

28 February 2020

KEFI Minerals plc

(“KEFI” or the “Company”)

Q4 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 October 2019 to 31 December 2019 (“Q4”), together with more recent developments where appropriate.

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

Highlights

Ethiopia’s Tulu Kapi Gold Project (the “Project”)

- The commencement of the off-site development programme for the Tulu Kapi Gold Mine in late 2019 and closing with KEFI’s public sector equity partner.
- The next steps are to:
 - launch the on-site development and community resettlement;
 - execute all documentation, which is well advanced, for KEFI’s private sector equity partner ANS Mining Share Company (“ANS”); and
 - complete scheduled preparations and finance milestones leading to major works starting in the local dry season from October 2020.
- KEFI approved a new Project infrastructure debt-finance proposal, being a bank-loan based proposal received from two leading African banks as underwriters and co-lenders. A terms sheet was signed, which is subject to credit approval, and which provides better economics for TKGM.
- The gold price has firmed significantly since Q3 2019. Using the proposed bank loan infrastructure financing at the current gold price of circa US\$1,650/oz, KEFI estimates:
 - net cash flow of the open pit mine to be US\$502 million;
 - the Definitive Feasibility Study or DFS-based NPV of the open pit (US\$333 million) added to that of the PEA-based NPV of the underground mine (US\$103 million), totals to the aggregate Project NPV of US\$436 million. NPV’s are based on after tax cash net cash flows as at today; and
 - On this basis and after taking into account that KEFI has already invested nearly all of its contribution to the Project equity, KEFI’s 45% beneficial interest is US\$196 million (approximately £153 million), about seven times the current market capitalisation of the Company.

Saudi Arabia's Hawiah copper-gold-zinc-silver exploration project

- We discovered in Saudi Arabia's Hawiah licence area a polymetallic deposit. The first 45 drill holes identified three distinct massive sulphide lodes which vary in thickness from 3m up to a maximum of 19m. All of the massive sulphide assays received to date had encouraging grades of copper, gold, zinc and silver.
- The system remains open at depth and for the purposes of indicating the potential importance for KEFI shareholders, at an assumed 2% copper-equivalent which initial assay results would suggest is reasonable. The in-situ metal content of the indicated 12 million tonnes at current metal prices would approximate the analogous in-situ metal content of the one million ounce reserve in the open-pit at KEFI's Tulu Kapi Gold Project in Ethiopia, but the system is open at depth.
- The next step is to complete the current stage 2 drilling program with a view to reporting in mid-2020, a maiden resource in compliance with the JORC Code.

Investor Webinar

The Company will host a live webinar at 3pm Greenwich Mean Time (GMT) on Friday 6 March 2020, which can be accessed via:

<https://webcasting.brrmedia.co.uk/broadcast/5e5654752cd9120cce9f96b0>

Shareholders 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.

Enquiries

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Company Background

KEFI is focused on the prospective Arabian Nubian Shield and in particular on Ethiopia and Saudi Arabia both of which are prioritising development of the minerals sector. KEFI is an early-mover in both jurisdictions and manages joint ventures with prominent local partners.

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

Project Background

Ethiopia is Africa’s highest-growth country and undergoing a positive political transformation.

The TKGM is the first-mover for modern mining in the country and is structured as a public-private partnership with majority Ethiopian ownership and KEFI operatorship and support.

TKGM proceeds in compliance with relevant local and international governance standards for security, social and environmental aspects with independent monitoring.

Further background is set out below:

- KEFI acquired control of the Project in 2014 and overhauled its plans during 2014 and 2015. Of particular note was the extra drilling, trenching and quality-control/quality-assurance programs which led to (a) expansion of mineral resources from 1.1 million ounces to 1.6 million ounces, (b) lifting of head-grade from 1.8g/t to 2.1 g/t and (c) staging of development to improve early cash flows for faster payback.
- International experts involved in the overhauled DFS included Golders (Environment and Social), Snowden (Resources and Reserves) and Senet (processing and overall planning). Subsequent optimisations and independent reviews have been conducted as have tenders for construction and operations.
- International tenders of mining services and process plant led to the appointment of leading contractors Perenti (mining) and Lycopodium (processing) respectively.
- Other notable appointments include:
 - Senior development and operational management.
 - The preferred suppliers, refiners and other service providers.
 - The preferred project partners and principal project lenders.

