

**17 July 2017**

**KEFI Minerals plc  
("KEFI" or the "Company")**

**PROJECT FUNDING OF US\$135M FOR TULU KAPI GOLD PROJECT**

***"KEFI signs terms for funding all on-site infrastructure,  
already having signed terms to fund all off-site infrastructure"***

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Kingdom of Saudi Arabia and the Federal Democratic Republic of Ethiopia, is pleased to announce the signing of a mandate letter and heads of terms for US\$135 million of project funding with Oryx Management Limited ("Oryx") to finance and operate all the on-site infrastructure at the Company's Tulu Kapi Gold Project in Ethiopia (the "Project"). The planned financing package also includes funding finance charges during a 30-month construction and production ramp-up period.

**Highlights**

- Mandate signed with infrastructure specialist Oryx to operate and lease-finance all on-site infrastructure at the Project.
- Oryx to establish a special purpose vehicle (the "Finance SPV") to issue bonds, the proceeds of which would be used to build and own all the on-site infrastructure for the Project which it would lease to the Project company, Tulu Kapi Gold Mines Limited ("TKM"). The receipt of lease payments from TKM would be used by Finance SPV to pay the principal and interest on its bonds.
- Oryx to also operate the on-site ore processing infrastructure on an open-book, cost plus performance-bonus based operating contract.
- Ethiopian Government to fund the building of all off-site infrastructure for the Project, in accordance with previously announced and executed Shareholders Agreement. The relevant Government agencies will operate and maintain the off-site infrastructure.
- Ausdrill Limited (through its subsidiary African Mining Services Pty Limited) to supply and operate all the mining equipment under a mine services agreement structured as a conventional schedule of rates contract, whereby the contractor is paid per tonne of material delivered.
- All contractors to be accountable to and supervised by KEFI subsidiary TKM.
- Ignoring historic investment of c.US\$60 million, the Project's remaining funding requirement has now been successfully reduced from c.US\$289 million when KEFI took control in 2014 to an amount of c. US\$160 million (before overlaying the Oryx proposal) to a residual balance of US\$32 million. The residual balance of US\$32 million, which includes c.US\$13 million of

contingency provisions, will now be refined, structured and sourced. This residual amount will also be further evaluated over the coming months and may be reduced.

- A variety of sources to finance the estimated residual requirement of US\$20-30 million are being considered, including working capital facilities with Development Bank of Ethiopia, Project-level equity with a mining and engineering group and further equity from KEFI in the Project company.
- It is currently estimated that KEFI's holding in TKM, will be c.75%, without the issue of further Project-level equity to any third party, and under any scenario, it is KEFI's preference to retain majority ownership and control of the Project.
- Tulu Kapi's cash flow projections (supported by the 2017 Update to the Definitive Feasibility Study, "DFS") at a gold price of US\$1,250/oz support the Company's plan to rapidly pay down the project finance indebtedness at the same time as pursuing a focused and exciting exploration program, and also to consider commencing dividends to shareholders early in the Project's life. An indicator of the projected cash flow strength is that under these assumptions, Oryx could be repaid around half-way through the 9-year term.
- Timetable agreed with the Ethiopian Government and Oryx for financing to be provided and development to start before the end of 2017.

A new investor presentation has been uploaded to the Company's website: [www.kefi-minerals.com](http://www.kefi-minerals.com)

**Commenting KEFI's Executive Chairman, Harry Anagnostaras-Adams, said:**

*"KEFI has selected a development funding approach considered more appropriate for start-up purposes than bank debt due to its longer 9-year tenor and its repayments commencing 30 months after drawdown.*

*This Project has been designed in close collaboration with the selected project contractors, Ausdrill for mining and Lycopodium for processing, and in partnership with the Ethiopian Government.*

*At a gold price of US\$1,250/oz, Tulu Kapi's robust project cash flow projections, combined with the innovative financing proposal from Oryx, looks to well serve KEFI's objective to rapidly repay debts whilst implementing our targeted exploration programs and commencing dividends during the early production years.*

*We welcome Oryx to the Tulu Kapi syndicate and look forward to putting the funding in place to commence development of Tulu Kapi this year."*

**Further Details**

**On-site Infrastructure**

The Company has signed a mandate letter and heads of terms for US\$135 million of project funding with Oryx to finance (via the issuance of bonds by its Finance SPV) and to operate (under an open-book operating contract) all the on-site infrastructure at the Project. The overall arrangement with Oryx is analogous to a Build, Own, Operate and Transfer ("BOOT") arrangement.

