabian-Nubian Shield. We now have three advanced projects in these now strongly pro-development countries and are focused on a sequential mine development path to build a mid-tier mining company over the next few years.

Our mission now takes us to the stage of de-risking our development project to close the gap between our stock market capitalisation and the underlying intrinsic values.

## **Approach**

KEFI was launched in 2006 as a £2.5 million initial public offering ("IPO") on the AIM Market of the London Stock Exchange and was then led by exploration specialists.

The 2014 acquisition of the Tulu Kapi Gold Project triggered the appointment of management with track records in developing and operating mines in Africa.

KEFI partners with appropriate local organisations, such as Abdul Rahman Saad Al Rashid and Sons Limited ("ARTAR") in the Kingdom of Saudi Arabia in our Gold and Minerals Limited ("GMCO") joint venture and with the Federal Government and the Oromia Regional Government in Ethiopia for our TKGM joint venture.

Our community plans are in accordance with the International Finance Corporation (World Bank) Performance Standards and Equator Principles. Operationally, we align with industry specialists such as Lycopodium Limited ("Lycopodium") - our principal process plant contractors in both Ethiopia and Saudi Arabia.

## **Timing**

KEFI's objective is to have its two most advanced projects in production by 2025 and the third in 2027.

The next few years will be focused on multi-pronged development and concurrent aggressive exploration.

During this period our cash flow production should commence and escalate.

This period coincides with the likely take-off in the minerals sector of both of our host countries.

## **Notes**

### **Explanatory Comments on the Use of NPV (Net Present Value) and the Basis of Calculations**

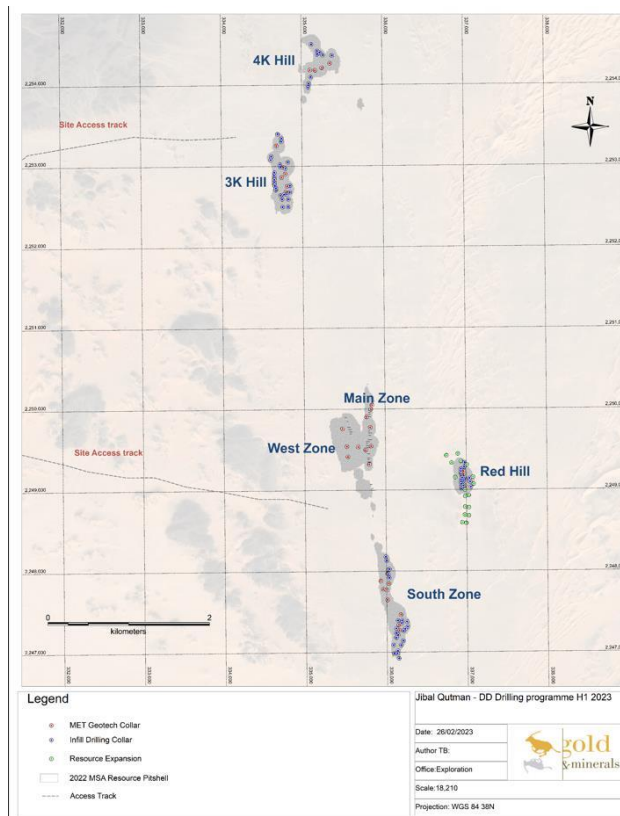
KEFI's advanced projects report NPV's as at today based on:

- recoverable JORC Resources as reported up to the end of 2021;
- net cash flows after debt service and after taxes, i.e. net cash available for shareholders;
- 8% discount rate; and
- nil value for potential expansion of project resources or any other discovery.

For our most advanced project, Tulu Kapi's planned open pit mine, the modelling was built independently for use by the project syndicate and is based on the DFS (Definitive Feasibility Study) as updated for refinements in consultation with lenders, contractors and input pricing updates generally. KEFI management use this modelling as the basis for analyses from equity investors' viewpoint.

The other KEFI projects are less advanced and are at various stages of feasibility study. Accordingly, any statistics are based on Preliminary Economic Assessments based on models derived with the input of our specialist advisers and consultants. We highlight that the integration of the preliminary plans for the Tulu Kapi underground mine into a combined profile with the open pit mine will be revised to DFS-stage during construction of the open pit mine.

## Appendix



*Plan view map of Jibal Qutman and planned drilling programme.*