

9 August 2023

KEFI Gold and Copper plc

("KEFI" or the "Company")

Q2 2023 Quarterly Operational Update

Progress on All Fronts

KEFI (AIM: KEFI), the gold and copper exploration and development company, has focused on the Arabian-Nubian Shield since 2008, assembling a pipeline of projects in the Kingdom of Saudi Arabia and in the Federal Democratic Republic of Ethiopia. We are pleased to provide this Q2 2023 operational update covering the three months to 30 June 2023 and more recent developments.

This update encompasses the activities of the Company, as well as wholly owned KEFI Minerals (Ethiopia) Ltd ("KME"), majority-owned Tulu Kapi Gold Mines Share Company ("TKGM") in Ethiopia, and minority-owned Gold & Minerals Ltd ("GMCO") in Saudi Arabia.

The Tulu Kapi Gold Project ("Tulu Kapi") is planned to be greater than 70% beneficially owned by KEFI and held via KME. The Jibal Qutman Gold Project ("Jibal Qutman"), the Hawiah Copper-Gold Project ("Hawiah") and the other Saudi projects are under GMCO (27% beneficially owned by KEFI).

HIGHLIGHTS

- The plan is to launch Tulu Kapi over the next few months in line with the Ethiopian Government's continued upgrade of security protections around the country and preparation of the community. The state of emergency in the region of Amhara is in respect of local issues, which are not expected to disturb Tulu Kapi's launch
- KEFI has now assembled with regional financiers both debt and equity development capital of US\$320 million, in addition to which the mining contractor is supplying the required US\$70 million mining fleet
- We consider TKGM to now be essentially fully permitted, with funding assembled and ready for final credit committee and board approvals of our banks and project investors, who have already drafted proposed final funding package documentation
- The planned KEFI project development sequencing is as follows:
 - 2023 launch Tulu Kapi open-pit in Ethiopia for first production end-2025;
 - 2024 launch Jibal Qutman Gold open-pit in Saudi Arabia for first production end-2025;
 - 2025 launch of the Hawiah Copper-Gold open-pit in Saudi Arabia for first production 2027; and
 - 2026 and thereafter launch of underground mine development at Tulu Kapi and at Hawiah for first production two years later.

KEFI GROUP

Group Metrics

Aggregate Mineral Resources across all three projects are 4.7 million ounces of gold-equivalent in-situ, of which 2.0 million ounces is KEFI beneficial interest.

Aggregate annual production from the three advanced projects is currently projected at 326,000 ounces of gold-equivalent, of which 148,000 ounces is KEFI's beneficial interest, over an initial seven year period

The Tulu Kapi open pit is already bankable with a 1 million ounce Ore Reserve. Combined with the first preliminary planned 200,000 ounce contribution from the underground mine, Tulu Kapi is planned to produce c.144,000 ounces per annum, at an All-In-Sustaining Costs of c.US\$950 per ounce, at gold prices of US\$1,600-2,000 per ounce. At those same prices, this provides Net Operating Cash Flow of US\$110-167 million per annum (100% basis) for the first seven full years of production (2026-2032).

Regional Financing Support for KEFI's Mining Ventures in Ethiopia and Saudi Arabia

We essentially rely on financiers based in, or at least familiar, with our host countries.

In light of a surge in local and regional support for the mining sector and for KEFI's particular projects in both Ethiopia and Saudi Arabia, we have commenced establishing separate corporate structures for the Company's individual projects and transferring the respective licences within the group as appropriate.

Going forward, we anticipate relatively little, if any, reliance on raising equity from the UK investor market, despite its historical support for the Company's initial phase of exploration, permitting, engineering studies and assembly of development financing.

Both Saudi Arabia and Ethiopia are now actively promoting their stock exchanges, with an exchange in Addis Ababa planned for mid-2024, for their growing mining sectors and domestic investor markets.

Working Capital

KEFI has working capital in place to underpin its planned runway to the intended closing of the Tulu Kapi Project finance and launch in the coming months.

