

16 April 2019

KEFI Minerals plc

(“KEFI” or the “Company”)

Q1 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 January 2019 to 31 March 2019, together with more recent developments where appropriate.

Since 1 January 2019, any material events have been reported in separate announcements which are referred to below, along with explanatory updates on those and other related matters. It has been a very important quarter for the Company.

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

Government:

- *Prime Ministerial go-ahead for the Project:* Dr Abiy Ahmed, Prime Minister of Ethiopia, issued the remaining instructions for the Project go-ahead as announced on 5 March 2019.
- *Clearance of Community Resettlement:* The Ethiopian Federal Government has approved the resettlement plan and the Local Government has now approved the compensation calculations. The Regional Government has begun triggering the consecutive steps of the resettlement programme in consultation with the community and TKGM. The current focus is on the selection of individual land-parcels, house locations and training. This is expected to lead to compensation payments in July 2019 for the phase one move of some 60 households, with the preparations being completed in the meantime.
- *Clearance of other administrative matters:* The Federal Government consents have all been received from relevant Federal agencies other than some final aspects of the Project finance structure which has now been endorsed by the Prime Ministry. Details are being documented with the central bank which has issued approvals for capital ratios, hedging and bank accounts and we expect residual matters to be resolved shortly.

Project Financing Activities:

- **TKGM project development funding:**
 - Project equity of US\$58 million (Ethiopian Birr equivalent) has been committed from:
 - Ethiopian Government project equity of US\$20 million (Ethiopian Birr equivalent), as detailed in the announcement of 25 January 2019; and
 - Ethiopian private sector partner ANS Mining Share Company Limited (“ANS”) equity of US\$38 million (Ethiopian Birr equivalent): injection of

the first equity instalment of US\$11.4 million will be upon satisfaction of certain conditions, as detailed in the announcement of 8 April 2019.

- The plan will result in KEFI holding 81% of KME which will hold 59% of KGM. KEFI beneficial interest in TKGM thus being 45%.
- These project equity figures ignore past investment of c. US\$60 million.
- The mandated US\$160 million bond issue preparations continue.

Tulu Kapi Project development preparations:

- Project development planning:
 - Principal on-site Project contractors Lycopodium and Ausdrill have re-affirmed the 24-month development schedule and the 18-months thereof that commences in Q4 2019, after the wet season and phase one community resettlement. In the meantime, various engineering and contractual tasks are in process including detailed scheduling and updating of front end engineering and design.
 - Principal off-site Project contractors Ethiopian Electrical Power Corporation and Ethiopian Roads Authority have had budget approvals for their works and are preparing their sub-contractor tender documents for off-site infrastructure. Their work has started because their deadlines are of a critical path nature to allow plant commissioning to commence in Q4 2021.
 - The preferred transport contractor is finalising route surveys for deliveries.

KEFI Corporate

- Funding
 - £969,000 equity placing completed, as announced on 21 February 2019.
 - Initial £2 million working capital loan facility (convertible at no less than 2p), as announced on 30 October 2018, not yet utilised.
 - Project management and Project finance costs:
 - continue to be paid by KEFI as part of its Project equity investment into TKGM. Some of this will be paid to service providers in KEFI shares convertible at no less than 2p (see announcement 28 November 2018); and
 - will be paid by TKGM directly (instead of by KEFI) once its equity subscription funds become available in US\$;
 - Once TKGM becomes financially self-sufficient, KEFI-borne direct costs will contract back to c.£1 million p.a. (plus any commitments to exploration as it is started-up in parallel with construction at Tulu Kapi).
 - Capital inflows to KEFI are available under the working capital facility (maximum of up to £4 million, convertible at no less than 2p) and some cost-recoupments (estimated at £2 million) at full finance closing for TKGM.
- Tulu Kapi Project economics:
 - Financing refinements:
 - The latest Project finance plans provide for equity-funding of the first six of a twenty-four-month program. The important consequence of this is that cash can build up before first lease-

payment i.e. cash can build to a projected c. US\$80 million from a projected c. US\$40 million.

- Likewise, gold in ore stockpiles is also projected to increase, providing further “margin of safety”.
- TKGM projected financial statistics (as announced on 8 April 2019):
 - Based only on extracting its one million ounces of ore reserves within the planned open pit section of the Project, projections at US\$1,300/oz gold price remain in accordance with previous guidance, as supported by project feasibility studies and updates:
 - shareholders’ aggregate invested capital of c.US\$120-130 million including past and additional investment;
 - NPV after debt and after tax, at 8% discount rate of:
 - US\$117 million (£90 million) for 100% and US\$53 million (£40 million) for KEFI beneficial interest of 45% at start of construction, and
 - US\$193 million (£148 million) for 100% and US\$87 million (£66 million) for KEFI beneficial interest 45% at start of production two years later; and
 - Estimated average TKGM EBITDA of US\$72 million (£55 million) over 8 years and annual debt-service costs during production of US\$28 million (£22 million) over 8 years.

Ethiopian Exploration:

- *Ethiopia Regulatory Improvements:*
 - During 2018 Ethiopia emerged from two years of states of emergency and is undergoing a rapid and progressive transformation. The Ethiopian Government continues to push through an overhaul of regulations for various prioritised sectors including mining, to expedite development.
 - TKGM is the first major development for decades and has been honoured to be invited to be the industry representative for the Ethiopian Extractive Industries Transparency Initiative.
- *Mobilisation into field for exploration at Tulu Kapi and for district exploration:*
 - TKGM will start examining development scenarios for the 5-6 g/t underground deposit once construction of the open pit is underway.
 - KME’s exploration programs over its 1,900 sq km Tulu Kapi district areas will also trigger when major works start at Tulu Kapi. In the meantime, reconnaissance has commenced of the various already-drilled mineralised zones for follow-up.

Saudi Exploration Project

- *Saudi Regulatory Improvements:*
 - The new Saudi Government continues to overhaul of regulations for the extractive industries, to expedite development of what it targets to be the third pillar of its economy.
 - G&M has, over the past few years, positioned itself as the only long-standing explorer with a large exploration portfolio and non-Government-controlled.
- *Mobilisation into field at Hawiah:*
 - Hawiah is part of the 120 km long Wadi Bidah Mineralised District (“WBMD”) that is under licence or application for G&M. It contains 24 mapped Volcanic Massive Sulphide (“VMS”) systems for exploration, which will start in Hawiah.
 - The exploration team is in the field conducting trenching and geophysical surveys to follow up high-resolution multi-spectral satellite imagery analysis, in preparation for initial drilling in Q3 2019 of high priority copper-gold targets.
- *The Jibal Qutman Project:* this gold discovery of G&M sits within the regulatory authorities as an application for a mining licence and has been relegated in short term importance for G&M vis a vis WBMD.
- An announcement will be made providing details covering this and related programmes in due course.

Investor Webinar

The Company will host a live webinar at 11am BST on Thursday 18 April 2019 which can be accessed via:

<https://webcasting.brrmedia.co.uk/broadcast/5cb471a0eb566331974d6bf2> and also through www.brrmedia.co.uk

Listeners 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.