Project Planning and Scheduling

- Project-equity funded programs underpin the following initial development activities:
 - Offsite Infrastructure: commencement of road and electricity connections. Initial works are principally surveying, engineering, tendering and procurement.
 - Onsite Infrastructure: resettlement program plus construction engineering & procurement.
- Major expenditures from the start of Ethiopia's dry season follow debt-finance close
- The two-year development includes the following activities as well as major works:
 - Operational readiness programs start in 2020 with a major emphasis on training of local personnel.
 - Optimisation studies in light of the gold price now being significantly higher than that assumed in mine planning, noting that ore reserves were based on cut-off grade derived from an assumed gold price of US\$1,098/oz.
 - Exploration and feasibility studies of the underground deposit beneath the Tulu Kapi open pit, the resource grade of which is 5-6g/t.
 - Exploration of the district for satellite deposits where several areas of mineralisation have been intercepted in the past.

Project Equity Financing – Ethiopia's first Public Private Partnership for Mine Development

KEFI has executed project-equity subscription agreements with partners in the public and private sector and KEFI's beneficial interest is planned at 45%. The Ethiopian investors have committed to ensuring that 55% is Ethiopian-owned and are working closely together to refine the syndicate structure as a public-private partnership between KEFI, the Federal and Regional Governments and private investment company, ANS.

Principal announcements made during the quarter include the following, with subsequent events noted:

- In October 2019, KEFI's project company TKGM had received all the Government permits and independent consultants reports required and development of offsite infrastructure.
- In February 2020, TKGM shareholder meetings passed the requisite shareholder resolutions and associated draft shareholder agreements have been circulated. All consequential subscription and shareholder documents are in the process of review by Government departments and ANS syndicate members for execution by the TKGM partners during March.

Project Debt-Financing – a conventional mining project financing

Between 2016 and 2018 the Company's project finance activities were hampered by states of emergency in Ethiopia. Conventional mining project contracting was nevertheless implemented, and for debt-finance, an innovative bond-lease based financing was mandated and progressed from 2017 until 2019. In 2019 the banks once again became interested in Ethiopian mining project finance and TKGM accepted a conventional bank-loan based proposal.

On 2 December 2019, KEFI announced that it had selected its preferred project infrastructure finance proposal, being a bank-loan based proposal received from two leading African banks as underwriters and co-lenders. A terms sheet was signed, subject to credit approval.

The bank-based proposal is considered by the Directors of the Project company, TKGM, to be more attractive and more straightforward to execute. In addition, the proposed bank lenders are actively working in Ethiopia, are familiar with the local market and many of our local stakeholders and thus considered more compatible with the Project consortium.

The amount of Project equity (US\$68 million) and subordinated working capital facility requirements (US\$14-24 million) remain essentially unchanged from those which applied under the previous bond-lease proposal, as do the contribution towards capital expenditure. However, material savings are expected from the bank-loan proposal in the cost of debt-servicing and administration, especially during the Project development and start-up period.

Project Economics

Using the proposed bank loan infrastructure financing at the current gold price of circa US\$1,650/oz, KEFI estimates:

- net cash flow of the open pit mine to be US\$502 million;
- the Definitive Feasibility Study or DFS-based NPV of the open pit (US\$333 million) added to that of the PEA-based NPV of the underground mine (US\$103 million), totals to the aggregate Project NPV of US\$436 million NPV's are on after tax cash net cash flows as at today.

On this basis and after taking into account that KEFI has already invested nearly all of its contribution to the Project equity, KEFI's 45% beneficial interest is US\$196 million (approximately £153 million), about seven times the current market capitalisation of the Company.