The on-site infrastructure will be contract-built by Lycopodium Minerals Pty Limited ("Lycopodium") and includes the processing plant, provided under a lump sum (Engineering, Procurement, Construction or "EPC") contract, and accommodation village, earthworks, water dams and tailing storage facility provided under a cost plus margin (Engineering, Procurement, Construction, Management, or "EPCM") arrangement.



The key financing terms agreed with Oryx are summarised below:

<b>Summary of Bonds</b>	
Source of Funds:	Luxembourg listed bonds arranged by Oryx and issued by its Luxembourg incorporated special purpose vehicle ("Finance SPV")
Amount:	US\$135 million
Tenor:	9 years from drawdown
Security:	Bonds securitised against the underlying physical assets, with the collateral benefit of all security granted in respect of the lease from Finance SPV to TKM (see below)
Interest Rate:	Fixed coupon of 8% p.a., paid semi-annually from the issue date
Non-Redemption Period ("NRP")	3 years from drawdown
Repayment schedule:	As from end of NRP, sinking fund redemptions based on lease payments received by Finance SPV from TKM
Early Repayment:	No early repayment prior to NRP. Thereafter diminishing call premium based on US Government yields
<b>Summary of Lease terms and TKM arrangements for operating infrastructure</b>	
Term of lease	9 years
Early termination:	TKM may terminate the lease at any time on 3 months' written notice and payment of an early pay-out amount which includes a penalty if done before end of NRP and thereafter is merely the present value based on US Government yields
Lease payments:	Quarterly in US\$, commencing month 30
Potential yield enhancement supplement:	Zero at gold price US\$1,100/oz and rising in a linear manner to a cap which raises total aggregate interest rate embedded within the lease rental from 8% to 16% p.a. at gold price of US\$1,700/oz
Security:	Guarantee from KEFI Tulu Kapi Gold Project Shares in TKM Direct agreements
Financial Covenants:	None
Other Covenants:	Positive and negative covenants to include: Revise mine plan if material underperformance Cash sweep Right to cash flows from satellite deposits if required to recover amounts owing by TKM
Operating contract for on-site infrastructure:	Open-book, cost plus performance / key performance indicator based operating contract
Structure:	Plant and infrastructure fixed-asset lease-to-buy, coupled with Operating & Maintenance services. Analogous to the Build-Own-Operate-Transfer ("BOOT") schemes widely used for infrastructure funding
Ownership:	Ownership of on-site infrastructure reverts to Project company TKM following full repayment and termination

	of the lease
Hedging:	Agreement to allow modest level of gold hedging

Conditions precedent to closing the Oryx proposal include:

- Completion of due diligence by independent technical experts, accountants and lawyers;
- Approval of draft formal documentation by National Bank of Ethiopia; and
- Oryx completing the fund-raising of listed debentures.

Prior to closing the Oryx proposal, KEFI is permitted to advance competing financing proposals. However, the Directors of KEFI believe that the Oryx proposal has significant advantages for KEFI:

- Appropriate and low risk start-up finance for a company's first mine
- Equity dilution minimised
- Structure provides development funding on a safer basis than bank debt due to, inter alia:
  - Lease payments commencing 30 months after drawdown
  - Longer term of 9 years
- Debt can be repaid quickly if all goes according to plan: Cash flow projections at a gold price of US\$1,250/oz indicate capacity to repay in about full half-way through 9-year term
- Further reinforces the Company's key contracting relationships at both financial and operational level
- No stipulated hedging required but it has been agreed to jointly consider a modest hedging policy as part of risk management
- Provides on-site infrastructure for processing additional ore from potential underground mine below Tulu Kapi open pit and targeted satellite deposits

As announced on 24 May 2017, the strong Project cash flows as detailed in the 2017 Definitive Feasibility Study Update are expected to support rapid repayment of the Project financing.

### Off-site Infrastructure

As announced on 5 May 2017, the Ethiopian Government has agreed to finance the budgeted US\$20 million of capital expenditure for off-site infrastructure in exchange for Project equity of c. 20% in addition to its 5% free-carry. The Government's electricity and roads authorities will operate the relevant power lines and roads following completion of construction.