This follows the Company's repayment of all debts in June 2023 upon completing an equity placing that raised gross proceeds of £7.2 million via a £5.50 million Firm Placing, £0.70 million Conditional Subscription, £0.24 million Retail Offer and £0.75 million Issue of Remuneration Shares in lieu of cash to senior executives. The issue of the Conditional Subscription, Retail Offer and Remuneration Shares were approved at the Company's Annual General Meeting on 30 June 2023 and these shares have subsequently been issued.

Board and Management Team

KEFI welcomed a new Non-Executive Director Dr Alistair Clark to the Board on 30 June, who is a pre-eminent authority on environmental, social, and corporate governance matters. From 2001 until 2021, Dr Clark was Managing Director, Environment and Sustainability Department, at the European Bank for Reconstruction and Development ("EBRD").

KEFI's recently appointed Chief Operating Officer, Eddy Solbrandt, has assumed formal responsibility for all development and has operational line management of the Company's majority-owned projects and provides support and advice for its minority-owned projects.

The in-country project teams have been expanded under Managing Directors Theron Brand, in majority-owned TKGM in Ethiopia, and Brian Hosking in minority-owned GMCO in Saudi Arabia.

General Manager Corporate Development, Rob Williams, has switched from part-time to full-time and the Tulu Kapi Project development execution team is now being assembled within TKGM and Lycopodium.

Investor relations arrangements have also been enhanced to capture the heightened interest from regional, corporate and sector specialist international investors.

INVESTOR WEBINARS

The quarterly open-forum webinar for all investors will be complemented with a separate presentation and webinar directed at industry specialist analysts. The Webinar for all Investors will be at midday London on Friday 8 September 2023, scheduled midway between the last one on 30 June 2023 and the next one at about the end of October 2023.

Details of these two events will be announced in due course.

ETHIOPIA

Tulu Kapi – Project Finance Closing Process

During recent months, the three key pre-requisites for proceeding with project finance were satisfied, subject only to normal follow-through by the respective Ethiopian Government agency involved, as follows:

- approval of Ethiopian country membership for Africa Finance Corporation (“AFC”) by the Federal Ministry of Finance. This enshrined the same style of protective rights for both the Senior Lenders, the other being Eastern and Southern Africa Trade and Development Bank (“TDB”);
- deployment of Federal and Regional Government security around the Tulu Kapi project district and transport routes. Notwithstanding the continuing non-threatening conditions in these areas, these protective measures are agreed and committed; and
- agreement with the Ethiopian central bank, the National Bank of Ethiopia, as regards TKGM’s right to operate banking in a major international financial centre, as part of the conventional international project finance arrangements.

These measures reflect the broad-sweeping policy initiatives requested of, and taken by, the Ethiopian Government to facilitate the take-off of the mining sector.

The ongoing risk-mitigation is in respect of security. TKGM’s policy is to manage security in accordance with ‘red zone’ (higher risk category) protocols despite the project area typically not rating as such. Independent security assessors recently reported that TKGM’s approach to security at the project site and the transport routes in and out, are sensible, pragmatic and in line with security best management practice.

As regards analysing the potential influence of internal conflicts such as that currently in the Amhara Region, it is worth noting that Ethiopia is approximately five times the size of the UK and double the population. For context, the city of Gondar, where the current conflict is centred in Amhara, is more than 700km from Tulu Kapi and the actions there are not reflective of the situation at Tulu Kapi and the surrounding environs.

We have now assembled with regional investors familiar with Ethiopia, the funding needed for both debt and equity development capital of US\$320 million, in addition to which the mining contractor is supplying the required US\$70 million mining fleet.

We expect some last-minute refinement of the amounts and sources of funding upon confirmation of final lump sum fixed plant pricing because, as always planned, we are adopting a fixed price approach to engineering and procurement of the plant. Our observation of pricing trends is that cost-inflation in this sector has tapered off over the past year and, in some cases, prices have dropped.

We are pleased to have assembled and preserved such a strong project syndicate, which has avoided reliance on the stock market. We look forward to the project launch over the coming months by maintaining the recent rate of progress and continuing to upgrade security.

All information requests so far received from the finance syndicate have been satisfied.

We consider TKGM to now be essentially fully permitted, with funding assembled and ready for final credit committee and board approvals of our banks and project investors.