This does not include further potential upside offered by exploration underground where extensions of the 5-6 g/t indicated resource remain untested, in the adjacent Tulu Kapi district, where several areas of drill-intercepted pre-resource mineralisation require follow-up and in Saudi Arabia where drilling is currently intercepting massive sulphides in a large Volcanogenic Massive Sulphide occurrence.

Saudi Arabia

The Stage 1 Hawiah diamond drilling programme completed 26 drillholes in December 2019 and the initial results were announced on 23 January 2020. The results confirm the large-scale Volcanic Massive Sulphide ("VMS") style of mineralisation that underlies the 4km+ long surface gossanous ridgeline and coincident extensive and exceptionally strong geophysical anomalies. Copper-zinc-gold-silver sulphide mineralisation has been intercepted in drilling consistently over more than 4km of strike length, with intercepts of up to 5% copper equivalent.

The Stage 2 Hawiah drilling programme has to date added a further 19 drillholes, all of which have intercepted massive sulphide and confirms the positive progress towards delineating an initial Mineral Resource in accordance with the JORC Code by mid-2020. 45 diamond drillholes have now been completed in total (Stage 1 and Stage 2) and assays have been received for 20 drillholes.

Sufficient drilling has now been completed to identify three separate zones with the following preliminary parameters for potentially mineable lodes, with all zones remaining open at depth:

- The 'Camp Lode': 1.2km long, with an average width of 6m with the widest intersection of 19m found at a depth of 90m. The lode has been drilled to a depth of 300m where 9m of massive sulphide was intersected;
- The 'Crossroads Lode': 700m long, with an average width of 4m with the widest intersection being 8m. This lode has been explored to a maximum depth of 385m where 5m of massive sulphide was intersected; and
- The 'Crossroads Extension Lode': 1,000m long, with average width of 4m with the widest intersection being 12m at a depth of 112m. This part of the orebody is also open at depth and the deepest drillhole of 130m intersected 8m of massive sulphide.

At present the assay results from the massive sulphide intercepts are summarised as follows:

- Camp Lode which provides a preliminary indication that this part of the orebody carries the following grades: Copper 1.4%; Zinc 0.6%; Gold 0.74 g/t and Silver 12g/t over average true width of 6.2m.
- Assay results from the Crossroads lodes (including the extension) which so far provide a preliminary indication that this part of the ore body carries the following grades: Copper 1.5%; Zinc 1.12%; Gold 0.77g/t and Silver 14.4g/t over average true width of 4.9m.

The combination of these lodes on the sub-vertical structure drilled to date is considered likely to exceed 12 million tonnes in aggregate based on the results to date. For the purposes of indicating the potential relative importance for KEFI shareholders, at an assumed 2% copper-equivalent, the in-situ metal content of 12 million tonnes at current metal prices would approximate the analogous in-situ metal content of the 1 million ounce reserve at KEFI's Tulu Kapi Gold Project in Ethiopia.

A comprehensive update, including all details of all drillholes will be provided as soon as the majority of assays are received. In addition, the Company will also continue to assess the additional resource potential of Hawiah outside of the current drill programme, given drilling to date is yet to establish the extremities of the mineralisation at depth.

Competent Person Statement

The information in this announcement that relates to exploration results is based on information compiled by Mr Jeffrey Rayner. He is exploration adviser to KEFI, the Company's former Managing Director and a Member of the Australian Institute of Geoscientists ("AIG").

Mr Rayner is a geologist with sufficient relevant experience for Group reporting to qualify as a Competent Person as defined in the JORC Code 2012. Mr Rayner consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

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

The Company has regularly refined contractual terms for project construction and operation with principal contractors Lycopodium (processing) and Perenti (mining), both Australian mining industry leaders with some 30 years of successful track record in various African countries. Estimates include open pit gold production of c. 140,000oz pa for a 7-year period. These contractual arrangements are now entering the closing phase for sign-offs. Based on the most recent estimates, 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.

All plans are made with regard to the World Bank IFC Standards for social, environmental and other aspects.

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 37.5%% 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.