

18 January 2018

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

**Quarterly Operational Update**

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 provide an operational update for the period from 1 October 2017 to 31 December 2017.

This quarterly operational report encompasses the activities of KEFI Minerals (Ethiopia) Ltd ("KME") and Tulu Kapi Gold Mines Share Company Limited ("TKGM") in Ethiopia and Gold & Minerals Ltd ("G&M") in Saudi Arabia.

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

*"The focus of the quarter has been preparing project funding and development of the Tulu Kapi Gold Project in Ethiopia ("Tulu Kapi" or the "Tulu Kapi project") with our partner the Government of Ethiopia, contractors Lycopodium and Ausdrill/African Mining Services and preferred project financiers.*

*"The Saudi Arabian Government's new pro-mining policy has now been announced. KEFI looks forward to exploring its upgraded portfolio of targets with partner ARTAR, a leading Saudi conglomerate.*

*"The final Tulu Kapi project models were agreed within the consortium and uploaded into the formal financing data rooms. They show some improvements for shareholders, as compared with recent company guidance. During the next two years Tulu Kapi is to be built as a 140,000 oz pa gold producer and, at the current gold price of \$1,300/oz combined with any of the contemplated financing scenarios, KEFI shareholders' beneficial interest in the net free cash flow per annum (after debt service and tax) exceeds the Company's current market capitalisation.*

*"Our existing project pipeline in Ethiopia and Saudi Arabia provides the opportunity to build a production base of c. 200,000 oz pa of gold during Tulu Kapi's first three production years."*

**Tulu Kapi Gold Project, Ethiopia**

- Project contactors have confirmed costings and schedule for the final project models which have been uploaded into the formal financing data rooms, for equity and for debt.
- Updated economic outputs show some potential improvements for shareholders as compared with recent Company guidance.
- It remains the case that additional project-level equity investment may minimise the dilution of KEFI shareholders' beneficial interests. A project-level transaction on the same terms as with the Government would imply a project valuation of c. US\$100 million (100%) and, under that financing scenario, KEFI shareholders would expect to retain a beneficial ownership interest in the order of 55% in the Project. In light of the stronger gold price, the base case is now at US\$1,300/oz. Notable cash flow and NPV-style economic outputs at a gold price of US\$1,300/oz are set out below:

	Updated Models			
	100%	55%	100%	55%
Net cash flow pa in first 3 years, after debt service & tax:	\$32M	\$18M	£23M	£13M
Project NPV (8%) at start of construction Q2-18:	\$109M	\$60M	£79M	£44M
Project NPV (8%) once built, ie at production start Q1-2:	\$175M	\$96M	£128M	£71M

- The previous guidance included the following:
  - NPV (100%) at start of construction \$74M at \$1,250/oz (\$92M at \$1,300/oz) ,and
  - NPV (100%) at start of production \$131M at \$1,250/oz (\$152M at \$1,300/oz)
- Current market capitalisation is £10M or US\$13M, at 3 pence per share
- Ethiopia has for 15 years been in the world's top 10 growth countries and reported significant improvements in health, education and infrastructure for its population of c. 100 million. It is now the world's highest growth country and the consistent commitment to national development is reflected in the Government commitment to supporting development of the minerals sector and its particular support of Tulu Kapi and KEFI.

#### **Tulu Kapi Project Financing:**

- Drawdown: target timing to be synchronised with community resettlement and the triggering of procurement and construction in Q2-18. Remains subject to completion of due diligence, regulatory approvals and execution of binding documentation.
- Government approvals being implemented as required:
  - The Mining Licence transfer to TKGM has been cleared and execution in process as has regulatory approval of most historical investment by KME, in that 95% of the spending to 31 December 2014 has been formally approved and the balance, along with the spending since 1 January 2015, is now being dealt with.
  - The community compensation surveys, calculations and negotiations have been completed.
  - The Ethiopian Electricity Power Corporation and Ethiopian Roads Authority have confirmed their budget and schedule commitment to construct the project's off-site infrastructure.
  - National Bank of Ethiopia (central bank) has approved most administrative requests and is engaging on the remaining issues
- Planned funding remains unchanged but the structure has been streamlined. Oryx and KEFI mutually agreed to terminate their relationship. The structure for the development of the Company's Tulu Kapi project will otherwise remain the same, with the other existing consortium members still performing all the various required roles as previously outlined.

#### **Gold & Minerals ("G&M") Ltd, an incorporated joint venture with 60%-partner ARTAR, Saudi Arabia**

- New minerals policies announced by the Saudi Government: to facilitate growth and making it the third pillar of the Saudi economy.
- Portfolio of Licence Applications: G&M has upgraded its portfolio and now has pegged much of a major structural VHMS belt - a structural corridor containing several systems of volcanic hosted massive sulphides. A separate RNS will be issued when the new regulatory details are clarified along with G&M's particular tenements.

## Investor Event & Webinar

The Company will be hosting an investor event on Tuesday 13 February. The event will be held at Davy's at Woolgate Bar and Brasserie, 25 Basinghall St, London EC2V 5HA from 6:00pm and will take the form of a Company presentation followed by a Q&A session.

Investors and shareholders who wish to attend the event should register their interest by visiting the link below:

<https://www.eventbrite.co.uk/e/kefi-minerals-plc-investor-event-tickets-42240526552>

The Company will host a live webinar at 4pm BST on Wednesday 14 February 2018 via:

<http://webcasting.brrmedia.co.uk/broadcast/5a5e24268af763143b8268b2>

Listeners are encouraged to submit questions by emailing: [questions@brrmedia.co.uk](mailto: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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Further information can be viewed on [www.kefi-minerals.com](http://www.kefi-minerals.com)

## NOTES TO EDITOR

### **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.

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 1,100 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, 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 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, 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 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.