Upon receiving these approvals, we will then mobilise our social performance teams into the community to prepare the project affected persons for resettlement, who we have engaged with for some time and are looking forward to this step. Whilst these community arrangements are being agreed at the household level, we still plan to execute the already-drafted project finance detailed definitive documentation and satisfy standard procedural conditions precedent to funds drawdown.

Whilst the community neither owns the land title nor has the right to obstruct a national priority project, the resettlement will be conducted collegiately and in a phased manner, governed by the leading international standard, the World Bank IFC Performance Principles.

The overall project launch sequence remains as follows and has been approved by the boards of KEFI and TKGM:

- final lender credit approvals and investor board approvals;
- mobilisation of social performance teams to implement the first phase of the resettlement action plan in close collaboration with local government, which carries the legal responsibility and authority for dealing with the project affected persons;
- finalisation and execution of already-drafted detailed definitive documentation;
- final independent reviews by SLR as regards community readiness and by Constellis as regards security readiness;
- lock-in final pricing and then place lump sum plant procurement orders;
- final equity capital allocations, drawdowns and issuance of notices to proceed to contractors; and
- placement of insurances. opening project bank accounts in London, registration of security and satisfaction of the usual set of conditions subsequent during the months leading to debt drawdown.

In essence, we plan to start community preparations this quarter (Q3 2023), procurement and construction in the next quarter (Q4 2023), first for the community, and then at the site, in preparation for delivery and assembly of plant and equipment fabricated at various international specialist suppliers; with production targeted for late 2025.

Ethiopia Project Pipeline

We have commenced administrative proceedings in respect of our long-standing proximal Exploration Licenses (“ELs”) surrounding the Tulu Kapi Project Mining Licence area, in order to continue exploration programmes and community development which have always complemented the Tulu Kapi project. During an overhaul of the title-regulatory system in 2022, these ELs were over-pegged by a Hong Kong shell company owned by a British Virgin Islands shell company. We are confident that this situation can be resolved satisfactorily.

SAUDI ARABIA

Two of KEFI’s three advanced projects are in Saudi Arabia - Jibal Qutman Gold and Hawiah Copper-Gold. Both projects are GMCO discoveries and are enjoying very positive regulatory support as preferred development plans are determined.

The country’s prospectivity for further discovery is now becoming widely recognised and the international industry is mobilising at the invitation of the Saudi Government.

GMCO has one of the largest exploration teams in the country and holds 15 ELs, providing extensive potential for further discoveries near the Jibal Qutman Gold and Hawiah Copper-Gold project sites, as well as the two other already targeted project areas. GMCO has six drill rigs running, mainly conducting in-fill drilling, but also doing some extensional drilling on current resources and exploration drilling.

The Jibal Qutman Gold Project

The Jibal Qutman Definitive Feasibility Study (“DFS”) is evaluating the economic and technical feasibility for building a set of adjacent open-pit mines and a centrally sited Carbon-in-Leach (“CIL”) processing plant, to recover more than 500,000 ounces of gold, rather than the 169,000 ounces of gold originally envisaged in the 2015 Preliminary Economic Assessment (“PEA”). The 2015 PEA focused on a small heap-leach approach as a starter-project when, at that time, planning was based on a gold price of c.US\$1,200/oz. GMCO also continues to explore for additional resources on the same and similar structural belts at this project area.

Current activities at Jibal Qutman are focused on the work required to complete the DFS and its approval by GMCO and our project finance lenders in Saudi Arabia. This work includes:

- metallurgical and geotechnical drilling, completed during the quarter;
- infill drilling to upgrade the resource classification, also completed;
- metallurgical tests, now indicating recovery of c.90% and 69-74 for oxidised and fresh ore respectively;
- mine planning in more detail as drilling and metallurgical programs are wrapped up;
- analysis of data from a ground magnetics survey and 23 trenches completed during the quarter, to better define drill targets and also to finalise the location for site infrastructure;
- resource-extensional drilling and the testing of nearby targets, including having recently extended the Red Hill deposit to the south; and
- completion of a substantial portion the initial accommodation and works compound at site.

The current Mineral Resources of 733,000 ounces gold is now being updated.

The above work is designed to finalise the DFS over the coming months. Based on encouragement from regulators and development financiers, we expect that upon GMCO resolving its commitment to develop, there will be minimal delay in obtaining a mining licence, closing project finance within Saudi Arabia and starting development in 2024, with the exact timing depending upon these reviews and regulatory processes.