### Proposed Sources and Applications of Project Development Funding

	US\$ million
<b>Funding requirement:</b>	
Total funding needs before project financing structure, as previously reported	<b>160</b>
Extra funds required for project funding structure, particularly during grace period	<b>33</b>
<b>Total funding requirement</b>	<b>193</b>
<b>Proposed sources:</b>	
Bonds via Finance SPV	<b>135</b>
Ethiopian Government	<b>20</b>
Equity Funds already committed to KEFI for Project, from Lanstead and Lycopodium	<b>6</b>
Residual working capital funding required (including US\$13 million contingency)	<b>32</b>
<b>Total sources</b>	<b>193</b>

It should be noted that Lycopodium has confirmed its current intention to subscribe for US\$2.5 million of new ordinary shares in KEFI upon execution of the EPC contract and the Company continues to receive monthly settlements from Lanstead under the Settlement Agreement entered into with Lanstead in February 2017. The estimate of US\$6 million in the above table is based on the Company's current share price.

The Company intends to refine the requirement for the residual working capital funding of up to US\$32 million before the closing of Oryx funding, expected during the second half of 2017. Further detailed engineering and procurement work may lead to some savings in the US\$13 million contingency within the residual funding requirement.

There are a number of options open to the Company to secure the remaining funding including working capital facilities covering gold-in-ore-stockpiles with Development Bank of Ethiopia, Project-level equity with mining and engineering groups and further equity from KEFI in the Project company. It is currently anticipated that a combination of financing sources will ultimately be used, with KEFI's preference to retain majority ownership and control of the Project.

### **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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### **NOTES TO EDITORS**

#### **Oryx Management Limited**

Oryx Management Limited ("Oryx") is privately held Jersey incorporated company created for the purpose of identifying, evaluating, effecting and managing investment-ready opportunities for fixed asset leasing in the resources sector.



Oryx's alternative financing solution for the sector is to provide process plant and infrastructure assets to projects on a fixed-asset lease-to-buy basis, coupled with providing operating & maintenance services in relation to such Assets.

The founders and board of directors of Oryx comprise experienced mining professionals, chemical engineers and financiers with significant experience in the natural resources and construction sector. Its Australian, UK and African executive team has a close relationship with Lycopodium Limited, an Australian headquartered international engineering and project management consultancy which provides a complete range of services for the evaluation, development and implementation of projects worldwide.

## **KEFI Minerals plc**

KEFI is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.93Moz (100% of Tulu Kapi's 1.72Moz and 40% of Jibal Qutman's 0.73Moz) gold Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI targets that production at these projects generates cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

## **KEFI Minerals in Ethiopia**

The Tulu Kapi gold project in western Ethiopia is being progressed towards development, following a grant of a Mining Licence in April 2015.

Following completion of KEFI's Definitive Feasibility Study for Tulu Kapi, the Company is now progressing contractual terms for project construction and operation. Latest estimates for annual gold production are c. 120,000oz pa and All-in Sustaining Costs (including operating, sustaining capital and closure but not including financing charges) of <US\$800/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.12g/t gold, containing 1.05Moz.

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. These plans now also reflect the agreed construction and operating terms with project contractors, and have been independently reviewed by experts appointed for the project finance syndicate.

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.

The projected cash flows indicate that the net cash build-up (after servicing financing) in the first three production years is US\$61 million to US\$251 million for the gold price range of US\$1,100/oz to US\$1,900/oz which prevailed during the past seven years.

## **KEFI Minerals in the Kingdom of Saudi Arabia**

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, Abdul Rahman Saad Al-Rashid & Sons Company Limited ("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. To date, G&M has conducted preliminary regional reconnaissance and has had five exploration licences ("ELs") granted, including Jibal Qutman and the more recently granted Hawiah EL that contains over 6km strike length of outcropping gossans developed on altered and mineralised rocks with all the hallmarks of a copper-gold-zinc VHMS deposit.

At Jibal Qutman, G&M's flagship project, Mineral Resources are estimated to total 28.4Mt at 0.80g/t gold for 733,045 contained ounces. The shallow oxide portion of this resource is being evaluated as a low capital expenditure heap-leach mine development.

ARTAR, on behalf of G&M, holds a large portfolio of 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 instituted, and is further overhauling, 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.

Further information on KEFI can be found at [www.kefi-minerals.com](http://www.kefi-minerals.com)