Hawiah Copper-Gold Project

Drilling since the discovery of Hawiah in 2019 has established a Mineral Resource Estimate (“MRE”) of 29.0 million tonnes (“Mt”) at 0.89% copper, 0.94% zinc, 0.67g/t gold and 10.1g/t silver (see the Company’s announcement on 9 January 2023). This MRE contains a total of 258,000 tonnes (569 million lbs) of copper, 272,000 tonnes (600 million lbs) of zinc, 620,000 ounces of gold and 9.4 million ounces of silver.

Hawiah is a part of a larger mineralised system and the deposit already ranks amongst the top three base metal projects in Saudi Arabia and in the largest 15% of VMS (“Volcanogenic Massive Sulphide”) systems globally.

During the quarter, KEFI announced the following results achieved by GMCO:

- a maiden MRE for the nearby (12km from Hawiah) Al Godeyer deposit of 1.35Mt at 0.6% copper, 0.54% zinc, 1.4g/t gold and 6.6g/t silver (see the Company’s announcement on 3 April 2023); and

- Hawiah Pre-Feasibility Study (“PFS”) outcomes on the open-pit and associated studies on the underground mine (see the Company’s announcement on 28 June 2023).

Based on mining current Indicated and Inferred Resources, key outcomes of these studies were:

- Project NPV₈ of US\$301 million and post-tax IRR of 75%;
- Life-of-Mine (“LOM”) revenue of US\$2.7 billion;
- Operating cashflow of US\$1.1 billion; and
- Pre-production capital expenditure of US\$295 million.

The above preliminary internal estimates are merely intended to test the merits of ongoing work programmes and are based on spot gold prices as at 30 April 2023 and an assumed mining rate starting at 2 million tonnes per annum (“Mtpa”) and peaking at 3 Mtpa over 10 years. The development concept is still being finalised, but it is envisaged that initial open pit mining will be followed by, and complemented by, underground mining. Mining optimisation studies will in due course consider a range of scenarios including various aggregate production rates and the ideal timing for starting-up the underground operation.

Metallurgical test results, based on limited samples to date, indicate that a conventional processing flowsheet provides good recovery to a c.25% copper concentrate and a c.50% zinc concentrate along with gold doré. However, other processing flowsheets remain under consideration.

Whilst the primary focus of the PFS was on the relatively close-to-surface portion of the MRE in the Indicated Resource category, complementary studies on the Inferred Resource, reported for the deeper part of the orebody (the near-vertical tabular structure drill-intercepted over more than four kilometres strike length), have allowed a positive internal preliminary assessment to be made of Hawiah’s economic potential at this stage. Further resource growth is expected to improve the economics to eventually be reported in the DFS.

Ongoing drilling is currently aimed at upgrading and expanding the Hawiah and Al Godeyer resources. Earlier stage exploration programmes in this project area are aimed at discovering other VMS deposits. The current focus is the Al Godeyer area (12km from Hawiah) and the Abul Salal Exploration Licences (50km from Hawiah). Current mapping, SP geophysical surveys and trenching of these gossans at Abul Salal will be followed by drilling.

Saudi Project Pipeline

Following the expansion of GMCO’s exploration portfolio to 15 ELs covering four project areas of more than 1,000km², regional exploration teams have mobilised to the new ELs. As was the case at Jibal Qutman and Hawiah, many of these ELs have abundant evidence of historical workings and surface expression of mineralisation.

GMCO has begun comprehensive mapping and sampling campaigns over the newly awarded licences. The outcomes of this fieldwork will be to ground-truth historical data, assess the surface mineralisation and describe the structural framework controlling mineralisation. These programmes are expected to build into progressively advanced exploration works, including geophysics and trenching.

Regional exploration during the quarter included:

- Jabal Hillit EL – interpretation of multispectral satellite imagery provided a good indication of the areas of gold mineralisation. These gold-bearing vein systems are now being mapped, characterised and sampled; and

- Jadib Al Qahtanah EL – reconnaissance sampling has returned positive gold grades and a soil sampling programme has proven effective in highlighting the trend of new and existing areas of mineralisation.

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.

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